

**DRAFT RED HERRING PROSPECTUS**

March 2, 2011

Please read Section 60B of the Companies Act, 1956

(This Draft Red Herring Prospectus will be updated upon filing with RoC)

**100 % Book Built Issue****BIO ETHANOL AGRO INDUSTRIES LIMITED**

(Our Company was originally incorporated as Bio Ethanol India Limited vide Certificate of Incorporation dated June 8, 2006 issued by the Registrar of Companies Hyderabad, Andhra Pradesh under the provisions of the Companies Act, 1956 and obtained Certificate for Commencement of Business on September 01, 2006. Thereafter our Company has changed its name from Bio Ethanol India Limited to Bio Ethanol Agro Industries Limited w.e.f. October 22, 2010).

**Registered Office:** D.No. 9-33/1 Andhra Bank Street, Tallapudi, District West Godavari 534 341, Andhra Pradesh **Tel.:** (08813) 215010; **Fax:** (08813) 282098;

(For details of change in our Registered Office, please refer to page no. 7 of this Draft Red Herring Prospectus)

**Corporate Office:** Plot No.1, 2nd Floor, JR Towers, Road No.2, Banjara Hills, Hyderabad-500034, **Tel.:** (040) 23547775, **Fax:** (040) 23540763,

**Website:** [www.bioethanolindia.com](http://www.bioethanolindia.com); **Company Secretary and Compliance Officer:** Mr. Gouse Shaik, Company Secretary; **Email:** [cs@bioethanolindia.com](mailto:cs@bioethanolindia.com)

**NAME OF PROMOTERS: MR. A. VEERABHADRA RAO AND MR. VENKATA S. MEENAVALLI**

**PUBLIC ISSUE OF [●] EQUITY SHARES OF ₹ 10/- EACH AT A PRICE OF ₹ [●] PER EQUITY SHARE, AGGREGATING ₹ 6200 LAKHS (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE [●]% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.**

This Issue is being made in terms of Regulation 26(2)(a)(ii) and (b)(i) of SEBI (ICDR) Regulations, 2009 as amended from time to time, wherein 15% of the cost of project is contributed by scheduled commercial banks or public financial institutions, of which not less than 10% shall come from the appraisers and the Company undertake to allot at least 10% of the Issue Size to QIBs failing which the Company shall refund the entire subscription monies.

**PRICE BAND: ₹ [●] TO [●] PER EQUITY SHARE OF FACE VALUE OF ₹ 10/- EACH**

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

This Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue shall be available for allocation to Qualified Institutional Buyers ("QIBs"), but at least 10% of the Issue size shall be mandatorily allotted to QIBs on a proportionate basis failing which the full subscription monies shall be refunded. Out of the QIB portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for 3 additional working days after such revision, subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding/Issue Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, by issuing a press release and by indicating the change on the websites of the Book Running Lead Manager ("BRLM") and the terminals of the members of the Syndicate.

All potential investors, may participate in the Issue through an Application Supported by Blocked Amount ("ASBA") process providing details about the bank account which will be blocked by the Self Certified Syndicate Banks ("SCSBs") for the same. For details, please see the section titled "Issue Procedure" on page no. 159.

**RISK IN RELATION TO THE FIRST ISSUE**

This being the first issue of the Equity Shares of Bio Ethanol Agro Industries ("our Company"), there has been no formal market for the Equity Shares of our Company. **The face value of the Equity Shares of the Company is ₹ 10/- per share and the Floor Price is [●] times of the face value and the Cap Price is [●] times of the face value of the Equity Shares of the Company.** The Issue Price (as determined by our Company, in consultation with Book Running Lead Manager, on the basis of the assessment of market demand for the Equity Shares by way of the Book Building Process and as stated in the section titled 'Basis of Issue Price') should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

**GENERAL RISKS**

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of 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 this Draft Red Herring Prospectus. **Specific attention of the investors is invited to the section titled 'Risk Factors' beginning on page iii of this Draft Red Herring Prospectus.**

**ISSUER'S ABSOLUTE RESPONSIBILITY**

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this 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.

**LISTING**

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The in-principle approvals of BSE and NSE for listing of Equity Shares of our Company have been received pursuant to letters dated [●] and [●] respectively. BSE shall be the Designated Stock Exchange for the purpose of this Issue.

**IPO GRADING**

This Issue has been graded by [●] and has been assigned "[●]/5" indicating [●]. ("IPO Grade") to the Initial Public Offering of our Company. For more information on IPO Grading, please refer to the section titled "General Information" and "Other Regulatory and Statutory Disclosures" on page no. 9 and 144 of this Draft Red Herring Prospectus.

**BOOK RUNNING LEAD MANAGER TO THE ISSUE**

**ALMONDZ GLOBAL SECURITIES LIMITED**  
2nd Floor, 3 Scindia House, Janpath, New Delhi - 110001  
**Tel:** (011) 41514666-69 **Fax:** (011) 41514665  
**Website:** [www.almondzglobal.com](http://www.almondzglobal.com)  
**Email:** [bio\\_ipo@almondz.com](mailto:bio_ipo@almondz.com)  
**Investor Grievance:** [complaint@almondz.com](mailto:complaint@almondz.com)  
**Contact Person:** Mr. Puneet Arora  
**SEBI Registration No:** INM000000834

**REGISTRAR TO THE ISSUE**

**BIGSHARE SERVICES PRIVATE LIMITED**  
E/2 Ansa Industrial Estate, Saki Vihar Road, Saki Naka  
Andheri (East), Mumbai-400072  
**Tel :** (022) 4043 0200, **Fax:** (022) 2847 5207  
**E-mail:** [ipo@bigshareonline.com](mailto:ipo@bigshareonline.com)  
**Website:** [www.bigshareonline.com](http://www.bigshareonline.com)  
**Contact Person:** Mr. Ashok Shetty  
**SEBI Registration Number:** INR000001385

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

## TABLE OF CONTENTS

	Page no.
<b>Section I: General: Definitions and Abbreviations</b>	
Company related terms	a
Issue related terms / abbreviations	b
Abbreviations / General / Conventional terms	f
Technical and industry related terms	h
<b>Section II: Risk Factors</b>	
Certain Conventions; Use of Financial Information and Market Data	i
Forward Looking Statements	ii
Risk Factors	iii
<b>Section III: Introduction</b>	
Summary	1
Summary of Financial Data	4
The Issue	6
General Information	7
Capital Structure	14
Objects of the Issue	30
Basic Terms of the Issue	39
Basis for the Issue Price	42
Statement of Tax Benefits	44
<b>Section IV: About the Company</b>	
Industry Overview	56
Our Business	62
Our Financial Indebtedness	71
Regulations and Policies	72
History and certain Corporate matters	78
Our Management	82
Our Promoters	92
Our Promoter Group	95
Related Party Transactions	107
Dividend Policy	108
<b>Section V: Financial Information of the Company</b>	
Auditors Report	109
Management's Discussion and Analysis of Financial Condition and Results of Operations	125
<b>Section VI: Legal and Other Information</b>	
Outstanding Litigations and Material Developments	131
Government Approvals/ Licensing Arrangements	134
<b>Section VII: Other Regulatory and Statutory Disclosures</b>	139
<b>Section VIII: Issue Related Information</b>	
Terms of the Issue	149
Issue Procedure	152
<b>Section IX: Main Provisions of Articles of Association of the Company</b>	190
<b>Section X: Other Information</b>	
Material Contracts and Documents for Inspection	206
Declaration	208

## SECTION I: GENERAL- DEFINITIONS AND ABBREVIATIONS

Definitions and abbreviations of certain capitalised terms used in this Draft Red Herring Prospectus are set forth below:

### Company Related Terms

Term	Description
“Bio Ethanol Agro Industries Limited” or “Issuer” or “the Company”, “Our Company”	Bio Ethanol Agro Industries Limited, a public limited company incorporated under the Companies Act, 1956 with registered office at D.N0 9-33/1. Andhra Bank Street,Tallapudi, West Godavari (Dist.) 534 341 Andhra Pradesh, India
“We” or “us” or “our”	Unless the context otherwise requires, refers to Bio Ethanol Agro Industries Limited
Appraisal Report	Appraisal Report dated October 4, 2010 by Bank of Baroda
Articles/ Articles of Association	The Articles of Association of Bio Ethanol Agro Industries Limited, as amended.
Auditors	The statutory auditors of Bio Ethanol Agro Industries Limited viz. M/s B S R & Associates, Chartered Accountants
Board of Directors/ Board	The Board of Directors of Bio Ethanol Agro Industries Limited
Companies Act	The Companies Act, 1956, as amended
Corporate Office	Plot No.1, 2 <sup>nd</sup> Floor, JR Towers, Road No.2, Banjara Hills, Hyderabad-500034
Depositories Act	The Depositories Act, 1996, as amended
Director(s)	The Director(s) of Bio Ethanol Agro Industries Limited, unless otherwise specified.
Equity Shares	Equity Shares of the Company of face value of ₹ 10 each unless otherwise specified in the context thereof
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India.
CARE	Credit Analysis & Research Limited
MOA/Memorandum/ Memorandum of Association	Memorandum of Association of Bio Ethanol Agro Industries Limited as amended
Non Residents	Persons resident outside India, as defined under FEMA
NRIs/ Non-Resident Indians	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under Foreign Exchange Management (Deposit) Regulations, 2000.
Phase - I	Manufacture of 30 KLPD of Extra Neutral Alcohol; 22 TPD of Distiller’s Dried Grains with Solubles and 2 KLPD of Rectified Spirit
Phase - II	Manufacture of 30 KLPD of Extra Neutral Alcohol; 2 KLPD of Rectified Spirit; 30 MTPD of CO <sub>2</sub> ; 22 TPD of Distiller’s Dried Grains with Solubles; and 1.5

	MW of power plant.
Promoters	Mr. A. Veerabhadra Rao and Mr. Venkata S. Meenavalli
Promoter Group	The persons constituting our Promoter Group pursuant to Regulation 2(1)(zb) of SEBI (ICDR) Regulations
Promoter Group Entities	Northgate Technologies Limited, Stampede Holdings Limited, Social Media India Limited, Green Fire Agri Commodities Private Limited, Green Fire Agro Tech Private Limited, Globe7 HK Limited, Globe7 Pte. Limited, Axill Europe Limited, Northgate Investments Pte. Limited, Globe7 UK Limited, and Globe7 Americas Inc.
Registered Office	The registered office of the Company located at D.N0 9-33/1. Andhra Bank Street, Tallapudi, West Godavari (Dist.) 534 341 Andhra Pradesh, India
ROC/Registrar of Companies	The Registrar of Companies, , Hyderabad, Andhra Pradesh
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI (ICDR) Regulations	Securities and Exchange Board of India (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, 1997, as amended
SICA	Sick Industrial Companies (Special Provisions) Act, 1985
Stock Exchanges	Bombay Stock Exchange Limited and National Stock Exchange of India Limited

### Issue Related Terms / Abbreviations

Term	Description
Almondz	Almondz Global Securities Limited
Allot/Allotment/Allocation	Issue of Equity Shares pursuant to the Issue to the successful Bidders as the context requires.
Allottee	The successful bidder to whom the Equity Shares are being / have been issued.
Applications Supported by Blocked Amount / ASBA	The application (whether physical or electronic) for subscribing to this Issue alongwith an authorization to SCSB to block the Bid Amount in their specified bank account
ASBA Bidders / ASBA Investors	means any Investor/ Bidder, who intends to apply through ASBA process
ASBA Form / Bid-cum-ASBA Form	The form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purpose of Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus
ASBA Process	The ASBA process, as detailed in the section titled "Issue Procedure" beginning on page no. 144 of this Draft Red Herring Prospectus.
ASBA Revision Form	The forms used by the ASBA Bidders to modify the quantity of equity shares or bid price in any of their Bid-cum-ASBA Forms or any previous Revision

	Form(s).
Banker(s) / Escrow Bankers to the Issue	[•]
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe for Equity Shares in terms of the Red Herring Prospectus
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid-cum-Application Form / Bid Form	The form used by the Bidder (including the format of such application form used by the ASBA Bidder, whether physical or electronic) to make a Bid and which will be considered as the application for allotment for the purposes of the Red Herring Prospectus.
Bid Closing Date / Issue Closing Date	The date after which the Syndicate Members and SCSBs will not accept any Bids for the Issue, which shall be notified in an English National Newspaper, Hindi National Newspaper and Telegu Newspaper with wide circulation
Bid Opening Date / Issue Opening Date	The date on which the Syndicate Members and SCSBs shall start accepting Bids for the Issue, which shall be the date notified in an English National Newspaper, Hindi National Newspaper and Telegu Newspaper with wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Draft Red Herring Prospectus and the Bid cum Application Form or ASBA Form as the case may be.
Bidding Period/ 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 may submit their Bids.
Book Building Process	The book building process as described in Schedule XI of the SEBI (ICDR) Regulations and in terms of which this Issue is made.
BRLM / Book Running Lead Manager	The Book Running Lead Manager to the Issue, in this case being Almondz Global Securities Limited
CAN/Confirmation of Allocation Note	The note or advice or intimation including any revisions thereof, sent to each successful Bidder indicating the Equity Shares allocated after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Controlling Branches	Such branches of the SCSBs which coordinate with the BRLMs, the Registrar to the Issue and the Stock Exchanges and a list of which is available at <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a> .
Cut-off Price	The Issue Price finalized by our Company in consultation with the BRLM and it shall be any price within the price band. Only Retail Individual Bidders are entitled to bid at Cut-off Price, for a Bid Amount not exceeding ₹ 2,00,000. Qualified Institutional Buyers and Non-Institutional Bidders are not entitled to bid at Cut-off Price.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time
Depository Act	The Depositories Act, 1996 as amended from time to time
Depository Participant or DP	A depository participant as defined under the Depositories Act.

Designated Branches	Such branches of the SCSBs which shall collect the Bid-cum- ASBA Application Forms used by ASBA Bidders and a list of which is available at <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a> .
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account to the Public Issue Account or the amount blocked by the SCSBs is transferred from the bank account of the ASBA Bidders to the ASBA Public Issue Account, as the case may be, after the Prospectus is filed with the ROC, and following which the Board of Directors shall Allot Equity Shares to successful Bidders.
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus / DRHP	This Draft Red Herring Prospectus filed with SEBI, prepared and issued by our Company in accordance with the SEBI Regulations.
Electronic ASBA	Submission of Bid-cum-ASBA Form electronically, by an ASBA Investor, through the internet banking facility offered by the SCSBs.
Equity Shares	Equity Shares of the Company of face value of ₹ 10/- each, unless otherwise specified in the context thereof.
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding the ASBA Bidder) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into amongst our Company, the Registrar, the Escrow Collection Bank(s), the BRLM, and the Syndicate Members for collection of the Bid Amounts and for remitting refunds (if any) of the amounts collected, to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Bankers to the Issue at which the Escrow Account will be opened.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the Bid-cum ASBA Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
IPO	Initial Public Offering
Issue / Public Issue	Public Issue of [•] Equity Shares of ₹ 10/- each for cash at a price of ₹ [•] per equity share, aggregating ₹ 6,200 lakhs. The Issue would constitute [•] % of the fully diluted post issue paid-up capital of our Company.
Issue Account / Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account and from the SCSBs from the bank accounts of the Bidders on the Designated Date
Issue Price	The final price at which the Equity Shares will be allotted in terms of the Red Herring Prospectus, as determined by our Company in consultation with BRLM.
Issue Proceeds	Gross proceeds to be raised by our Company through this Issue.
Members of the Syndicate	The BRLM and the Syndicate Members
Mutual Funds	Mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended.

Mutual Fund Portion	[•] Equity Shares or 5% of the QIB Portion, available for allocation to Mutual Funds out of the QIB Portion
Net Proceeds	Issue proceeds less issue expenses
Non Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue, including affiliates of BRLM and Syndicate Members, or Retail Individual Bidders and who have bid for an amount more than ₹ 2,00,000.
Non Institutional Portion	The portion of the Issue being not less than 15% of the Issue consisting of [•] Equity Shares, available for allocation to Non-Institutional Bidders.
Physical ASBA	ASBA Forms submitted by an ASBA Investor physically with the designated branches of the SCSBs.
Price Band	Being the price band of a minimum price of ₹ [•] per Equity Share (Floor Price) and the maximum price of ₹ [•] per Equity Share (Cap Price) (both inclusive), and including revision thereof.
Pricing Date	Means the date on which the Company, in consultation with the BRLM, finalizes the Issue Price.
Prospectus	The Prospectus, filed with the ROC containing, <i>inter-alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Qualified Institutional Buyers/QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Foreign Institutional Investors and sub account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Venture Capital Funds registered with SEBI, Foreign venture capital funds registered with SEBI, Multilateral and bilateral development financial institutions, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of ₹ 2,500 lakhs, Pension Funds 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 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 Department of Posts such as Postal Life Insurance Fund (PLIF) and Rural Postal Life Insurance Fund (RPLIF).
QIB Portion	Upto 50% of the Issue being [•] Equity Shares of ₹ 10/- each available for allocation to QIB bidders.
RHP or Red Herring Prospectus	Means the document issued in accordance with Section 60B of the Companies Act and does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with RoC after the pricing date.
Refund Account	Account opened with an Escrow Collection Bank from which the refunds of the whole or part of the Bid Amount (excluding to the ASBA Bidders), if any, shall be made.
Refund Bank	The Banker(s) to the Issue, with whom the Refund Account(s) will be opened, in this case being [•]

Refunds through electronic transfer of funds	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit or RTGS or NEFT or the ASBA process, as applicable.
Registrar/Registrar to this Issue	Registrar to the Issue, in this case being Bigshare Services Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have made their bid for Equity Shares for a cumulative amount of not more than ₹ 2,00,000.
Retail Portion	The portion of the Issue being not less than 35% of the Issue Size consisting of [•] Equity Shares of ₹ 10 each, available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Form or any previous Revision Form(s).
SCSBs or Self Certified Syndicate Banks	SCSB is a bank, registered under the SEBI (Bankers to the Issue) Regulations 1996, which offers the facility of applying through the ASBA process and has its name included in the SEBI's list of SCSBs displayed on its website at <a href="http://www.sebi.gov.in">www.sebi.gov.in</a> .
Syndicate Agreement	Agreement to be entered into among our Company and Syndicate Member(s) in relation to the collection of Bids in the Issue (excluding Bids from the ASBA Bidders)
Syndicate Members	[•]
Transaction Registration Slip/TRS	The slip or document registering the Bids, issued by the Syndicate Members to the Bidder as proof of registration of the Bid on submission of the Bid cum Application Form in terms of the Red Herring Prospectus
Underwriters	Members of the Syndicate
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date

#### Abbreviations / General / Conventional Terms

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
A/c	Account
AY	Assessment Year
BPLR	Bank Prime Lending Rate
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CIN	Company Identification Number
CIT	Commissioner of Income Tax
DB	Designated Branch



DIN	Director Identification Number
DIPP	Department of Industrial Policy and Promotion, Ministry of Commerce, Government of India
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EPS	Earning Per Share
FTP	Foreign Trade Policy
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FIPB	Foreign Investment Promotion Board
FIIIs	Foreign Institutional Investors (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FY / Fiscal/Financial Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated
GoI/Government	Government of India
GDP	Gross Domestic Product
HUF	Hindu Undivided Family
INR	Indian Rupee
IT	Information Technology
I.T. Act	Income Tax Act, 1961, as amended from time to time
km	Kilometer
MOU/MoU	Memorandum of Understanding
Merchant Banker	Merchant Banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992
NA	Not Applicable
NAV	Net Asset Value
NCT	National Capital Region
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	National Stock Exchange of India Limited
OCB	Overseas Corporate Bodies
p.a.	per annum

PAN	Permanent Account Number
PAT	Profit After Tax
P/E Ratio	Price/Earnings Ratio
RBI	The Reserve Bank of India
ROE	Return on Equity
RONW	Return on Net Worth
₹ or Rs.	Rupees, the official currency of the Republic of India
RTGS	Real Time Gross Settlement
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
Sec.	Section
STT	Securities Transaction Tax
US/United States	United States of America
USD/ US\$/ \$	United States Dollar, the official currency of the United States of America
VCF /Venture Capital Fund	Foreign Venture Capital Funds (as defined under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996) registered with SEBI under applicable laws in India.

#### Technical / Industry Related Terms

Terms	Description
APEDCL	Andhra Pradesh Eastern Power Distribution Company Limited
CO <sub>2</sub>	Carbon Dioxide
CPP	Captive Power Plant
DDGS	Distiller's Dried Grains with Solubles
DG	Diesel Generator
DIFAT	Diploma in Industrial Fermentation and Alcohol Industry
DM	Demineralized water
ENA	Extra Neutral Alcohol
EPC	Engineering, Procurement and Commissioning
FO Column	Fusel Oil Column
HC Column	Heads concentration Column
HT	High Tension
IMFL	Indian Made Foreign Liquor
KL	Kilo Liters
KVA	Kilo Volts Ampere
KLPD	Kilo Liters Per Day
MIC	Medium Interface Cable
MSP	Minimum Support Price
MS Structure	Mild Steel Structure
MTPD	Metric Tonnes Per Day
NH9	National Highway 9

PLC	Progammmable Logic Control
PRDS	Presssure Reduction and De Superheating
RCC	Reinforced Cement Concrete
RS	Rectified Spirit
TA	Technical Alcohol
TPH	Tonnes Per Hour
TPD or T/Day	Tonnes Per Day
UCR	Uncoursed Random

## **SECTION II: RISK FACTORS**

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

Unless stated otherwise, the financial information and data used in this Draft Red Herring Prospectus is derived from our Company's restated financial statement as of six months ended September 30, 2010, FY 2009-10, FY 2008-09, 9-months period ended March 31, 2008, and period June 8, 2006 to June 30, 2007 prepared in accordance with Indian GAAP and the Companies Act, 1956 and adjusted in accordance with SEBI (ICDR) Regulations, as stated in the report of our Statutory Auditors, M/s B S R and Associates, Chartered Accountants, included in this Draft Red Herring Prospectus.

References herein to fiscal years i.e. fiscal 2010, and 2009 are to the financial years ended March 31 of a particular year.

Unless stated otherwise, throughout this Draft Red Herring Prospectus, all figures have been expressed in lakhs. In this Draft Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to the other gender. All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India.

In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed may be due to rounding off.

For additional definitions, see the section titled 'Definitions and Abbreviations' beginning on page a of this Draft Red Herring Prospectus. Market and industry data used throughout this Draft Red Herring Prospectus has been obtained from industry publications, government and internal company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although our Company believes market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by our Company to be reliable, have not been verified by any independent source.

## FORWARD-LOOKING STATEMENTS

All statements included in this Draft Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expression 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. Important factors that could cause actual results to differ materially from the expectations include but are not limited to: -

- General economic and business conditions in the markets in which we operate and in the local, regional, national and international economies;
- Regulatory changes relating to the industries in which we operate;
- Ability to successfully implement Company’s strategy, growth and expansion, technological changes, Company’s exposure to market risks that have an impact on its business activities or investments;
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations, taxes and changes in competition in industry;
- Changes in the value of the Rupee and other currencies;
- The occurrence of natural disasters or calamities;
- Changes in political condition in India.

For further discussion of factors that could cause actual results to differ, see the section titled “Risk Factors” and “Our Business” beginning on page no. iii and 62 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. Neither our Company nor the Book Running Lead Manager nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI / Stock Exchanges requirements, our Company, and Book Running Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

## RISK FACTORS

*An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risk and uncertainties described below, before making an investment in the Equity Shares. If any of the following risk actually occurs, our business, financial condition and results of our operations could suffer, the trading price of our equity shares could decline, and you may lose all or part of your investment. The risk factors set forth below do not purport to be complete or comprehensive in terms of all the risk factors that may arise in connection with our business or any decision to purchase, own or dispose off the Equity Shares. The risks and risk factors set forth below are not an exhaustive list of the risks currently facing us or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on our business, financial condition and results of operations.*

*Investors are advised to read the risk factors carefully before taking an investment decision in this offering. Before making an investment decision, investors must rely on their own examination of the offer and us. The Draft Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and in the section titled "Forward-Looking Statements" on page no. ii of this Draft Red Herring Prospectus.*

*Unless specified or quantified in the relevant risk factors mentioned below, our Company is not in a position to ascertain the financial and other implication of any of the other risks mentioned below. Unless otherwise stated, the financial information used in this section is derived from and should be read in conjunction with restated financial statements of the Company as of and for the six months ended September 30, 2010, FY 2009-10, FY 2008-09, 9-months period ended March 31, 2008, and period June 8, 2006 to June 30, 2007, in each case prepared in accordance with Indian GAAP, including the schedules, annexure and notes thereto.*

### **Materiality**

The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

1. Some events may have material impact qualitatively instead of quantitatively.
2. Some events may not be material individually but may be found material collectively.
3. Some events may not be material at present but may be having material impact in future.

## **INTERNAL RISK FACTORS**

### **1. Availability and prices of grain as raw material may adversely affect our operations.**

Alcohol industry is a raw material intensive industry. Our project is multi-grain distillation plant, however we propose to use maize as the raw material as the plant is located near the maize growing belts. Andhra Pradesh is the leading maize producing State in India, followed by Karnataka, Maharashtra, Rajasthan and Bihar. But any disruption or shortage or non-availability in the supply of raw material on account of any reason, may lead to hampering of the production process flow, which in turn could affect our operations and financial performance. Further, during the past 3-4 years, Minimum Support Price (MSP) for maize has gone up from ₹ 540 per quintal in 2006-07 to ₹ 880 per quintal in 2010-11. Fluctuation in the cost of raw materials, will put pressure on our margins and could also impact our financial condition and results of operations, if we are unable to pass on the increased cost on to our customers. Whilst, we will try to improve our operating efficiencies and reduce expenditures to off-set any such pricing pressures in order to maintain our profit margins, there is no assurance that we will be able to offset these pricing pressures through improved operating efficiencies and reduced expenditures.

2. *Our production to a large extent will be dependent on the overall area under cultivation and the cropping pattern adopted by the farming community in India. Any reduction in the area under cultivation and the cropping pattern may impact our operations and profitability.*

Our Company will be significantly dependent on maize, an agricultural product. We do not own any land for the cultivation of maize or any other feedstock and we propose to purchase the entire requirement of maize from farmers directly or through agents or from the Commodity Stock Exchange(s). The area sown under maize in Andhra Pradesh in Khariff 2010 is reported at 4.32 lakh hectares which is 19% less than the normal area sown in the state in this season. The area under agricultural crops in India, in general, was more or less stagnant over the last 4 years and with rising population, increasing agricultural yield and productivity is of utmost importance. Any significant reduction (10% or more) in the area under cultivation in these crops may significantly affect sourcing of our raw material. Any significant changes in the cultivable area and the cropping pattern in India of the said crop may adversely impact our revenues and profitability.

3. *There are no supply agreements for the raw materials required for manufacturing of our products which may adversely impact our business and financial operations.*

We do not have any long-term supply contracts with respect to raw material used in the production of our products. Our Company will be dependent on agents who will be authorised by us to make purchases of raw material in local agricultural commodities markets called 'mandis'. Inability on the part of such agents to procure the required quantities and/or the desired quality of maize, in a timely manner, or at all, could adversely affect our operations and profitability. Further, our Company may enter into oral agreements with such agents and accordingly, we can not assure you that our Company would be able to enforce the obligations of such agents under such oral agreements or be able to maintain these arrangements on substantially the same terms, if at all, which could have an adverse effect on our Company's operations and profitability.

4. *Our Company does not have any long term supply contracts with our potential customers which may adversely affect our results of operations.*

Our Company does not have any long term commitments from our potential customers to make purchases of our products. As a result we may be dependent on the regular purchase orders received from them from time to time. There is no assurance that our Company will continue to receive purchase orders for our products either on substantially the same terms or at all, which could have an adverse effect on our Company's operations and profitability. Further, any change in the buying pattern of our end users can adversely affect the business of our Company.

5. *Adverse weather conditions, crop disease, pest attacks may adversely affect crop yields.*

Our production depends on the quality of maize that is supplied to us. Crop yields depend primarily on the variety of seeds, the presence of any crop disease and weather conditions such as adequate rainfall and temperature, which vary from location to location. Adverse weather conditions will cause crop failures and reduce harvest, which in turn will impact our business operations. Flood, drought or frost can also adversely affect the supply and in turn pricing of the maize. There can be no assurance that future weather patterns, potential crop disease or the cultivation of certain crop varieties will not reduce the quantity of maize that can be recovered in any given harvest. Any reduction in the desired quantity of maize could have a material adverse effect on our results of operations.

6. *We do not have any prior experience of setting up the manufacturing operations of this scale and also do not have experience in Alcohol Industry. Any inability on our part to successfully set up and operate manufacturing unit could adversely impact our financials.*

Our Company has been promoted by Mr. A. Veerabhadra Rao and Mr. Venkata S. Meenavalli in the year 2006. Mr. A. Veerabhadra Rao, a first generation entrepreneur, has prior experience of working in alcohol and distillery industry. However, Mr. Venkata S. Meenavalli does not have any prior experience in alcohol and distillery industry. The manufacture of Ethanol involves various risks, including, among others, regulatory risks, financing risks, construction risks and the risk that these projects may prove unprofitable. We do not have any experience in manufacturing and commissioning of this sector. We are presently, and are likely to be for some time, dependent on the technical knowledge and expertise of EPC Contractor, who have sufficient experience of implementation of these projects or our key managerial personnel. Our ability to succeed in proposed project may be hampered by our inexperience with managing challenges related to unforeseen expenses, difficulties, the location of our projects, availability of raw materials, complications and delays. We cannot assure you that we can manage such challenges in operating our project effectively. Any failure to manage such challenges could delay our ability to meet our customers' requirements and delay our ability to generate revenue from projects, which could have a material adverse impact on our business, financial condition and results of operations.

7. *Some of our Promoter Group Companies have incurred losses in the preceding three financial years. The following statement showing losses incurred by them during the preceding three financial years:*

(₹ In lakhs)

Particulars	2009-10	2008-09	2007-08
Northgate Technologies Limited	(14,698.44)	(29,543.80)	7,284.66
Social Media India Limited	(994.16)	(491.08)	(396.90)
Globe7 Pte Limited	(16,345.33)	(28,680.77)	896.89
Globe7 HK Limited	(1,625.16)	(17,671.34)	2,315.78
Northgate Investments Pte. Limited	(18,011.31)	(25,667.59)	0.14
Green Fire Agri Commodities Limited	(2.93)	(6.93)	(4.93)
Axill Europe Limited	(13,427.12)	27.69	139.97

8. *One of our Promoter Group Companies have registered negative net worth during the last financial year, details of which are as under:*

(₹ In lakhs)

Particulars	2009-10	2008-09	2007-08
Axill Europe Limited	(393.89)	13,958.52	15,206.14

9. *The Promoters/Promoter Group have disassociated themselves from three Promoter Group Companies viz. Brilliant Securities Limited, VAR Quant Tech Securities Limited and Globe7 America Inc. and one Promoter Group Company viz. Axill Europe Limited had filed for winding up.*

(a) **Brilliant Securities Limited:** Mr. Venkata S. Meenavalli and his wife entered into a Share Purchase Agreement on 21<sup>st</sup> January 2008 with the erstwhile promoter group of Brilliant Securities Limited to acquire in aggregate 13,75,000 fully paid-up equity shares of ₹ 10/- each, representing 26.92% of subscribed and voting capital of Brilliant Securities Limited, at a price of ₹ 12.19/- per share alongwith Mr. K. Bhaskara Reddy and his associates. The control and the management of affairs of Brilliant Securities Limited ever since the acquisition of shares, has been vested with Mr. K. Bhaskara Reddy and his associates. Accordingly Mr. Venkata S. Meenavalli and his wife disassociated themselves with Brilliant Securities Limited in the year 2010 after selling their respective shares.

- (b) **VAR Quant Tech Securities Limited**

VAR Quant Tech Securities Limited, a wholly owned subsidiary of Northgate Technologies Limited, incorporated on September 29, 2008. It was engaged in broking and investment activities.



On November 11, 2010, Northgate Technologies Limited entered into share purchase agreements with Mr. Srinivas Kethineedi and Mr. Emmanuel Dasi to transfer its entire shareholding equally to Mr. Srinivas Kethineedi and to Mr. Emmanuel Dasi. Northgate Technologies Limited, now therefore, has disassociated itself from VAR Quant Tech Securities Limited. The main reason for disassociation was to discontinue trading in securities business.

(c) *Globe7 Americas Inc.*

Globe7 Americas Inc. was incorporated on July 10, 2008 under the laws of America. As on date, Globe7 America Inc. has been voluntary dissolved with effect from March 18, 2010. On March 18, 2010 the Board of Directors and Stockholders, in accordance with subsections (a) and (b) of Section 275 of the General Corporation Law of the State of Delaware, have authorized the dissolution of Globe7 Americas Inc.

(d) *Axill Europe Limited*

Axill Europe Limited was incorporated on July 25, 2005 under the laws of United Kingdom and is a step down subsidiary of Northgate Technologies Limited. It was engaged in the business of online advertising services. A planned creditor voluntary liquidation (CVL) of Axill Europe Limited (AEL) was initiated on 23 June 2010 by the board of directors/creditors by passing a (i) Special Resolution; and (ii) Ordinary Resolution. In the Special Resolution it was resolved that the company cannot by reason of its liabilities continue its business and that the company be wound up voluntarily. In the ordinary resolution of the creditors, Mr. Bijoy Shah was appointed as a liquidator of the company. As on the date, the liquidation proceedings are still pending.

**10. *There are weaknesses and threats disclosed in the Appraisal Report of Bank of Baroda.***

The following weaknesses and threats are disclosed in the Appraisal Report of Bank of Baroda:

Weaknesses:

- Competition from similar industry units and high capital cost.
- Promoters have no previous experience in alcohol industry.
- No long term purchase agreements with either farmers for raw materials and with distillery units/industry for its end products viz. ENA, TA, etc.

Threats:

- Government policies, regulatory framework fall in cultivation, import restriction may affect the company's working especially change in GOI's import duty structure for Industrial Alcohol from current level of 150% to anywhere below 20% could result Indian market flooded with cheap imports. This scenario could have a great impact on the whole distillery business in India.
- A steep fall in the cultivation of Sorghum, maize and other grains and import restrictions on the same could make the cost of production high.
- The raw materials being agro-based, availability depends on monsoon.

**11. *The completion of the projects is dependent on performance of external agencies. Any shortfall in the performance of these external agencies may adversely affect our expansion plans.***

The completion of the projects is dependent on performance of external agencies i.e. EPC contractor, which are responsible for construction of building & civil works, plant and machinery and CO<sub>2</sub> plant. We cannot assure you that the performance of external agencies will meet the required specifications or performance parameters. If the performance of these agencies is inadequate in terms of the requirements, this may result in incremental cost and time overruns, which in turn could adversely affect our expansion plans.

12. *Revenues from our business will be exposed to market prices of ENA and a decline in market prices below anticipated levels could have a material adverse effect on our business and financial performance.*

Revenues from our business will depend significantly, on market prices of ENA. The current market price for grain based ENA is in the range of ₹ 36 to ₹ 40 per litre. Market prices may be volatile and are effected by various factors, including the cost of raw materials and demand-supply scenario. If the market price for ENA goes down below anticipated levels, we may be forced to sell ENA to oil manufacturing companies as Ethanol, which is regulated by Ministry of Petroleum, Government of India. The current MSP for Ethanol is ₹ 27 per litre. Therefore, those circumstances may be disadvantageous for our business and could impact our financial operations. There can be no assurance that the market price for ENA will remain at levels that would enable us to earn profit margins at our desired rate of return. A decline in market prices below anticipated levels in such cases could have a material adverse effect on our business, financial condition and results of operation.

13. *Selling price of grain is regulated by the Government of India.*

Ministry of Agriculture, Government of India, announces Minimum Support Price (MSP) for maize every year. Maize is procured in specific large markets to ensure that farmers get the MSP. We thus operate in an industry, which is regulated by the Government of India and any change in governmental or legal policies detriment to us, could adversely affect the business, operations and financials of our Company.

14. *Our industry is competitive and increased competitive pressure may adversely affect the results of our operations.*

The ENA market is competitive, and we expect competition to intensify from a number of sources. We may face direct competition from Empee Distilleries Limited, Spy Agro Industries and Sentini Bioproducts Private Limited in Andhra Pradesh as well as other regional and ENA producers. We face competition from several entities located in other parts of India and entities outside India. Government of India has reduced import duty on industrial alcohol from 150% to below 20%, which resulted in abundant supply of imported alcohol. Some of the existing and future competitors may have greater financial, personnel and other resources, longer operating histories, technological expertise, more recognizable brand names and more established relationships in industries. In addition, some of our competitors may enter into strategic or commercial relationships among themselves or with larger, more established companies in order to increase their ability to address client needs, or enter into similar arrangements with potential clients. Increased competition, our inability to compete successfully against competitors, pricing pressures or loss of market share could have a material adverse effect on our business, results of operations, financial condition and cash flows.

15. *The Alcohol 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 our business development.*

We significantly depend on sale of ENA to Alcohol Industry, which in turn faces the ban on advertising and brand promotion is more of retailer-push rather than consumer-pull for them. Alcohol Industry, in the past, has been subject to resistance from various sections of public leading to circumstances like ban on liquor consumption, advertising of alcoholic beverages, etc. which is not conducive to our business development. Any significant developments which have an adverse impact on the sale of Alcohol Industry to end users will adversely impact our sales to them. Consequently, our business and financial operations could be adversely affected.

16. *Various trade marks pertaining to our name, logo and products are not registered and limits our ability to defend our trade marks in infringement proceedings.*

We have filed applications for registering the name and logo of our Company under various classes under the Trade Marks Act, 1999 and these applications are currently pending. The details of this are disclosed on page no. 68 of this Draft Red Herring Prospectus. There can be no assurance that our trade mark applications will be accepted and the trade marks will be registered. Further, our applications for the registration of certain trade marks may be opposed by third parties, and we may have to incur significant cost and spend time in prosecutions in relation to these oppositions. In the event we are not able to obtain registrations or if any injunctive or other adverse order is issued against us in respect of any of our trademarks for which we have applied for registration, we may not be able to avail the legal protection and legal remedies (in case of infringement) or prohibit unauthorised use of such mark by third parties by means of statutory protection, available as a proprietor of registered trade marks.

**17. *We are exposed to the risk associated with the use of highly flammable chemicals in our operations.***

We will be using chemicals such as sulphuric acid and sodium hydroxide which are highly flammable. We are susceptible to the risk of fire and/ or other accidents while dealing with/storing the aforesaid. We propose to take insurance for each of our plants against fire and other risks. However, the occurrence of a major accident could damage our inventories and operating premises and may disrupt our operations and in turn would adversely affect our financial performance.

**18. *Any inability to manage our growth could disrupt our business.***

The commercial production for Phase-I of our plant is yet to commence from April, 2011 and we are intending to double the capacities of our operations. We expect this growth to place significant demands on both our management and our resources. This will require us to evolve and improve our operational, financial and internal controls across our organization. In particular, continued expansion increases the challenges involved in recruiting, training and retaining sufficient skilled technical, sales and management personnel; adhering to our quality and process execution standards; maintaining high levels of customer satisfaction; and developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems. Any inability to manage growth may have an adverse effect on our business, results of operations and financial conditions.

**19. *We had negative cash flows in the past. Any negative cash flow from operations in future could affect our operations and financial conditions.***

We had negative cash flow, details of which are as under:

(₹ in lakhs)

Particulars	6 months period ended September 30, 2010	12 month period ended March 31, 2010	12 month period ended March 31, 2009	9 months period ended March 31, 2008
Net Cash flow from operating activities	(89.51)	(125.02)	(49.22)	(20.75)
Net Cash flow from investing activities	(1179.21)	(828.01)	(275.88)	(163.45)
Net Cash flow from financing activities	1239.48	988.57	204.42	306.59
<b>Total Net Cash flow</b>	<b>(29.24)</b>	<b>35.54</b>	<b>(120.68)</b>	<b>122.39</b>

The net cash flow of a company is a key indicator to show the extent of total cash generated from all activities of the company including operations, investment and financing for a particular year. In the past, we had generated negative cash flows from operating, investing and financing activities. If we are not able to generate sufficient net cash flows in future, it may adversely affect our business and financial operations.

**20. *Our Company may face risks of delays/non-receipt of the requisite regulatory approvals for our Objects arising out of the Issue. Any delay in receipt or non receipt of such approval could result in***

***cost and time overrun.***

The following no objection certificate/approvals/permissions are pending for Phase-I and Phase-II:

***Phase-I:***

- (a) We have applied to the Commissioner of Prohibition and Excise, for extension of validity of Letter of Intent (Establishment and working of distillery for manufacture of spirits), vide our application dated September 29, 2010.
- (b) We have received provisional no objection certificate from Fire Service Department, however, on completion of the erection work, we would be applying for occupancy certificate from Fire Service Department, Government of Andhra Pradesh.
- (c) We have received permission from Boilers Department, Government of Andhra Pradesh for erection work of boiler. However, on completion of erection work and inspection by Inspector of Boiler, necessary boiler certificate will be issued.

***Phase-II:***

- (a) Provisional and final no objection certificates from Fire Service Department, Government of Andhra Pradesh;
- (b) Permission for erection and final permission from Boilers Department, Government of Andhra Pradesh;
- (c) Consent and authorization of operations from Andhra Pradesh Pollution Control Board.

Any delay in receipt or non-receipt of such permissions/no objection certificates/approvals could result in delay in implementation of our project and may also result in cost and time overrun. For details, please refer to section titled "Government & other Approvals" on page 134 of this Draft Red Herring Prospectus.

21. ***Our Registered and Corporate Offices from which we operate are not owned by us. Discontinuation of agreement may require us to vacate such premises which may have an adverse impact on our business continuity and profitability.***

We do not own the premises on which our Registered and Corporate Offices are located. Our Registered Office is on lease for a period upto April 30, 2011 and our Corporate Office, is on lease for a period upto September 30, 2011. The lease agreements entered into by our Company for Registered Office and Corporate Office are not adequately stamped and registered. The potential consequence of this could be that the said agreements may be impounded by any public officer for the purpose of payment of stamp duty and that the agreements may not be admissible as evidence, until the relevant stamp duties alongwith applicable penalties are paid and the relevant registration, if permitted, is done. Any claim or adverse order/ finding in connection with these properties could adversely affect the operations of our Company. If any of the owners of these premises do not renew the agreements under which we occupy the premises or renew such agreements on terms and conditions that are unfavorable to us, we may suffer a disruption in our operations which could have a material adverse effect on our business and results of operations. For more details, please refer to section titled 'Our Property' on page no. 68 of this Draft Red Herring Prospectus.

22. ***Our Company has recently appointed a Company Secretary as required under Section 383A of the Companies Act and we alongwith Mr. A. Veerabhadra Rao, Executive Director, have now made an application for compounding of offence in relation to non-compliance of section 383A of the Companies Act, 1956.***

Our Company was required to appoint a full time Company Secretary in terms of Section 383A of the Companies Act, 1956. We alongwith Mr. A. Veerabhadra Rao, Executive Director, have made an application suo-moto on February 22, 2011 under section 621A of the Companies Act, 1956 with Registrar

of Companies, Andhra Pradesh, for compounding of offence u/s 383A of the Companies Act, for non-appointment of Company Secretary from June 12, 2008 to May 31, 2011. The Company Law Board/Regional Director, may impose compounding fees, which would adversely affect our financial results to that extent only. While we believe that we are at present, in compliance with all applicable laws in relation to our business and operations, we cannot assure that similar instances of such compounding or other proceedings may not occur in the future.

**23. *Delay in raising funds from the IPO could adversely impact the implementation schedule.***

Our Company's proposed project is to be funded entirely from the proceeds of this IPO. We have not identified any alternate source of funding and hence any failure or delay on our part to mobilize the required resources or any shortfall in the Issue proceeds may delay the implementation schedule. We therefore, cannot assure that we would be able to execute the proposed project within the given time frame, or within the costs as originally estimated by us. Any time overrun or cost overrun may adversely affect our growth plans and profitability.

**24. *Any delay in the commencement of operations as scheduled as per the proposed expansion plan may affect our profitability.***

Bank of Baroda in their Appraisal Report earlier expected the commercial production under Phase-I to commence from October, 2010. However, the commencement under Phase-I is now expected from April, 2011. Further, for Phase-II we expected the commencement w.e.f. October, 2011 whereas we now expect the commencement under Phase-II from April, 2012. Timely commencement of commercial operations will have a critical bearing on our financial performance. Any delay in the timely completion of implementation schedule may adversely impact the results of our operations and would also affect the market price of the Equity Shares.

**25. *Our Company has not tied-up for additional working capital requirements needed for the Objects of the Issue and any of our inability to arrange for additional working capital requirement on terms favourable to us, could adversely affect our operations and profitability.***

Our additional working capital requirement from banks for our expansion programme under Phase-II for 2012-13 is ₹ 605.37 lakhs, which is not yet tied up. We have made an application to Bank of Baroda vide our application dated February 1, 2011 for sanction of additional working capital facilities to the extent of ₹ 500 lakhs. Any non-availability or delays in the sanction or procurement of these funds on terms favourable to us, could affect the business and profitability.

**26. *The appraisal is based on management estimates and various quotations provided by our Company which are subject to changes in external circumstances and any change could adversely impact implementation of project including cost overrun.***

Bank of Baroda has appraised our project and their appraisal is based on management estimates which are in turn based on current conditions/ quotations provided by the Company and are subject to changes in external circumstances or costs, or in other financial condition, business or strategy which may have an adverse impact on our business, financial condition and results of operations.

**27. *The deployment of fund is not subject to monitoring by any independent agency.***

The deployment of funds as stated in the "Objects of the Issue" on page number 30 of this Draft Red Herring Prospectus is entirely at our discretion and is not subject to monitoring by any independent agency. We have not entered into any definitive agreement to utilize a portion of the Issue. We cannot assure that we will be in a position to set up our proposed Phase-II in the stated means of finance. We may have to revise our management estimates from time to time and consequently, our funding requirement

may also be changed. In case of any increase in cost of project, our financial position may be adversely affected.

28. *We have not yet awarded EPC contract for supply of any of our plant and machinery, equipments etc. for our proposed expansion under Phase-II. Any delay in awarding the EPC contract may delay the entire implementation schedule which may also lead to increase in cost of civil works, prices of machineries or equipments, further affecting our cost and profitability.*

The details of the net proceeds of the Issue proposed to fund Phase-II are explained in the section titled 'Objects of the Issue' on page no. 30 of this Draft Red Herring Prospectus. We intend to complete the project on an EPC basis as was completed under Phase-I. We have not yet awarded the EPC contract for Phase-II, wherein building & civil works, installation of plant & machineries, CO<sub>2</sub> plant, etc. will be executed on turnkey basis. We are yet to enter into definitive agreements for the same i.e. 100% of supply of our plant & machinery and other equipments are yet to be awarded. The total cost of building & civil works, plant and machinery and CO<sub>2</sub> plant is estimated at ₹ 5181.99 lakhs, which is more than 83% of the total cost of project. We are subject to risks on account of inflation in the price of the machinery and other equipments that we require for the proposed expansion. Any delay in awarding the EPC may delay the implementation schedule. Such delays may also lead to increase in prices of these equipments, further affecting our cost, revenue and profitability.

29. *Our Promoter Group Companies are involved in legal proceedings.*

Our Promoter Group Companies are involved in legal proceedings. These legal proceedings are pending at different levels of adjudication before various courts and tribunals, and if determined against our Promoter Group Companies, could have an adverse impact on the reputation of our Promoters and also adversely affect the business, financial condition and results of operations of our Promoter Group Companies.

For details, these legal proceedings, see the section titled "**Outstanding Litigations and Material Developments**" beginning on page no. 131 of the Draft Red Herring Prospectus.

No assurance can be given as to whether these legal proceedings will be decided in our Promoter Group Companies's favour or have no adverse outcome, nor can any assurance be given that no further liability will arise out of these claims.

The summary of the cases is as follows:-

Name of Promoter Group Company	Total number of cases	Amount (₹ in Lakhs)	Nature of Case
<b>Litigation by our Promoter Group Company</b>			
Social Media India Limited	2	201.41	Civil suit and claim petition for money recovery
<b>Total</b>	<b>2</b>	<b>201.41</b>	
<b>Litigation against our Promoter Group Company</b>			
Social Media India Limited	2	471.03	Claim petitions for money recovery
<b>Total</b>	<b>2</b>	<b>471.03</b>	

30. *Our success depends largely on our management and our ability to attract and retain our key personnel.*

Our success depends on the continued services and performance of the members of our management team and other key employees. If one or more members of our management team are unable or unwilling to continue in their present positions, our business could be adversely affected. In the present scenario,

attracting and retaining scarce quality managerial talent has become a serious challenge for companies. Competition for senior management in the industry in which we operate is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. As such, any loss of our senior management personnel or key employees in future could adversely affect our business, results of operations and financial condition.

**31. *Our insurance cover may be inadequate to fully protect us from all losses and may in turn adversely affect our financial condition.***

Currently, Mojj Engineering Systems Limited maintains insurance coverage for our Phase-I project as this was executed on an EPC basis and as agreed by us vide agreement entered into on November 18, 2009. After commencement of commercial production, we propose to take insurance cover for our building, plant & machineries, raw materials, etc. However, we cannot assure you that the terms of our such insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. Further, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. To the extent that we suffer loss or damage that is not covered by insurance or which exceeds our insurance coverage, our results of operations or cash flows may be affected.

**32. *There are restrictive & financial covenants under our loan agreements, which could influence our ability to expand, in turn affecting our business and results of operations.***

We have entered into agreements for obtaining term loan facilities with our banker viz. Bank of Baroda and these covenants in borrowing from bank, require us to seek the prior consent of the bank for effecting any change in the constitution/capital structure of the Company; implement any scheme of expansion/modernization/diversification/renovation or acquire any fixed assets except as has been approved by the Bank; formulate any scheme of merger/acquisition/ amalgamation/reconstruction; enter into borrowing, either secured or unsecured, with any other bank/financial/institution/corporate body/ firm or other person; undertake guarantee obligation on behalf of any other firm; declare dividends for any year, except out of the profits related to that year, after paying all dues and making provision as required for that year, provided there is no default in repayment obligation by the Company to the bank; sell, assign, mortgage, or otherwise dispose off any of the Company's fixed assets charged to the bank; make any drastic change in the management; and create any further charge, lien or encumbrance over the assets and properties of the Company charged to the bank, in favour of any other bank, financial institution, firm or person. These covenants may have an adverse effect on the functioning of our Company.

Furthermore, our Company has created a charge in favour of our lender against the moveable fixed assets of our Company. In case of default by our Company in repayment of the loans, our banker may exercise its rights over the security, which may be detrimental to the interest of our Company. For our indebtedness, please refer to "Our Financial Indebtedness" appearing on page no. 71 of this Draft Red Herring Prospectus.

**33. *Our present and proposed manufacturing facilities are geographically located in one State viz. Andhra Pradesh and therefore, any localized social unrest, natural disaster or breakdown of services or any other natural disaster in and around their respective States could have material adverse effect on our business and financial condition.***

Our present and proposed manufacturing facilities are based at Andhra Pradesh. As a result, any localized social unrest as was experienced in Andhra Pradesh for Telangana recently, natural disaster, adverse weather conditions, earthquakes, fires, explosives, power loss, or breakdown of services and utilities in and



around this state could have material adverse effect on our business, financial position and results of operations.

Further, any failure of our systems or any shutdown of any part of our manufacturing units, networks, operations because of operational disruptions such as breakdown or failure of equipment, disputes, strikes, lock-outs, industrial accidents, natural disaster or other factors, could disrupt our services and adversely affect our result of operations and financial condition.

**34. *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.

**35. *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.***

We have not yet earned any operating income and 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

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.

**36. *It may be difficult for investors to evaluate our financial performance because our historical financial statements may not provide meaningful information regarding our future results.***

We have yet to commence commercial production and therefore, have not yet earned any income from operations. Therefore, the results in the financial statements do not represent the profitability of our Company. Further, in the restated financial statements, the results have been made for the periods June 8, 2006 to June 30, 2007; 9 months period ended March 31, 2008; 12 months period ended March 31, 2009; 12 months period ended March 31, 2010 and for 6 months period ended September 30, 2010 and hence are not comparable. Accordingly, our historical financial statements may not provide any meaningful information to investors regarding our results.

**37. *We have entered into certain related party transactions and may continue to do so.***

We have entered into certain related party transactions aggregating to ₹ 90.18 lakhs and ₹ 124.85 lakhs for the period ended September 30, 2010 and for the year ended March 31, 2010 respectively. While we believe that all such transactions have been conducted on the arm's length basis, there can be no assurance that we could not have achieved more favourable terms had such transactions not been entered into with related



parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operation. For details, please refer to section titled “Related Party Transactions” at page no. 107 of this Draft Red Herring Prospectus.

**38. *We have issued Equity Shares during the last one year at a price that may be below the Issue Price.***

In the last one year, we have issued following Equity Shares at a price that may be lower than the Issue Price:

Date of Allotment	Number of Equity Shares	Issue Price per share (₹)	Promoter & Promoter Group/Non-Promoter	Reason for Issue
April 10, 2010	10,00,000	10.00	Promoter Group	Preferential Allotment
	1,20,000	10.00	Non-Promoter Group	
June 1, 2010	5,00,000	10.00	Non-Promoter Group	
July 6, 2010	2,35,000	10.00	Non-Promoter Group	
August 16, 2010	4,68,800	10.00	Promoter Group	
	14,98,000	10.00	Non-Promoter Group	
September 16, 2010	8,00,000	10.00	Promoter Group	
	77,500	10.00	Non-Promoter Group	
October 22, 2010	23,50,600	10.00	Non-Promoter Group	
	5,71,400	10.00	Promoter Group	
November 10, 2010	4,00,000	10.00	Non-Promoter Group	
	6,44,500	10.00	Promoter Group	
November 26, 2010	24,74,800	10.00	Non-Promoter Group	
December 22, 2010	10,00,000	10.00	Promoter	
	7,50,000	10.00	Non-Promoter Group	

The price at which the Equity Shares have been issued in the last one year is not indicative of the price at which Equity Shares may be offered in the Issue or at the price at which they will trade upon listing.

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

After completion of the Issue, the Promoters and Promoter Group will continue to hold approximately [■%] of post-issue paid up share capital. So long as the Promoters and Promoter Group holds significant control of our Company, they will be able to control most matters affecting our Company, including the appointment and removal of our Directors; our business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions; our dividend payout and financing. Further, the extent of Promoters and Promoter Group shareholding may result in delay or prevention of a change of management or control of our Company, even if such a transaction may be beneficial to our other shareholders.

**40. *The market price of our Equity Shares may adversely affect due to additional issuances of Equity Shares or sale of Equity Shares by members of our Promoter Group.***

There is a risk that we may be required to finance our growth or strengthen our balance sheet through additional equity offerings. Any future issuance of Equity Shares, whether through the exercise of options or otherwise, will dilute the position of existing shareholders and could adversely affect the market price of the Equity Shares.

**41. *There is no existing market for the Equity Shares, and we do not know if one will develop. Our stock price may be highly volatile after the Issue, and as a result, you could lose a significant***

*portion or all of your investment.*

Prior to the Issue, there has not been a public market for the Equity Shares. We cannot predict the extent to which investor interest will lead to the development of an active trading market on the Stock Exchanges or how liquid that market will become. If an active market does not develop, you may experience difficulty in selling the Equity Shares that you purchased. The IPO price is not indicative of prices that will prevail in the open market following the Issue. Consequently, you may not be able to sell your Equity Shares at prices equal to or greater than the price you paid in the Issue.

#### **External Risk Factors**

42. *Our business could be adversely affected by any economic, political and social developments in India and particularly in the regional markets where we operate.*

Our performance and growth are dependent on the health of the Indian economy and other economies directly or indirectly. These economies could be adversely affected by various factors, such as political and regulatory action including adverse changes in liberalization policies, any adverse development in the World economy, introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that we will succeed to operate in or succeed in obtaining all requisite regulatory approvals in the future for our operations which could have an adverse impact on our business, financial condition and results of operations.

43. *Force majeure events, terrorist attacks or natural disaster or any other acts of violence or war involving India, or other countries could adversely affect the financial markets, result in a loss of customer confidence and adversely affect our Company's business, results of operations, financial conditions and cash flows.*

Certain force majeure events, being beyond our Company's control, including natural disasters, terrorist attacks and other acts of violence or war which may involve India, or other countries, may adversely affect worldwide financial markets, and could lead to economic recession. These acts may also result in a loss of business confidence and have other consequences that could adversely affect business, results of operations and financial condition of our Company. More generally, any of these events could lower confidence in India. Any such event could adversely affect the financial performance or the market price of the Equity Shares of our Company.

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

Under the SEBI (ICDR) Regulations, we are required to list the Equity Shares within 12 working days of the Bid/Issue Closing Date. Consequently, the Equity shares you purchase in the Issue may not be credited to your demat account with Depository Participants until 12 working days after the Bid/Issue Closing Date. You can start trading in the Equity Shares only after they have been credited to your demat account, final listing and trading approvals are received from the Stock Exchanges and trading commences on the Stock Exchanges. There can be no assurance that final listing and trading approvals will be obtained from the Stock Exchanges on time or at all. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence within the specified periods.

45. *After this Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not sustain*

The prices of our Equity shares may fluctuate after this issue due to a wide variety of factors, including volatility in the Indian and global securities market; our operational performance, financial results and

capacity expansion, developments in India's economic liberalization and deregulation policies, particularly in the alcohol industry; and changes in India's laws and regulations impacting our business.

We cannot assure you that an active trading market for our equity shares will be sustained after this Issue or that the price at which our equity shares would be traded subsequent to this issue will correspond to the current prices for our already existing equity shares.

**46. *Instability of economic policies and political situation in India could adversely affect the fortunes of the Industry***

There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and deregulation. The Government of India plays an important role by regulating the policies and regulations governing the private sector over the past several years. The current economic policies of the government may change at a later date

Unstable internal and international political environment could impact the economic performance of the alcohol industry in both the short term and the long term. The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our Company's business, and the market price and liquidity of the Equity Shares, may be affected by changes in interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

**Prominent Notes**

1. The Net worth of our Company as on September 30, 2010 is ₹ 1086.59 lakhs as per our restated financial statements under Indian GAAP. The size of the Issue is ₹ 6200 lakhs.
2. The average cost of acquisition of Equity shares of the Promoters is as per the details given below:

<b>Name of Promoter</b>	<b>Total number of Equity Shares</b>	<b>Average Cost of Acquisition - Per Equity Share (₹)</b>
Mr. A. Veerabhadra Rao	5,00,000	10.00
Mr. Venkata S. Meenavalli	89,36,800	10.00

The Book value per share as on September 30, 2010 is ₹ 8.57 per Equity Share.

3. Public Issue of [•] Equity Shares of ₹ 10/- each for cash at a price of ₹ [•] per Equity Share aggregating ₹ 6,200 lakhs (the "Issue"). The Issue constitutes [•]% of the fully diluted post-Issue paid up capital of our Company.
4. This Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue shall be available for allocation to Qualified Institutional Buyers ("QIBs"), but atleast 10% of the Issue size shall be mandatorily allotted to QIBs on a proportionate basis failing which the full subscription monies shall be refunded. Out of the QIB portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
5. We have entered into various related party transactions with related parties amounting to ₹ 124.85 lakhs for the financial year 2009-10. For related party transaction refer to section titled "Related Party Transactions" beginning on page no. 107 of this Draft Red Herring Prospectus.

6. There are no transactions relating to sales or purchases between our Company and our Promoter Group Companies / entities exceeding 10% of the sales or purchases of our Company during the last 3 years except that one purchase transaction aggregating to ₹ 3.76 lakhs was made with related party during the period April 1, 2010 to September 30, 2010.
7. We have not made any allotment of Equity Shares in the twelve months before the date of this Draft Red Herring Prospectus where the price of such issuances would be lower than the Issue Price, except as shown on page no. 15 in the chapter Capital Structure.
8. No loans and advances have been made to any person(s)/companies in which the Director(s) of our Company are interested except an inter-corporate loan of ₹ 85 lakhs given to Stampede Holdings Limited. For details, please refer to page no. 121 of this Draft Red Herring Prospectus.
9. Our Promoters/Promoter Group/Directors and their immediate relatives have not purchased/sold/financed any equity shares of our Company during the past 6 months, preceding the date of this Draft Red Herring Prospectus.
10. Any clarification or information relating to the Issue shall be made available by the BRLM, our Company and our Compliance Officer to the investors at large and no selective or additional information would be available for a section of investors in any matter whatsoever. Investor may contact the BRLM for any complaint pertaining to the Issue.
11. The name of our Company has been changed from Bio Ethanol India Limited to Bio Ethanol Agro Industries Limited w.e.f. October 22, 2010. The reason for this change was that the Company was engaged in the business of processing agro products like Maize, Jowar, Sweet Sorghum, Broken Rice, Bajra, Wheat and food waste to manufacture the Ethanol, Extra Neutral Alcohol, Distiller's Dried Grains with Solubles and Carbon Dioxide (CO<sub>2</sub>) and in order to reflect the Company's activities by its name, it was considered necessary to change the name from 'Bio Ethanol India Limited' to "Bio Ethanol Agro Industries Limited. The main object clause of Memorandum of Association has been altered on September 30, 2010 to carry on activities as reflected by its new name.
12. The Investors are advised to refer to the Para on "Basis for Issue Price" on page no. 42 of this Draft Red Herring Prospectus before making any investment in this Issue.
13. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
14. No part of the Issue proceeds will be paid as consideration to Promoters, Promoter Group, Directors, and key managerial personnel.
15. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Individual Bidders shall be on a proportionate basis. For, more information, please refer section titled "Basis of Allocation" on page no. 179 of this Draft Red Herring Prospectus.

## SECTION III: INTRODUCTION

### SUMMARY

This is only a summary and does not contain all the information that you should consider before investing in our Equity Shares. You should read the entire Draft Red Herring Prospectus, including the information contained in the chapter titled “Risk Factors” and “Financial Statements” and related notes beginning on page nos. iii and 109 of this Draft Red Herring Prospectus before deciding to invest in our Equity Shares.

#### **Summary of our Industry:**

On the basis of the uses of ethanol it can be classified as beverage ethanol, industrial ethanol and ethanol fuel.

- a. *Beverage Ethanol*: ethanol used in alcoholic spirits such as vodka and shochu.
- b. *Industrial Ethanol*: ethanol used as a feedstock for alcohol-based chemicals such as paints and inks.
- c. *Ethanol fuel*: ethanol used as an automotive fuel (can be used for blending with petrol).

Indian alcoholic beverages market is valued at ₹ 340 bn and it is the third largest alcoholic market across the globe. Currently, there are about 325 distilleries operating in the country with the total production capacity of 3,540 mn litres.

The production of alcohol beverages in India grew from 913 mn litres in FY 05 to 1,594 mn litres in FY 09, translating into a CAGR of 14.94%. During FY 09, Indian alcoholic beverages industry was valued at ₹ 300 bn. The changing perception of the people towards alcohol, rising youth population in the country coupled with rising acceptability of the alcohol consumption among the female population is driving the growth story of alcohol in India.

The IMFL primarily comprises wine, vodka, gin, whisky, rum and brandy with the market share heavily skewed towards whisky. Whisky accounts for 55% of the total IMFL market and other spirits accounts for the rest 45%.

Demand drivers for Ethanol or extra neutral alcohol can be summarized as government's emphasis on bio fuel consumption; growing vehicle population; low per capita consumption of liquor; growing population, Higher youth population; growing economy and urbanization.

Ethanol can also be used as an automotive fuel and it can also be mixed with petrol (gasoline) to make it a relatively environment-friendly fuel. Ethanol contains oxygen which helps the engine combust the fuel completely and reduces green fuel emissions.

India's economy has developed at a rapid pace and its demand for expensive crude oil has intensified with the growing number of people owning vehicles in the country. During the period of financial year 2000 to financial year 2010 the sales of the Indian automobile industry grew at a CAGR of 10%. As per Credit Analysis & Research Limited (CARE) research, it expects the India automobile industry to grow at a CAGR of 9% in the next five years. This will boost the demand for crude oil further.

India meets about 70% of its energy requirements through imports. Thus, to reduce its dependence on imports, the country is emphasising on the consumption of bio fuels which will drive demand for the ethanol industry. Further, the government's policy and commitment to give a cleaner environment and reduce greenhouse gas emission levels will also scale up the demand for ethanol in India.

(Source: CARE Research Report on “Indian Ethanol Industry) – September, 2010)

## **Our business overview**

Our Company is formed primarily to carry on the business as manufactures, producers, processors, fabricators, traders in all kinds of ethanol. We propose to manufacture 60 KLPD of Extra Neutral Alcohol; 44 TPD of Distiller's Dried Grains with Solubles (DDGS); 4 KLPD of Technical Alcohol (or Rectified Spirit); and 30 MTPD of CO<sub>2</sub>. In addition, we propose two captive power generation plant with installed capacity of 1.5 MW. The project has been appraised by Bank of Baroda and will be implemented in two phases (Phase-I and Phase-II). Phase-I of project, is expected to get commissioned from April, 2011 wherein we will be manufacturing 30 KLPD of Extra Neutral Alcohol; 22 TPD of Distiller's Dried Grains with Solubles and 2 KLPD of Rectified Spirit.

Our project will be multi-grain distillation plant wherein variety of feedstock viz. maize, jowar, sweet sorghum, broken rice, bajra, wheat, starch etc. can be used for production of Extra Neutral Alcohol (Potable); Ethanol (Alternative Fuel); and Rectified Spirit.

## **Our Strengths**

### ***Multi-grain distillation plant:***

We have installed multi-grain distillation plant under Phase-I and are in the process of expanding the capacities under Phase-II. We believe that grain based ENA is considered to have better flavour and preferred for high-end liquors. We also believe that due to decline in sugarcane cultivation, grain based alcohols are expected to fill the gap in place of molasses. At present, we will be using maize as our raw materials. However, in case of any difficulty in procurement of maize, our plant has the capability to use other grain as the feedstock.

### ***Captive Power Plant:***

We propose to install two captive power generation plant with the capacity of 750 KW each to supply uninterrupted power and steam for the plant. We believe that the power plant will have the advantage to supply us low pressure steam to act as input to manufacture ENA and reduction in our cost of power.

### ***Locational advantage:***

The production unit is setup at Annadevarapeta, Tallapudi – Mandal, West Godavari-District, Andhra Pradesh, India. The location of plant is in proximity to major maize growing belts and also near to river Godavari, which is 8 km away and 40 km away from the National Highway 9(NH9). We believe that this facilitates movement of raw materials and finished products.

### ***Technology:***

We have identified Moji Engineering System Limited as a turnkey supplier, who will be using molecular sieve technology. We believe that this technology ensures zero discharge while producing high quality alcohol as well as DDGS. We also believe that our plant has proper grain handling & milling section; jet cooking equipment; fermentation technology to achieve better yields; and stillage recycle to reduce water consumption.

### ***Competitiveness:***

We believe that additional facilities envisaged under Phase-II viz. CO<sub>2</sub> recovery plant, 10 km water pipeline to bring in Godavari water for process usage and also a raw material shed will bring our operations more efficient and competitive.

## **Our business strategies**

### ***Expansion in capacities:***

We after implementation of Phase-II of our project, will be manufacturing 60,000 litres of ENA, 4,000 litres of Technical Alcohol, 44 tonnes of DDGS and 30 tonnes of CO<sub>2</sub> per annum by processing the grains in the state of Andhra Pradesh. We plan to increase this capacity further with expansion in India and abroad.

***Forward Integration:***

We intend to manufacture IMFL by setting up bottling unit and create our own brand in the state of Andhra Pradesh.

***Geographical expansion:***

We also intend to expand our operations in other States also like Karnataka, Tamil Nadu, Orissa and Kerala.

***Backward Integration:***

Currently we are using the maize as raw material for the manufacture of ENA/Ethanol and as backward integration, we propose to set up a seed polynation unit to manufacture the quality seed of maize and distribute the same to farmers and self help groups to have contract farming aggrangment for buy back of the final product.

## SUMMARY OF FINANCIAL DATA

### STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

(Amount ₹ in lakhs)

Particulars	As at 30 <sup>th</sup> June 2007	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2010	As at 30 <sup>th</sup> September 2010
<b>1.Fixed Assets:</b>					
a) Gross Block	181.95	221.96	237.83	244.82	245.10
b) Less: Accumulated depreciation	(0.26)	(1.65)	(2.63)	(3.50)	(4.23)
c) Net block	<b>181.69</b>	<b>220.31</b>	<b>235.20</b>	<b>241.32</b>	<b>240.87</b>
d) Capital work- in- progress including capital advances	-	104.10	313.24	1582.69	2674.87
e) Expenditure during construction period pending allocation	10.02	30.27	82.86	159.80	273.07
<b>Total</b>	<b>191.71</b>	<b>354.68</b>	<b>631.30</b>	<b>1983.81</b>	<b>3188.81</b>
<b>2. DEFERRED TAX ASSET</b>	-	-	-	0.21	0.52
<b>3.CURRENT ASSETS, LOANS AND ADVANCES:</b>					
a) Cash and Bank Balances	25.19	147.57	26.89	62.44	33.20
b) Inventories (raw materials)	-	-	-	-	3.76
c) Current Assets, loans and advances	0.32	2.43	4.65	135.75	257.90
<b>Total</b>	<b>25.51</b>	<b>150.00</b>	<b>31.54</b>	<b>198.19</b>	<b>294.86</b>
<b>4.LIABILITIES AND PROVISIONS</b>					
a) Secured loans	-	-	5.00	950.00	1813.51
b) Current liabilities and provisions	2.60	4.24	2.85	520.55	584.09
<b>Total</b>	<b>2.60</b>	<b>4.24</b>	<b>7.85</b>	<b>1470.55</b>	<b>2397.60</b>
<b>5. DEFERRED TAX LIABILITY</b>	<b>0.10</b>	<b>0.12</b>	<b>0.21</b>	-	-
<b>6. NET WORTH (1+2+3-4-5)</b>	<b>214.52</b>	<b>500.32</b>	<b>654.78</b>	<b>711.66</b>	<b>1086.59</b>
<b>NET WORTH REPRESENTED BY</b>					
<b>7. SHARE CAPITAL</b>					
a) Equity Share Capital	248.92	555.92	759.62	759.62	1229.55
<b>8 SHARE APPLICATION MONEY PENDING ALLOTMENT</b>	-	-	-	82.00	32.50
<b>9. DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT</b>	(34.40)	(55.60)	(104.84)	(129.96)	(175.46)
<b>10. NET WORTH (7+8-9)</b>	<b>214.52</b>	<b>500.32</b>	<b>654.78</b>	<b>711.66</b>	<b>1086.59</b>

Note:

1. The above statement should be read with the accompanying annexure and notes related thereto, notes to restated summary statements and significant accounting policies as appearing in Annexures IV and V respectively.

2. These financial information have been extracted from the audited financial statements as at and for the period from 8 June 2006 to 30 June 2007, nine months period ended 31 March 2008 and financial years ended 31 March 2009, year ended 31 March 2010 and from the audited interim financial statements as at and for the six months period ended 30 September 2010. The Company has prepared revised financial statements for the year ended 31 March 2010 to comply with the requirements of Part IX of Schedule VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. These revised financial statements were audited to comply with the requirements of Part IX of Schedule VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. The financial information for the year ended 31 March 2010 has been extracted from these revised financial statements.

3. 820,000 equity shares of ₹ 10 each were allotted on 10 April 2010 against share application money pending allotment of ₹ 82 lakhs as at 31 March 2010. 325,000 equity shares of ₹ 10 each were allotted on 22 October 2010 against share application money pending allotment of ₹ 32.50 lakhs as at 30 September 2010.



# STATEMENT OF PROFITS & LOSSES, AS RESTATED

(Amount ₹ in lakhs)

Particulars	8 <sup>th</sup> June 2006 to 30 <sup>th</sup> June 2007	For the 9 months period ended 31 <sup>st</sup> March 2008	For the year ended 31 <sup>st</sup> March 2009	For the year ended 31 <sup>st</sup> March 2010	For 6 months period ended 30 <sup>th</sup> September 2010
<b>INCOME:</b>					
Other Income	-	0.52	0.27	0.99	1.45
<b>Total</b>	<b>-</b>	<b>0.52</b>	<b>0.27</b>	<b>0.99</b>	<b>1.45</b>
<b>EXPENDITURE:</b>					
Personnel Costs	5.10	3.40	9.46	12.92	11.90
Administrative and other expenses	28.39	16.13	34.49	7.65	34.11
Finance Charges	0.42	0.41	4.11	4.73	0.07
Depreciation	0.26	1.39	0.98	0.87	0.73
<b>Total</b>	<b>34.17</b>	<b>21.33</b>	<b>49.04</b>	<b>26.17</b>	<b>46.81</b>
<b>Profit before tax, as restated</b>	<b>(34.17)</b>	<b>(20.81)</b>	<b>(48.77)</b>	<b>(25.18)</b>	<b>(45.36)</b>
<b>Less: Provision for tax</b>					
a) Current tax expense	-	0.16	0.08	0.31	0.45
b) Deferred tax expense/ (benefit)	0.10	0.02	0.10	(0.42)	(0.31)
c) Fringe benefit tax expense	0.13	0.21	0.29	0.05	-
<b>Profit after tax, as restated</b>	<b>(34.40)</b>	<b>(21.20)</b>	<b>(49.24)</b>	<b>(25.12)</b>	<b>(45.50)</b>
Add: Balance in profit and loss account brought forward, as restated	-	(34.40)	(55.60)	(104.84)	(129.96)
<b>Balance carried forward to balance sheet, as restated</b>	<b>(34.40)</b>	<b>(55.60)</b>	<b>(104.84)</b>	<b>(129.96)</b>	<b>(175.46)</b>

## Note:

1. The above statement should be read with the accompanying annexure and notes related thereto, notes to restated summary statements and significant accounting policies as appearing in Annexures IV and V respectively.
2. The figure for the period 8 June 2006 to 30 June 2007, nine months period ended 31 March 2008 and six months period ended 30 September 2010 are not comparable to figure for the year ended 31 March 2009 and 31 March 2010.
3. These financial information have been extracted from the audited financial statements as at and for the period from 8 June 2006 to 30 June 2007, nine months period ended 31 March 2008 and financial years ended 31 March 2009, year ended 31 March 2010 and from the audited interim financial statements as at and for the six months period ended 30 September 2010. The Company has prepared revised financial statements for the year ended 31 March 2010 to comply with the requirements of Part IX of Schedule VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. These revised financial statements were audited to comply with the requirements of Part IX of Schedule VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. The financial information for the year ended 31 March 2010 has been extracted from these revised financial statements.
4. Company in its audited financial statements for the period from 8 June 2006 to 30 June 2007, for the 9 months period ended 31 March 2008 and for the financial year ended 31 March 2009 used to capitalise all expenditure, during the construction phase under the head "Miscellaneous expenditure". Accordingly, the Company had not prepared the profit and loss account for the period from 8 June 2006 to 30 June 2007, for the 9 months period ended 31 March 2008 and for the financial year ended 31 March 2009. Institute of Chartered Accountants of India (ICAI) had withdrawn its Guidance Note on Treatment of Expenditure During Construction Period by an announcement on 19 August 2008, effective 1 April 2008. Consequently, in preparation of the Restated Summary Statements, the Company has charged off such expenditure not directly related to the construction of the plant to profit and loss account under respective heads in preparation of the Restated Summary Statements. Further, expenditure during construction directly related to the construction period has been included in the restated balance sheet as "Expenditure during construction period pending allocation".

## THE ISSUE

<b>Equity Shares offered:</b>	[•] Equity Shares
QIB Portion including Mutual Funds**	Upto [•] Equity Shares constituting 50% of the Issue shall be available for allocation to Qualified Institutional Buyers ("QIBs"), but atleast 10% of the Issue size shall be mandatorily allotted to QIBs on a proportionate basis failing which the full subscription monies shall be refunded. Out of the QIB portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price
Non Institutional Portion**	Not less than [•] Equity Shares constituting 15% of the Issue to the Public (Allocation on proportionate basis)
Retail Portion**	Not less than [•] Equity Shares constituting 35% of the Issue to the Public (Allocation on proportionate basis)
Equity Shares outstanding prior to the Issue	2,04,86,800 Equity Shares
Equity Shares outstanding after the Issue	[•] Equity Shares
Objects of the Issue	Please see the section entitled "Objects of the Issue" beginning on Page no. 30 of this Draft Red Herring Prospectus.

\*\* Under subscription, if any, in any of the categories would be allowed to be met with spill over from any of the other categories, at the discretion of our Company in consultation with the BRLM, subject to minimum 10% of the Issue Size i.e. [•] Equity Shares shall be mandatorily allotted to QIBs failing which the entire subscription monies shall be refunded.

## GENERAL INFORMATION

### Bio Ethanol Agro Industries Limited

Bio Ethanol Agro Industries Limited was incorporated on June 8, 2006 under the Companies Act, 1956 as 'Bio Ethanol India Limited' vide Certificate of Incorporation issued by the Registrar of Companies, Hyderabad, Andhra Pradesh, India and obtained Certificate for Commencement of Business on September 01, 2006. The name of the Company was changed to 'Bio Ethanol Agro Industries Limited' and a fresh Certificate of Incorporation dated October 22, 2010 was issued by Registrar of Companies, Hyderabad, Andhra Pradesh, India. The Corporate Identity Number (CIN) of the Company is U23201AP2006PLC050274.

### Registered Office of our Company

D.No. 9-33/1, Andhra Bank Street,  
Tallapudi, West Godavari (District) 534 341  
Andhra Pradesh  
Tel. No: (08813) 215010  
Fax No: (08813) 282098  
Website: [www.bioethanolindia.com](http://www.bioethanolindia.com)

### Corporate Office

Plot No.1, 2<sup>nd</sup> Floor,  
JR Towers, Road No.2,  
Banjara Hills, Hyderabad-500034,  
Tel.: (040) 2354 0764, 2354 0765, 2354 7775  
Fax: (040) 2354 0763  
Website: [www.bioethanolindia.com](http://www.bioethanolindia.com)

### Changes in the Registered Office of our Company

Date of change	Particulars	Reason for change
February 5, 2008	The Registered office of our Company was shifted from Plot No.91, Prasasan Nagar, Road No.72, Jubilee Hills, Hyderabad 500033, Andhra Pradesh to Plot No.1, JR Towers, 2nd Floor, Road No.2, Banjarahills, Hyderabad- 500034, Andhra Pradesh.	Operational convenience
October 1, 2008	The Registered office of our Company was shifted from Plot No.1, JR Towers, 2nd Floor, Road No.2, Banjarahills, Hyderabad- 500034, Andhra Pradesh to D.No. 3-99/1, Andhra Bank Street, Tallapudi, West Godavari- 534341, Andhra Pradesh.	Operational Convenience so as to keep the Registered Office near to the place of production facility
December 4, 2008	The Registered office of our Company was shifted from D. No. 3-99/1, Andhra Bank Street, Tallapudi, West Godavari- 534341, Andhra Pradesh to D.No. 9-33/1, Andhra Bank Street, Tallapudi, West Godavari 534341, Andhra Pradesh.	Consequent to correction in address, fresh Form 18 was filed

### Registration Number of our Company

050274

### Company Identification Number (CIN):

U23201AP2006PLC050274

**Address of the Registrar of Companies**

The Registrar of Companies, Hyderabad, Andhra Pradesh  
2<sup>nd</sup> Floor, CPWD Building  
Kendriya Sadan, Sultan Bazar  
Koti, Hyderabad- 500195

**Board of Directors**

Name of Director	Designation	Nature of Directorship
Mr. Venkata S. Meenavalli	Chairman	Non-Executive & Non-Independent Director
Mr. A. Veerabhadra Rao	Executive Director	Executive & Non-Independent Director
Mr. G. Linga Murthy	Director	Non-Executive & Non-Independent Director
Mr. P. Parthasarathi	Director	Non-Executive & Independent Director
Mr. T. Naresh Kumar	Director	Non-Executive & Independent Director
Mr. D. Prakash Rao	Director	Non-Executive & Independent Director

For further details of our Company's Directors, please refer to chapter titled 'Our Management' on page 82 of this Draft Red Herring Prospectus.

**Company Secretary & Compliance Officer**

Mr. Gouse Shaik  
Bio Ethanol Agro Industries Limited  
Plot No.1, 2<sup>nd</sup> Floor, JR Towers,  
Road No.2, Banjara Hills, Hyderabad-500034  
Tel: (040) 2354 7775  
Fax : (040) 2354 0763  
E-mail: [cs@bioethanolindia.com](mailto:cs@bioethanolindia.com)

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

**Bankers to our Company**

Bank of Baroda  
Rajahmundry Branch, P.B. No. 4, 3101-40,  
Ajantha Building, Fort Gate,  
Rajahmundry - 5333 101, India  
Tel: (0883) 2475665  
Fax: (0883) 2462479  
Website: [www.bankofbaroda.com](http://www.bankofbaroda.com)  
Email: [rajahm@bankofbaroda.com](mailto:rajahm@bankofbaroda.com)  
Contact Person: Mr. Shyam Singh

**Book Running Lead Manager****Almondz Global Securities Limited**

2<sup>nd</sup> Floor, 3 Scindia House, Janpath, New Delhi - 110001  
Tel: (011) 41514666-69  
Fax: (011) 41514665  
Website: [www.almondzglobal.com](http://www.almondzglobal.com)  
Investor Grievance: [complaint@almondz.com](mailto:complaint@almondz.com)  
Email: [bio.ipo@almondz.com](mailto:bio.ipo@almondz.com)  
Contact Person: Mr. Puneet Arora

**Syndicate Member**

[●]

**Registrar to the Issue****Bigshare Services Private Limited**

E-2, Ansa Industrial Estate, Saki Vihar Road  
Sakinaka, Andheri (East), Mumbai-400072, India

Tel : (022) 4043 0200

Fax: (022) 2847 5207

E-mail: [ipo@bigshareonline.com](mailto:ipo@bigshareonline.com)

Website: [www.bigshareonline.com](http://www.bigshareonline.com)

SEBI Regn No.: INR000001385

Contact Person: Mr. Ashok Shetty

**Legal Advisors to the Issue****Tempus Law Associates**

Ravi Chambers, # 100/1, Durgam Cheruvu Road,  
Behind PBEL Corporate Office, Kavuri Hills,  
Madhapur, Hyderabad – 500033

Tel : (040) 40305000

Fax : (040) 40305005

Email: [raviprasad@tempuslaw.co.in](mailto:raviprasad@tempuslaw.co.in)

Website : [www.tempuslaw.co.in](http://www.tempuslaw.co.in)

Contact Person: Mr. P. Raviprasad

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

[●]

**Self Certified Syndicate Banks**

The list of banks who have been notified by SEBI to act as SCSBs for ASBA process are provided at <http://www.sebi.gov.in/pmd/scsb.pdf>.

**Statutory Auditors**

M/s B S R and Associates

Chartered Accountants

Reliance Humsafar, IV Floor,

Road No. 11, Banjara Hills, Hyderabad- 500034

Tel: (040) 30465000

Fax: (040) 30465299

Contact Person: Mr. Zubin Shekary

Email: [zshekary@kpmg.com](mailto:zshekary@kpmg.com)

**Statement of inter-se allocation of responsibilities**

Since Almondz Global Securities Limited is the sole BRLM to this issue, statement of inter-se allocation of responsibilities among Book Running Lead Manager's is not applicable.

**IPO Grading**

The Issue has been graded by [●], a SEBI registered credit rating agency, as [●] indicating [●] fundamentals.

**Credit Rating**

This being an Issue of Equity Shares, Credit rating is not required.

**Trustee**

This being an Issue of Equity Shares, the appointment of trustees is not required.

**Monitoring Agency**

The size of the issue is being less than five hundred crore rupees; there is no requirement of monitoring agency in terms of Regulation 16 of SEBI (ICDR) Regulations, 2009.

**Appraising Entity****Bank of Baroda**

Rajahmundry Branch, #31-1-40,

Ajantha Building, Fort Gate,

Rajahmundry - 5333 101, India

Tel: (0883) 2475665

Fax: (0883) 2462479

Website: [www.bankofbaroda.com](http://www.bankofbaroda.com)

Contact Person: Mr. Shyam Singh

Email: [rajahm@bankofbaroda.com](mailto:rajahm@bankofbaroda.com)

The objects of this issue have been appraised by Bank of Baroda, Rajahmundry Branch, Hyderabad, by their Appraisal Report dated October 4, 2010. The objects of this issue and means of finance thereof are based on this report. The objective of Appraisal Report is to provide information on the company, its promoters and proposed project to potential lenders/investors/any stakeholders to facilitate the evaluation of the proposal. For disclaimer clause of Bank of Baroda, please refer to page no. 144 of this Draft Red Herring Prospectus.

**Book Building Process**

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

The principal parties involved in the Book Building Process are:

- Our Company;
- Book Running Lead Manager;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and are eligible to act as Underwriters. Syndicate Members are appointed by the BRLM;
- Escrow Collection Bank(s);
- Self Certified Syndicate Banks; and
- Registrar to the Issue

This Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue shall be available for allocation to Qualified Institutional Buyers ("QIBs"), but atleast 10% of the Issue size shall be mandatorily allotted to QIBs on a proportionate basis failing which the full subscription monies shall be refunded. Out of the QIB portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

**Though the process of Book Building under the SEBI Regulations is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.**

Our Company shall comply with regulations issued by SEBI for this Issue. In this regard, our Company has appointed Book Running Lead Manager to manage the Issue and to procure subscription to the Issue.

#### **Steps to be taken by the Bidder for bidding:**

- Check eligibility for making a bid, see the section titled “Issue Procedure-Who Can Bid?” beginning on page no. 153 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
- Ensure that the Bid cum Application Form / ASBA Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form and
- Ensure that the Bid – Cum – Application Form / ASBA Form is accompanied by the Permanent Account Number. For details please refer to the section titled “Issue Procedure” beginning on page no. 152 of this Draft Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of Permanent Account Number as the Bid is liable to be rejected on those grounds.

#### **Illustration of Book Building and Price Discovery Process**

**(Investors should note that this example is solely for illustrative purposes and is not specific to this Issue)**

Bidders can bid at any price within the price band. For instance, assume a price band of ₹ 30 to ₹ 34 per share, issue size of 3,000 equity shares and receipt of five bids from Bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

<b>Bid Quantity</b>	<b>Bid Price (₹)</b>	<b>Cumulative Quantity</b>	<b>Subscription</b>
500	34	500	16.67%
1000	33	1500	50.00%
1500	32	3000	100.00%
2000	31	5000	166.67%
2500	30	7500	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., ₹ 32 in the above example. The issuer, in consultation with the Book Running Lead Manager, will finalize the issue price at or below such cut off price, i.e., at or below ₹ 32. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

#### **Bid/Issue Programme**

##### **Bidding Period/Issue Period**

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

Bids and any revision in Bids will be accepted only between 10 a.m. and 5 p.m. (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned in the Bid cum application Form except that on the Bid/Issue Closing Date, Bids (excluding Bids by ASBA Bidders) shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) and (i) uploaded until 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of ₹ 200,000 and (ii) A standard cut-off time of 5.00 P.M for uploading of Bids received from Retail Individual Bidders where the Bid Amount is up to ₹ 200,000 which may be extended up to such time as deemed fit by the BSE and the NSE after taking into account the total number of applications received upto the closure of timings and reported by BRLM to the Exchange within half an hour of such closure. Bids by ASBA Bidders shall be

uploaded by the SCSBs in the electronic system to be provided by the NSE and the BSE. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 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 public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue and the Issuer / BRLM and the Syndicate Member will not be responsible for such Bids not being uploaded. Bids will only be accepted on working days.

In case of discrepancy in the data entered in the electronic book vis-a-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-a-vis the data contained in the physical or electronic Bid-cum-ASBA Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask the relevant SCSB for rectified data.

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

Our Company 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. The Floor Price can be revised up or down to the extent of 20% of the Floor Price advertised at least one day before the Bid/Issue opening date.

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

#### **Underwriting Agreement**

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfil their underwriting obligations.

**The Underwriters have indicated their intention to underwrite the following number of Equity Shares:** (This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the Registrar of Companies):

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

The above-mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [•].

In the opinion of the Board of Directors & the BRLM (based on certificates given to them by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are



registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s). The above Underwriting Agreement has been accepted by the Board of Directors at the meeting held on [●] and the Company has issued letters of acceptance to the Underwriter.

Notwithstanding the above table, the Underwriters shall be responsible for ensuring payment with respect to 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 also be required to procure / subscribe to the extent of the defaulted amount.

## CAPITAL STRUCTURE

The share capital of our Company, before the Issue and after giving effect to the Issue, as on the date of this Draft Red Herring Prospectus is set forth below:

(₹ in lakhs)

S. No.	Particulars	Aggregate value at nominal value	Aggregate value at issue price
<b>A</b>	<b>Authorized Capital</b>		
	4,00,00,000 Equity Shares of ₹ 10/- each	4,000.00	
<b>B</b>	<b>Issued, Subscribed and Paid-up Capital</b>		
	2,04,86,800 Equity Shares of ₹ 10/- each	2,048.68	
<b>C</b>	<b>Present Issue to the Public in terms of this Draft Red Herring Prospectus</b>		
	[•] Equity shares of ₹ 10/- each fully paid up	[•]	[•]
<b>D</b>	<b>Paid up Capital after the Issue</b>		
	[•] Equity Shares of ₹ 10/- each	[•]	
<b>E</b>	<b>Share Premium Account</b>		
	Before the Issue	Nil	
	After the Issue	[•]	

### Details of changes in authorized share capital of our Company:

S. No.	Date	Increased from (₹ in lakhs)	Increased to (₹ in lakhs)	Remarks
1.	June 8, 2006	-	100.00	10,00,000 Equity Shares of ₹ 10 each, as provided in the Memorandum of Association of the Company at the time of Incorporation.
2.	April 7, 2007	100.00	500.00	Increased from ₹ 100.00 lakhs divided into 10,00,000 equity shares of ₹ 10/- each to ₹ 500.00 lakhs divided into 50,00,000 equity shares of ₹ 10/- each.
3	February 4, 2008	500.00	2,000.00	Increased from ₹ 500.00 lakhs divided into 50,00,000 equity shares of ₹ 10/- each to ₹ 2000.00 lakhs divided into 2,00,00,000 equity shares of ₹ 10/- each.
4.	September 27, 2008	2,000.00	2,800.00	Increased from ₹ 2,000.00 lakhs divided into 2,00,00,000 equity shares of ₹ 10/- each to ₹ 2,800.00 lakhs divided into 2,80,00,000 equity shares of ₹ 10/- each.
5.	September 30, 2010	2,800.00	3,200.00	Increased from ₹ 2800.00 lakhs divided into 2,80,00,000 equity shares of ₹ 10/- each to ₹ 3,200.00 lakhs divided into 3,20,00,000 equity shares of ₹ 10/- each.
6.	January 5, 2011	3,200.00	4,000.00	Increased from ₹ 3200.00 lakhs divided into 3,20,00,000 equity shares of ₹ 10/- each to ₹ 4,000.00 lakhs divided into 4,00,00,000 equity shares of ₹ 10/- each.

### Notes to Capital Structure

**1. Share capital history of our Company**

Date of Allotment/ fully paid up	Number of Equity Shares	Face Value (₹)	Issue Price (₹)	Nature Consideration (cash, bonus, consideration other than cash)	Cumulative no. of Equity Share Capital (no. of shares)	Cumulative Paid-up Equity Capital (in lakhs)	Cumulative securities premium account	Nature of allotment (bonus, swap etc.)	Category
June 8, 2006	50,000	10	10	Cash	50,000	5.00	Nil	Subscription to Memorandum of Association	Promoter, Directors & others
April 07, 2007	16,63,200	10	10	Cash	17,13,200	171.32	Nil	Preferential Allotment	Promoter & others
June 12, 2007	7,76,000	10	10	Cash	24,89,200	248.92	Nil	Preferential Allotment	Promoters, Promoter Group, Director & others
February 05, 2008	30,70,000	10	10	Cash	55,59,200	555.92	Nil	Preferential Allotment	Promoters, Promoter Group, Directors & others
January 09, 2009	20,37,000	10	10	Cash	75,96,200	759.62	Nil	Preferential Allotment	Promoters, Promoter Group & others
April 10, 2010	11,20,000	10	10	Cash	87,16,200	871.62	Nil	Preferential Allotment	Promoter Group & others
June 01, 2010	5,00,000	10	10	Cash	92,16,200	921.62	Nil	Preferential Allotment	Directors & others
July 06, 2010	2,35,000	10	10	Cash	94,51,200	945.12	Nil	Preferential Allotment	Directors & others
August 16, 2010	19,66,800	10	10	Cash	1,14,18,000	1,141.18	Nil	Preferential Allotment	Promoter, Promoter Group, Director & others
September 16, 2010	8,77,500	10	10	Cash	1,22,95,500	1,229.55	Nil	Preferential Allotment	Promoter & Others
October 22, 2010	29,22,000	10	10	Cash	1,52,17,500	1,521.75	Nil	Preferential Allotment	Promoters, Director & others
November 10, 2010	10,44,500	10	10	Cash	1,62,62,000	1,626.20	Nil	Preferential Allotment	Promoter & others
November 26, 2010	24,74,800	10	10	Cash	1,87,36,800	1,873.68	Nil	Preferential Allotment	Others
December 22, 2010	1,750,000	10	10	Cash	2,04,86,800	2,048.68	Nil	Preferential Allotment	Promoter & others

The allotment of Equity shares of our Company is in compliance with the provisions of section 67(3) of the Companies Act 1956.

**2. Details of the issue of Equity Shares in the last one year at a price lower than the issue price are as under:**

Date of Allotment	Number of Equity Shares	Issue Price per share (₹)	Name of allottees	Promoter & Promoter Group/Non Promoter	Reason for Issue
-------------------	-------------------------	---------------------------	-------------------	--	------------------

April 10, 2010	10,00,000	10.00	Meenavalli Usha Rani	Promoter Group	Preferential Allotment
	1,20,000	10.00	Penumarthi Dorababu	Non-Promoter Group	
June 1, 2010	50,000	10.00	T. Suresh	Non-Promoter Group	
	2,50,000	10.00	D.V.S.S. Lakshminarayana	Non-Promoter Group	
	20,000	10.00	B. Prabhakara Rao	Non-Promoter Group	
	30,000	10.00	B. Sridevi	Non-Promoter Group	
	15,000	10.00	Gouse Shaik	Non-Promoter Group	
	35,000	10.00	Mohd Abdul Raheem	Non-Promoter Group	
	1,00,000	10.00	Y. Nirmala	Non-Promoter Group	
July 6, 2010	25,000	10.00	K. Radha Rani	Non-Promoter Group	Preferential Allotment
	25,000	10.00	T. Sudha	Non-Promoter Group	
	10,000	10.00	K. Ravindranath	Non-Promoter Group	
	15,000	10.00	Venkateshwarlu Yendluru	Non-Promoter Group	
	10,000	10.00	A.Ravi Kumar	Non-Promoter Group	
	500	10.00	Babu Rao Kavuluri	Non-Promoter Group	
	1,500	10.00	Manikumar Gopalasetti	Non-Promoter Group	
	20,000	10.00	Rajashekar Surapaneni	Non-Promoter Group	
	5,000	10.00	Ramakrishna Damina	Non-Promoter Group	
	500	10.00	Ch. Venkata Nageswara Rao	Non-Promoter Group	
	500	10.00	Naveen Kumar Marlapudi	Non-Promoter Group	
	4,000	10.00	Ramakrishna Mallidi	Non-Promoter Group	
	4,500	10.00	Satyavara Prasad Arumilli	Non-Promoter Group	
	1,000	10.00	Siva Satya Srinivas Chukka	Non-Promoter Group	
	1,500	10.00	R.A.S. Sarma	Non-Promoter Group	
	1,500	10.00	BVG Srinivas Bojja Rao	Non-Promoter Group	
	1,500	10.00	Shridhar Raj	Non-Promoter	

			Laddika	Group	
	1,500	10.00	Jaya Venkata Chandra Sekhar Siddani	Non-Promoter Group	
	1,500	10.00	Tammineedi Satyanarayana	Non-Promoter Group	
	5,000	10.00	Srinivasa Jeevan Sangani	Non-Promoter Group	
	30,000	10.00	Savithri Tarimela	Non-Promoter Group	
	50,000	10.00	Shravya Tarimela	Non-Promoter Group	
	20,000	10.00	T. Naresh Kumar	Director (Non-Promoter Group)	
August 16, 2010	50,000	10.00	Venkata S. Meenavalli	Promoter	Preferential Allotment
	3,27,000	10.00	M. Krishna Mohan	Promoter Group	
	91,800	10.00	M.V. Lakshmi	Promoter Group	
	93,000	10.00	Venkayamma P.	Non-Promoter Group	
	30,000	10.00	T. Naresh Kumar	Director (Non-Promoter Group)	
	20,000	10.00	T. Savithri	Non-Promoter Group	
	25,000	10.00	Venkatarao Danduboyina	Non-Promoter Group	
	12,00,000	10.00	Polavarapu V. Srinivas	Non-Promoter Group	
	50,000	10.00	Nanduri Kalyana Sahiti	Non-Promoter Group	
	50,000	10.00	Nanduri Satvika	Non-Promoter Group	
	5,000	10.00	Neelam Chandru Darira and Chandru L. Darira	Non-Promoter Group	
	5,000	10.00	Guntupalli Narasimharao	Non-Promoter Group	
	20,000	10.00	Jeyashree Alahar	Non-Promoter Group	
September 16, 2010	8,00,000	10.00	Venkata S. Meenavalli	Promoter	Preferential Allotment
	55,000	10.00	P.Venkayamma	Non-Promoter Group	
	5,000	10.00	Ch.Malyadri Rao	Non-Promoter Group	
	2,500	10.00	Ch.Saroja	Non-Promoter Group	
	5,000	10.00	P.Rama Krishnaiah	Non-Promoter Group	
	5,000	10.00	K.Ekambaranath Reddy	Non-Promoter Group	

	5,000	10.00	T.Krishna Mohan	Non-Promoter Group	
October 22, 2010	1,17,387	10.00	T. Suresh	Non-Promoter Group	Preferential Allotment
	2,70,000	10.00	Venkata S. Meenavalli	Promoter	
	85,000	10.00	Parimi Venkayamma	Non-Promoter Group	
	10,00,000	10.00	Sri Chakra Holdings India Private Limited	Non-Promoter Group	
	1,00,000	10.00	Savithri Tarimela	Non-Promoter Group	
	25,000	10.00	G. Ramadevi	Non-Promoter Group	
	2,00,000	10.00	Vishal Shyam Gurnani	Non-Promoter Group	
	10,000	10.00	G. Linga Murthy	Director (Non-Promoter Group)	
	2,500	10.00	Arumilli Srilatha	Non-Promoter Group	
	2,500	10.00	Maka Venkata Kirshna Satya Srinivas	Non-Promoter Group	
	25,000	10.00	Yaga Kumar	Non-Promoter Group	
	10,000	10.00	Srinivas Tatipaka	Non-Promoter Group	
	24,000	10.00	Anuradha Singh	Non-Promoter Group	
	5,000	10.00	Avilash D	Non-Promoter Group	
	20,000	10.00	Jyothirmai Sannithi	Non-Promoter Group	
	1,000	10.00	Srinivasa Raju Kakarlapudi	Non-Promoter Group	
	1,000	10.00	Suman Merugu	Non-Promoter Group	
	2,14,285	10.00	Vivek Sunil Mehta	Non-Promoter Group	
	71,428	10.00	Sanjay Suresh Kothari	Non-Promoter Group	
	30,000	10.00	Ashok Kumar Radhakishin Dhanwani	Non-Promoter Group	
	50,000	10.00	T. Naresh Kumar	Director (Non-Promoter Group)	
	20,000	10.00	Prathipati Srinivas	Non-Promoter Group	
	20,000	10.00	Prathipati Geeta	Non-Promoter Group	

	10,000	10.00	Kavuri Syama Kumari	Non-Promoter Group	
	10,000	10.00	Kalluri Padmavathi	Non-Promoter Group	
	10,000	10.00	Sunita Padala	Non-Promoter Group	
	40,000	10.00	Palacharla Srinivas	Non-Promoter Group	
	10,000	10.00	T. Srikanth	Non-Promoter Group	
	2,500	10.00	C. Namratha	Non-Promoter Group	
	2,500	10.00	C. Lavanya	Non-Promoter Group	
	3,01,400	10.00	A. Veerabhadra Rao	Promoter	
	2,500	10.00	D. Prakash Rao	Director (Non-Promoter Group)	
	20,000	10.00	G.N.D.L. Saraswathi	Non-Promoter Group	
	50,000	10.00	Mohd Abdul Rahim	Non-Promoter Group	
	50,000	10.00	B. Sridevi	Non-Promoter Group	
	25,000	10.00	Yaga Satyavani	Non-Promoter Group	
	27,000	10.00	Anil Kumar Singh	Non-Promoter Group	
	5,000	10.00	Sarella Gokhele Chandra Kumar	Non-Promoter Group	
	2,000	10.00	Muppidi Chaitanya	Non-Promoter Group	
	10,000	10.00	K. Balasumitra	Non-Promoter Group	
	10,000	10.00	P. Parthasarathi	Director (Non-Promoter Group)	
	25,000	10.00	K.V.K. Kanaka Durga	Non-Promoter Group	
	5,000	10.00	Yarlagadda Durgadevi	Non-Promoter Group	
November 10, 2010	10,000	10.00	Karishma Jayesh Shah	Non-Promoter Group	Preferential Allotment
	25,000	10.00	Sachin G Daga	Non-Promoter Group	
	50,000	10.00	Komal Shah	Non-Promoter Group	
	25,000	10.00	Payal Tapan Mehta	Non-Promoter Group	
	25,000	10.00	Tapan J Mehta	Non-Promoter Group	
	70,000	10.00	Shikha Vivek	Non-Promoter	

			Mehta	Group	
	20,000	10.00	Sagar Rajan Raheja	Non-Promoter Group	
	20,000	10.00	Vivekanand Jaganath Keluskar	Non-Promoter Group	
	30,000	10.00	Pradeep S Sangle	Non-Promoter Group	
	2,000	10.00	Rajana Krishnam Naidu	Non-Promoter Group	
	2,000	10.00	Rishi Kapoor	Non-Promoter Group	
	2,000	10.00	Karuturi Satya Srikanth	Non-Promoter Group	
	2,000	10.00	Golkonda Prabhakar	Non-Promoter Group	
	2,000	10.00	Mandadapu Surendra	Non-Promoter Group	
	10,000	10.00	Shanti Pakalapati	Non-Promoter Group	
	10,000	10.00	Sharat Kumar Pakalapati	Non-Promoter Group	
	2,000	10.00	Nagendra Babu Muppavarapu	Non-Promoter Group	
	2,000	10.00	A. Narendra	Non-Promoter Group	
	2,000	10.00	Narendra Puli	Non-Promoter Group	
	2,000	10.00	Narasimha Rao Gunturu	Non-Promoter Group	
	2,000	10.00	Ponugupaty Krishna Prasad	Non-Promoter Group	
	5,000	10.00	Vasudeva Rao M	Non-Promoter Group	
	5,000	10.00	P. Ganesh Kumar	Non-Promoter Group	
	5,000	10.00	Suryanarayana Murthy Mutya	Non-Promoter Group	
	25,000	10.00	Kshitij Jitendra Shah	Non-Promoter Group	
	25,000	10.00	Jitendra Jayanthilal Shah	Non-Promoter Group	
	20,000	10.00	RJ Prasad	Non-Promoter Group	
	6,44,500	10.00	Venkat S Meenavalli	Promoter	
November 26, 2010	1,10,000	10.00	D. Vindya	Non-Promoter Group	Preferential Allotment
	7,72,500	10.00	Knowledge Base Technologies Private Limited	Non-Promoter Group	
	9,15,000	10.00	Devotional Media	Non-Promoter	



			India Private Limited	Group	
	6,77,300	10.00	Sree Chakra Holdings India Private Limited	Non-Promoter Group	
December 22, 2010	10,00,000	10.00	Venkat S Meenavalli	Promoter	Preferential Allotment
	5,00,000	10.00	Kothari Proudcts Limited	Non-Promoter Group	
	2,50,000	10.00	K Siva Rama Krishna	Non-Promoter Group	

### 3. Details of promoters' contribution and lock in

#### a. Build up of Promoters

Name of Promoter	Date of Allotment /Transfer	Date when made fully paid-up	Nature of allotment/ Consideration (cash / bonus / kind, etc)	Number of Equity Shares	Face Value (₹)	Issue/ Acquisition Price (₹)	% age of Pre Issue Capital	% age of Post Issue Capital	Lock-in period (Years)
<b>Mr. A. Veerabhadr a Rao</b>	June 8, 2006	June 8, 2006	Subscriber to Memorandum	100	10.00	10.00			[•]
	June 12, 2007	June 12, 2007	Allotment for Cash	45,000	10.00	10.00			[•]
	February 5, 2008	February 5, 2008	Allotment for Cash	35,000	10.00	10.00			[•]
	October 6, 2009	N.A.	Transfer from Ms. A. Vijaya Lakshmi	43,000	10.00	10.00			[•]
	October 6, 2009	N.A.	Transfer from Mr. A. Rama Rao	25,000	10.00	10.00			[•]
	October 6, 2009	N.A.	Transfer from Mr. A. Balatripura Sundari	8,500	10.00	10.00			[•]
	October 6, 2009	N.A.	Transfer from Mr. Bikkina Veerayamma	30,000	10.00	10.00			[•]
	October 6, 2009	N.A.	Transfer from Mr. A. Naveen Venkata Kumar	12,000	10.00	10.00			[•]
	October	October	Allotment	3,01,400	10.00	10.00			[•]

Name of Promoter	Date of Allotment /Transfer	Date when made fully paid-up	Nature of allotment/ Consideration (cash / bonus / kind, etc)	Number of Equity Shares	Face Value (₹)	Issue/ Acquisition Price (₹)	% age of Pre Issue Capital	% age of Post Issue Capital	Lock-in period (Years)
	22, 2010	22, 2010	for Cash						
	<b>Total (A)</b>			<b>5,00,000</b>			<b>2.44%</b>	<b>[•]</b>	
<b>Mr. Venkata S. Meenavalli</b>	April 7, 2007	April 7, 2007	Allotment for Cash	13,20,000	10.00	10.00			[•]
	June 12, 2007	June 12, 2007	Allotment for Cash	75,000	10.00	10.00			[•]
	February 5, 2008	February 5, 2008	Allotment for Cash	6,00,000	10.00	10.00			[•]
	January 9, 2009	January 9, 2009	Allotment for Cash	2,20,000	10.00	10.00			[•]
	February 19, 2009	N.A	Transfer to Stampede Holdings Private Limited	(22,15,000)	10.00	10.00			[•]
	October 6, 2009	N.A	Transfer from Stampede Holdings Private Limited	33,25,200	10.00	10.00			[•]
	October 6, 2009	N.A	Transfer from Mr. D.V.S.S. Lakshminarayana	22,86,000	10.00	10.00			[•]
	October 6, 2009	N.A	Transfer from Mr. Meenavalli Krishna Mohan	98,000	10.00	10.00			[•]
	October 6, 2009	N.A	Transfer from Mr. Meenavalli Venkata Lakshmi	30,000	10.00	10.00			[•]
	October 6, 2009	N.A	Transfer from Mr. Parmin Venkayamma	26,500	10.00	10.00			[•]
	October 6, 2009	N.A	Transfer from Mr. T. Suresh	76,500	10.00	10.00			[•]
	October 6, 2009	N.A	Transfer from Mr. P.	10,100	10.00	10.00			[•]

Name of Promoter	Date of Allotment /Transfer	Date when made fully paid-up	Nature of allotment/ Consideration (cash / bonus / kind, etc)	Number of Equity Shares	Face Value (₹)	Issue/ Acquisition Price (₹)	% age of Pre Issue Capital	% age of Post Issue Capital	Lock-in period (Years)	
			Parthasarathi							
	October 6, 2009	N.A	Transfer from Mr. G.N.D.L. Saraswathi	10,000	10.00	10.00			[●]	
	October 6, 2009	N.A	Transfer From D. Vindya	1,10,000	10.00	10.00			[●]	
	October 6, 2009	N.A	Transfer From Ms. M Usha Rani	2,00,000	10.00	10.00			[●]	
	August 16, 2010	August 16, 2010	Allotment for Cash	50,000	10.00	10.00			[●]	
	September 16, 2010	September 16, 2010	Allotment for Cash	8,00,000	10.00	10.00			[●]	
	October 22, 2010	October 22, 2010	Allotment for Cash	2,70,000	10.00	10.00			[●]	
	November 10, 2010	November 10, 2010	Allotment for Cash	6,44,500	10.00	10.00			[●]	
	December 22, 2010	December 22, 2010	Allotment for Cash	10,00,000	10.00	10.00			[●]	
	Total (B)			89,36,800					43.62%	[●]
	Grand Total (A+B)				94,36,800			46.06%	[●]	[●]

**b. Lock-in of Minimum Promoters' Contribution**

Pursuant to the SEBI (ICDR) Regulations, an aggregate of [•] % of the post-Issue equity share capital i.e. [•] Equity Shares of our Company held by the Promoters shall be locked in for a period of three (3) years from the date of allotment or the date of commencement of commercial production, whichever is later. The details of the same are as follows:

Name of Promoter	No. of Shares Locked-in	Face Value (₹)	% age of Pre-Issue Paid up capital	% age of Post Issue Paid up capital
Mr. A. Veerabhadra Rao	[•]	10.00	[•]	[•]
Mr. Venkata S. Meenavalli	[•]	10.00	[•]	[•]
<b>Total</b>	<b>[•]</b>		<b>[•]</b>	<b>[•]</b>

- i. The Equity Shares to be locked-in for a period of three years have been computed as [•]% of Equity Share Capital after the Issue. It is confirmed that the Equity Shares offered by the Promoters for three years lock-in are not pledged to any creditor. Further all the Equity Shares, which are being locked in for 3 years, are not ineligible for computation of promoters' contribution and lock-in as per Regulation 33(1) of SEBI (ICDR) Regulations.

- ii. The Promoters have vide their letter dated February 19, 2011 given their consent for lock-in of shares as stated above. The lock-in shall start from the date of allotment in the public issue and the last date of the lock-in shall be reckoned as three years from the date of allotment in the issue or from the date of commencement of commercial production, whichever is later.
- iii. In addition to above promoters' contribution which is locked in for a period of three years, the entire remaining pre-issue equity capital of our Company i.e. [●] equity shares will be locked in for a period of one year from the date of allotment of equity shares or the date of commencement of commercial production, whichever is later and constituting [●]% of the post issue equity share capital of our Company.
- iv. In terms of Regulation 39 of SEBI (ICDR) Regulations, locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, subject to the condition that (i) 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 loan; and (ii) if the equity shares are locked-in in terms of clause (b) of Regulation 36 and the pledge of equity shares is one of the terms of sanction of the loan.
- v. In terms of Regulation 40 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, Equity Shares held by the Promoter may be transferred to and amongst the Promoters / Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover Regulations), 1997 as applicable. Further, in terms of Regulation 40 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and in compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, locked in Equity Shares held by persons other than the Promoters may be transferred to any other person holding shares which are locked-in as per Regulation 37 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, subject to continuation of the lock-in in the hands of the transferees for the remaining period and such transferee shall not be eligible to transfer them till the lock-in period stipulated under the Regulations has expired.

Further, in the preceding three years, shares considered for promoter's contribution have not been acquired for consideration other than cash and revaluation of assets or resulting from bonus issue out of revaluation reserves or reserves created without accrual of cash resources or against shares which are otherwise ineligible for promoter's contribution. Also, promoter's contribution does not include any shares acquired during last one year at a price lower than the Issue price.

- vi. The Equity Shares forming part of promoter's contribution do not consist of any private placement made by solicitation of subscription from unrelated persons, either directly or through any intermediary. For the purpose of calculating Promoter's contribution, the same has been brought in the specified minimum lot of ₹ 25,000/- per application from each individual and from persons defined as Promoters under the SEBI (ICDR) Regulations.
- 4. There is no "buyback" or "standby" arrangement for purchase of Equity Shares by our Company, its Directors, its Promoters, or the BRLM for the Equity Shares offered through this Draft Red Herring Prospectus.
- 5. The shareholding pattern of the Company before and after the Issue is as follows:

Category code	Category of shareholder	Number of shareholders	Total number of shares	Total shareholding as a percentage of pre issue total number of shares		Total shareholding as a percentage of pre issue total number of shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	As a % of (A+B)	As a % of (A+B+C)	Number of Shares	As a % of (A+B+C)
<b>A</b>	<b>Shareholding of Promoter and Promoter Group</b>								
<b>1</b>	<b>Indian</b>								
a	Individuals/Hindu Undivided Family	5	1,08,55,600	52.99	52.99	[●]	[●]	-	-
b	Central Government/ State Government(s)	-	-	-	-	[●]	[●]	-	-
c	Bodies Corporate	-	-	-	-	[●]	[●]	-	-
d	Financial Institutions/Books	-	-	-	-	[●]	[●]	-	-
e	Any Other (specify)	-	-	-	-	[●]	[●]	-	-
	<b>Sub-Total(A)(1)</b>	<b>5</b>	<b>1,08,55,600</b>	<b>52.99</b>	<b>52.99</b>	<b>[●]</b>	<b>[●]</b>	<b>-</b>	<b>-</b>
<b>2</b>	<b>Foreign</b>								
a	Individuals(Non-Resident individuals/Foreign Individuals	-	-	-	-	[●]	[●]	-	-
b	Bodies Corporate	-	-	-	-	[●]	[●]	-	-
c	Institutions	-	-	-	-	[●]	[●]	-	-
d	Any Other (specify)	-	-	-	-	[●]	[●]	-	-
	<b>Sub-Total(A)(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>[●]</b>	<b>[●]</b>	<b>-</b>	<b>-</b>
	<b>Total Shareholding of Promoter and Promoter Group(A)=(A)(1)+(A)(2)</b>	<b>5</b>	<b>1,08,55,600</b>	<b>52.99</b>	<b>52.99</b>	<b>[●]</b>	<b>[●]</b>	<b>-</b>	<b>-</b>
<b>B</b>	<b>Public shareholding</b>								
<b>1</b>	<b>Institutions</b>								
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	Any Other (Specify)	-	-	-	-	[●]	[●]	-	-
	<b>Sub-Total (B)(1)</b>	-	-	-	-	[●]	[●]	-	-
<b>2</b>	<b>Non-Institutions</b>							-	-
a	Bodies Corporate	4	38,64,800	Nil	Nil	[●]	[●]	-	-
b	Individuals - i. individual shareholders holding nominal share capital up to ₹ 1 lakh	48	1,48,700	0.73%	0.73%	[●]	[●]	-	-
	ii Individual shareholders holding nominal shares capital in excess of ₹ 1 lakh	75	56,17,700	27.42%	27.42%	[●]	[●]	-	-
c	Any Other (NRIS)	-	-	-	-	[●]	[●]	-	-
	<b>Sub-Total(B)(2)</b>	<b>127</b>	<b>96,31,200</b>	<b>47.01%</b>	<b>47.01%</b>	<b>[●]</b>	<b>[●]</b>	<b>-</b>	<b>-</b>
	<b>Total Public shareholding (B)=(B)(1)+(B)(2)</b>	<b>127</b>	<b>96,31,200</b>	<b>47.01%</b>	<b>47.01%</b>	<b>[●]</b>	<b>[●]</b>	<b>-</b>	<b>-</b>
	<b>TOTAL (A)+(B)</b>	<b>132</b>	<b>2,04,86,800</b>	<b>100.00%</b>	<b>100.00%</b>	<b>[●]</b>	<b>[●]</b>	<b>-</b>	<b>-</b>
C	Shares held by Custodians and against which depository receipts have been issued	-	-	-	-	[●]	[●]	-	-
	<b>GRAND TOTAL (A+B+C)</b>	<b>132</b>	<b>2,04,86,800</b>	<b>100.00%</b>	<b>100.00%</b>	<b>[●]</b>	<b>[●]</b>	<b>-</b>	<b>-</b>

6. The list of Shareholders of our Company belonging to the category “Promoter and Promoter Group” as on the date of this Draft Red Herring Prospectus is detailed in the table given below:

S. No.	Name of the Promoter	Total Shares held		Shares pledged or otherwise encumbered		
		Number	As a % of total pre-issue paid up equity capital	Number	As a % of total Shares held by the Promoter/Promoter group	As a % of total pre-issue paid up equity capital
(A) Promoters						
1.	Mr. A. Veerabhadra Rao	5,00,000	2.44%	-	-	-
2.	Mr. Venkata S. Meenavalli	89,36,800	43.62%	-	-	-
Total (A)		94,36,800	46.06%	-	-	-
(B) Promoter Group						

1.	Ms. Meenavalli Usha Rani	10,00,000	4.88%	-	-	-
2.	Mr. Meenavalli Krishna Mohan	3,27,000	1.60%	-	-	-
3.	Ms. Meenavalli Venkata Lakshmi	91,800	0.45%	-	-	-
4.	Ms. A.Vijayalakshmi	-	-	-	-	-
5.	Mr. A.Rama Rao	-	-	-	-	-
6.	Ms. A.Bala Tripura Sundari	-	-	-	-	-
7.	Mr. A.Naveen Venkata Kumar	-	-	-	-	-
<b>Total (B)</b>		<b>14,18,800</b>	<b>6.93%</b>	-	-	-
<b>Total (A + B)</b>		<b>1,08,55,600</b>	<b>52.99%</b>	-	-	-

7. An over-subscription to the extent of 10% of Issue to the Public can be retained for the purpose of rounding off to the nearer multiple of 1, while finalizing the Basis of Allotment.
8. As on date of filing of this Draft Red Herring Prospectus with SEBI, there are no partly paid up Equity Shares in our Company. All the Equity Shares will be fully paid up at the time of allotment.
9. Under subscription, if any, in any of the categories would be allowed to be met with spill over from any of the other categories, at the discretion of our Company in consultation with the BRLM, subject to minimum 10% of the Issue Size i.e. [•] Equity Shares shall be mandatorily allotted to QIBs failing which the entire subscription monies shall be refunded.
10. (a) Details of top ten shareholders of our Company as on the date of filing of this Draft Red Herring Prospectus with SEBI are as follows: -

Sr. No.	Name of the Shareholder	No. of Shares	% to Paid up Capital (face value ₹ 10/-)
1	Mr. Venkata S. Meenavalli	89,36,800	43.62%
2	Chakra Holdings India Private Limited	16,77,300	8.19%
3	Mr.Polavarapu V Srinivas	12,00,000	5.86%
4	Ms. Meenavalli Usha Rani	10,00,000	4.88%
5	Devotional Media India Private Limited	9,15,000	4.47%
6	Knowledge Base Technologies Private Limited	7,72,500	3.77%
7	Mr. A. Veerabhadra Rao	5,00,000	2.44%
8	Kothari Products Limited	5,00,000	2.44%
9	Mr. G. Venkatappaiah	3,60,000	1.76%
10	Mr. Meenavalli Krishna Mohan	3,27,000	1.60%
	<b>Total</b>	<b>1,61,88,600</b>	<b>79.02%</b>

- (b) Details of top ten shareholders of our Company as on ten days prior to filing of this Draft Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name of the Shareholder	No. of Shares	% to Paid up Capital (face value ₹ 10/-)
1	Mr. Venkata S. Meenavalli	89,36,800	43.62%
2	Chakra Holdings India Private Limited	16,77,300	8.19%
3	Mr.Polavarapu V Srinivas	12,00,000	5.86%
4	Ms. Meenavalli Usha Rani	10,00,000	4.88%
5	Devotional Media India Private Limited	9,15,000	4.47%
6	Knowledge Base Technologies Private Limited	7,72,500	3.77%

Sr. No.	Name of the Shareholder	No. of Shares	% to Paid up Capital (face value ₹ 10/-)
7	Mr. A. Veerabhadra Rao	5,00,000	2.44%
8	Kothari Products Limited	5,00,000	2.44%
9	Mr. G. Venkatappaiah	3,60,000	1.76%
10	Mr. Meenavalli Krishna Mohan	3,27,000	1.60%
	<b>Total</b>	<b>1,61,88,600</b>	<b>79.02%</b>

(c) Details of top ten shareholders of our Company as on two years prior to filing of this Draft Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name of the Shareholder	No. of Shares	% to Paid up Capital (face value ₹ 10/-)
1	Mr. Venkata S Meenavalli	22,15,000	29.16
2	Mr. C. Venkateswara Reddy	10,76,000	14.16
3	Mr. B. Loksh	7,67,000	10.10
4	Mr. K. Bhaskara Reddy	6,50,000	8.56
5	M/s KBR Holdings Private Limited	5,00,000	6.58
6	Mr. Srinivasu Palacharla	3,43,200	4.52
7	Ms. A. Geetha Devi	3,10,000	4.08
8	Mr. G. Venkatappaiah	2,50,000	3.29
9	Mr. P. Ganesh Kumar	2,00,000	2.63
10	Mr. Meenavalli Usha Rani	2,00,000	2.63
	<b>Total</b>	<b>65,11,200</b>	<b>85.72</b>

The above shareholders do not hold any shares, which they would be entitled to upon exercise of warrant, option, rights to convert a debenture, loan or other instrument.

11. Our Promoters/ Promoter Group/Directors and their immediate relatives have not purchased / sold / financed / acquired any equity shares of our Company during the past 6 months, from the date of this Draft Red Herring Prospectus.
12. In compliance with Regulation 26(5) of the SEBI (ICDR) Regulations, 2009 our Company has no outstanding convertibles securities and has not provided any right which would entitle any person any option to receive equity shares after the Initial Public Offer, which may restrict it from issuing securities.
13. Our Company has not issued any equity shares for consideration other than cash.
14. Our Company has not raised any bridge loan against the proceeds of the present issue.
15. There would be no further issue of capital in any manner whether by way of issue of bonus shares, preferential allotment, rights issue, public issue or otherwise during the period commencing from submission of this Draft Red Herring Prospectus with SEBI till the Equity Shares offered through this Draft Red Herring Prospectus/Prospectus have been listed.
16. Our Company does not have any intention, proposal, negotiations or consideration to alter its capital structure by way of split /consolidation of the denomination of the Equity Shares, or issue of Equity Shares on a preferential basis or issue of bonus or rights or further public issue or qualified institutional placement of shares or any other securities, within a period of six months from the Bid/Issue Opening Date.
17. Our Company does not have any Employee Stock Option Scheme (ESOS) / Employee Stock Purchase Scheme (ESPS) for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed issue. As and when, options are granted to



our employees under the ESOP scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.

18. Our Company has not issued any shares out of revaluation reserves.
19. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, unless otherwise permitted by law.
20. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
21. Our Company has 132 shareholders as on the date of filing of this Draft Red Herring Prospectus with SEBI.
22. Our Company has not revalued its assets since its incorporation.
23. Neither the BRLM nor their associates hold any Equity Shares in our Company.
24. This Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue shall be available for allocation to Qualified Institutional Buyers ("QIBs"), but atleast 10% of the Issue size shall be mandatorily allotted to QIBs on a proportionate basis failing which the full subscription monies shall be refunded. Out of the QIB portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
25. An applicant in public category cannot make an application for the number of Equity Shares exceeding the number of Equity Shares offered to the public.
26. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in Para on "Basis of Allocation" appearing on page no. 179 of this Draft Red Herring Prospectus.

## OBJECTS OF THE ISSUE

We propose to manufacture 60 KLPD of Extra Neutral Alcohol; 44 TPD of Distiller's Dried Grains with Solubles (DDGS); 4 KLPD of Technical Alcohol (or Rectified Spirit); and 30 MTPD of CO<sub>2</sub>. In addition, we propose two captive power generation plant with installed capacity of 1.5 MW. The project has been appraised by Bank of Baroda and will be implemented in two phases (Phase-I and Phase-II). Phase-I of project, is expected to get commissioned from April, 2011 wherein we will be manufacturing 30 KLPD of Extra Neutral Alcohol; 22 TPD of Distiller's Dried Grains with Solubles and 2 KLPD of Rectified Spirit. Under Phase-II, we will be manufacturing 30 KLPD of Extra Neutral Alcohol; 2 KLPD of Rectified Spirit; 30 MTPD of CO<sub>2</sub>; 22 TPD of Distiller's Dried Grains with Solubles; and 1.5 MW of power plant. The total project cost for Phase - I and Phase - II, as appraised by Bank of Baroda, has been estimated at ₹ 10,600 lakhs, the details of which are as under:

(₹ in lakhs)			
Capacity	30 KLPD	30 KLPD	60 KLPD
Particulars	Phase I	Phase II	Total
Land and site development	300.00	-	300.00
Buildings and civil works	505.60	715.00	1220.60
Raw material godown	-	305.27	305.27
Plant and machinery	2727.99	3137.00	5864.99
CO <sub>2</sub> plant	-	598.00	598.00
Pipe lines	-	335.38	335.38
Miscellaneous fixed assets	53.28	91.34	144.62
Preliminary & pre-operative expenses	440.68	111.58	552.26
Interest during construction, upfront fee etc	173.90	-	173.90
Margin money for working capital	198.55	400.00	598.55
Public Issue Expenses	-	506.43	506.43
<b>Total</b>	<b>4400.00</b>	<b>6200.00</b>	<b>10,600.00</b>

The main objects clause and the objects incidental or ancillary to the main objects clause of the Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised through this issue.

### Means of Finance

The above requirement of funds, as appraised by Bank of Baroda in the month of October, 2010, is proposed to be financed as under:

(₹ in lakhs)				
S. No.	Particulars	Phase I	Phase II	Total
1.	Proceeds of the Issue	-	6200.00	6200.00
2.	Equity Share Capital	1735.00	-	1735.00
3.	Term Loan from Bank of Baroda*	2665.00	-	2665.00
	<b>Total</b>	<b>4400.00</b>	<b>6200.00</b>	<b>10,600.00</b>

\*Bank of Baroda vide their letter no. BOB/RJY/ADV/37/18 dated October 26, 2009 sanctioned term loan of ₹ 2665 lakhs and out of which Bank of Baroda had already disbursed an amount of ₹ 2279.24 lakhs. The terms of sanction and major restrictive covenants are appearing under section "Our Financial Indebtedness" on page no. 71 of the Draft Red Herring Prospectus.

We confirm that firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed public issue and internal accruals have been made in compliance with provisions of Regulations (VII)(C)(1) of Schedule VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

We may have to revise our expenditure and fund requirements as a result of variations in the cost structure, changes in estimates and external factors, which may not be within the control of our management. This may entail rescheduling or revising the planned expenditure and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of our management. In addition, the estimated dates of completion of the expansion project as described herein are based on management's current expectations, and are subject to change due to various factors, some of which may not be in our control.

We confirm and undertake that we do not intend to utilize the net proceeds of the Issue to procure any second hand equipment.

Also, the Promoters or the Directors or the Promoter Group entities do not have any interest in the proposed procurement of any equipment as stated above or any of the entities from whom we have obtained quotations.

### **Appraisal**

Our project has been appraised by Bank of Baroda as per their letter no. BOB/RJY/ADV/38 dated October 4, 2010. The objective of Appraisal Report is to provide information on the company, its promoters and proposed project to potential lenders/investors/any stakeholders to facilitate the evaluation of the proposal. For disclaimer clause of Bank of Baroda, please refer to page no. 144 of this Draft Red Herring Prospectus.

### **Details of utilisation of Issue proceeds**

- Land and site development**

We have already acquired 35 acres & 11 cents of land at Tallpudi Mandal, West Godavari District, Andhra Pradesh. For details of land acquired by us, please refer to section titled "Our Property" appearing on page no. 68 of this Draft Red Herring Prospectus. Out of this, land used in Phase I is approximately around 10 acres; 12 acres will be used for Phase II of the Project and the remaining land will be used for green belt operations, approach road etc. We believe that existing land is sufficient for carrying out phase II of construction facility. The total cost of land & site development was ₹ 300 lakhs, which has already been spent by us under Phase - I. We do not intend to spend any amount for land & site development under Phase - II.

- Building and civil works**

The building construction for Phase I was on EPC (Engineering, Procurement and Commissioning) basis by Mojji Engineering Systems Limited, Pune. We had already spent an amount of ₹ 468.77 lakhs, out of an estimated amount of ₹ 505.60 lakhs on building and civil works under Phase - I. However, we expect to incur an amount of ₹ 715 lakhs under Phase - II. The main reason for this difference is rise in steel prices, cement prices and labour charges between 2009 and 2011.

As per the Appraisal Report, the details of the building and civil works under Phase - II, as submitted by Mojji Engineering Systems Limited, Pune vide their quotation dated June 24, 2010 are as under:

No.	Description	Area (sq.m)	Price (₹ lakhs)	
			Civil	Structural
1	Spirit Storage (Bulk Storage)	778.43	194.00	
2	Receivers / tank	216.00	7.20	5.00
3	Dryer	375.00	12.20	8.00
4	Cooling tower for distillation	64.89	2.50	

5	Cooling tower for fermentation	23.94	1.10	
6	Distillation	401.20	15.50	130.00
7	Motor Control centre (Mcc)/Lab	144.00	7.60	
8	Fermentation	504.00	13.60	75.00
9	Fermentation	171.00	3.42	
10	Liquefaction	228.00	6.50	18.24
11	Milling	266.00	8.00	26.60
12	Grain Silos - GS1	226.19	7.25	
13	Grain Silos - GS2	226.19	7.25	
14	Grain Unloading Shed	60.00	1.55	
15	Administration Block	250.00	7.52	
16	Excise Office	35.00	0.90	
17	Turbine & DG Set	255.00	6.25	2.55
18	Boiler	653.25	11.55	
19	Effluent Treatment Plant	184.92	9.00	
20	Toilet Block - 1	15.00	0.37	
21	Toilet Block - 2	15.00	0.37	
22	Stores & Workshop	240.00	4.80	3.60
23	Raw Water Sump	144.00	6.50	
24	Demineralized Plant	86.70	1.76	1.32
25	Weigh Bridge Building	9.00	0.50	
26	R.1 North Side Roads (East to West)	0.00	2.00	
27	R.2 Coal Yard Road	0.00	6.00	
28	R.3 West side road (North to South)	0.00	7.00	
29	R.4 Main Road	0.00	12.00	
30	R.5 East Side Roads (North to South)	0.00	8.00	
31	R.6 (Distillation & S S Road)	0.00	5.00	
32	R.7 South side road (East to West)	0.00	10.00	
33	Proposed CO <sub>2</sub> Plant	100.00	30.00	10.00
34	Security Cabin	24.00	5.00	
35	Coal/Husk Storage Shed	300.00	7.00	5.50
	<b>Total area</b>	<b>5996.71</b>		
	Sub-total		<b>429.19</b>	<b>285.81</b>
	<b>Total Cost in Lakhs</b>		<b>715.00</b>	

- **Raw Material Godown**

Under Phase II, it is proposed to construct godown for storing raw materials i.e. primarily grains. The total expenditure for construction of godown is based on the management estimates, which amounts to ₹ 305.27 lakhs.

- **Plant & Machinery**

We have proposed to take the expansion project on EPC basis as was implemented in Phase I. Mojj Engineering Systems Limited is the EPC supplier, who has supplied plant & machinery besides construction of building and civil works. The total cost of plant & machineries, as per the quotation of Mojj Engineering Systems Limited dated June 24, 2010 and as appraised by Bank of Baroda, amounts to ₹ 3,137.00 lakhs, details of which are as under:

S.No	Description	₹ in Lakhs
1.	Grain Silo (750 MTx 2 No.), Pre cleaner & Accessories	78.00
2.	Grain handling & milling	98.00

3.	Liquefaction & Saccharification	208.00
4.	Fermentation- Batch Fermentation	421.00
5.	Multi Pressure Distillation	670.00
6.	Thin Stillage recycle including decanter & integrated evaporator	405.00
7.	DDGS dryer & its accessories	234.00
8.	Utility (Cooling tower, compressor, blower, water treatment plant)	113.00
9.	Alcohol storage( 30 days capacity for Bulk Storage)	100.00
10.	Plant & yard lighting, yard piping, D.G. set & electrical (light distribution, change over panel)	85.00
11.	Boiler, turbines & PRDS	514.00
12.	Fire fighting & weigh bridge	48.00
13.	Effluent Treatment Plant	58.00
14.	Erection & Commissioning	105.00
	<b>Total</b>	<b>3,137.00</b>

- **CO<sub>2</sub> Plant**

CO<sub>2</sub> plant was not envisaged under Phase I. Now, we will be installing 30 MTPD of CO<sub>2</sub> plant which will utilize the waste gases emanating from the overall plant of 64 KLPD to produce value added by-product with a capital cost of ₹ 598.00 lakhs in the Phase-II of project. The total cost has been estimated based on the quotation dated June 24, 2010 from M/s Moji Engineering System Limited and as per the Appraisal Report of Bank of Baroda.

- **Water pipe lines**

Under Phase I, water requirements for the project was proposed from the borewells inside the factory. However, under Phase II, the existing borewell facilities may not be sufficient and as per Ground Water Department, Andhra Pradesh further water usage is not allowed. We, therefore, are setting up our own water pipe line to draw the required water from river Godavari. The total expenditure as estimated by the management and as per the appraisal report on construction of pipelines including pump house, water pipe line and storage tank is ₹ 335.38 lakhs, details of which are as under:

S. No	Items	₹ in lakhs
1	Pump House	18.00
2	Water Pipe Line	162.38
3	Water Tank	155.00
	Total	335.38

- **Miscellaneous Fixed Assets**

The total expenditure on miscellaneous fixed assets under Phase-II is estimated by the management, to be ₹ 91.34 lakhs, brief details of which are as under:

S No.	Description	₹ in lakhs
1	Electrical transformer and other electrical items	25.00
2	Office Furniture and Equipments	22.76
3	Vehicles	43.58
	<b>TOTAL</b>	<b>91.34</b>

- **Preliminary and pre-operative expenditure**

The preliminary and pre-operative expenditure has been estimated at ₹ 111.58 lakhs under Phase-II, which include expenses incurred in relation to the construction of the factory that includes staff salaries, labour

charges, licenses and renewals, electricity / diesel / staff welfare / site maintenance and all other expenses till the date of commencement of commercial production.

- **Margin money for working capital**

As per the Appraisal Report of Bank of Baroda, the total working capital requirement, for 2012-13 is ₹ 1005.37 lakhs, taking into account the implementation of Phase-I and Phase-II by October, 2010 and October, 2011 respectively. The commercial production under Phase-I and Phase-II is now expected to commence from April, 2011 and April, 2012 respectively. The total working capital requirement for 2012-13, after implementation of Phase-I and Phase-II is as under:

Particulars	(₹ in lakhs) FY 2012-13 (Estimated)
Raw Materials	890.66
Chemicals	30.89
Debtors	306.49
<b>Sub-total (A)</b>	<b>1,228.04</b>
<b>Less:</b>	
Creditors	222.67
<b>Sub-total (B)</b>	<b>222.67</b>
<b>Net Current Assets (A - B)</b>	<b>1,005.37</b>
<b>Funding Pattern:</b>	
Estimated Bank Finance	605.37
Proposed to be funded through Issue Proceeds	400.00
<b>Total</b>	<b>1,005.37</b>

The holding levels are assumed as under:

	Holding level (days) ( Estimated )
Chemicals	30
Raw Materials	60
Debtors	15
Creditors	15

The net working capital requirement for 2012-13 is based on current market prices of raw materials and finished goods. The projected levels of holdings periods of various items of current assets and current liabilities are shown in the above table.

On the basis of estimated holding period for the FY 2012-2013, our total working capital requirement works out to ₹ 1005.37 lakhs, which we propose to meet from IPO proceeds to the extent of ₹ 400 lakhs and ₹ 605.37 lakhs from bank borrowings. We have already made an application to Bank of Baroda vide our letter dated February 1, 2011 for increasing our working capital limits from ₹ 250 lakhs to ₹ 500 lakhs.

- **Meeting the Issue expenses**

The expenses for this issue include issue management fees, underwriting and selling commission, registrar's fees, legal advisor's fees, advisors & banker's fees, statutory auditor's fees, printing and distribution expenses, advertisement expenses, depository charges and listing fees to the Stock Exchange among others. The total expenses for this issue are estimated to be ₹ 506.43 lakhs.

Our Company plans to meet the above expenditure out of the proceeds of this Issue. However, pending receipt of the Issue proceeds, we might be required to make certain initial payments/deposits with the

vendors/suppliers/various intermediaries. We plan to deploy the same out of our existing cash reserves/internal accruals and would recoup the amounts deployed from the issue proceeds.

### **Raw Materials**

Our project will be multi-grain distillation plant, however we will be using maize as the raw material as the plant is located near the maize growing belts. India gets a major proportion of the total maize production (16.7 million tonnes in 2009-10) from Kharif season crop. However, this crop can be taken up in both seasons, Kharif as well as Rabi. In India, maize is cultivated throughout the year in different part of the country. Andhra Pradesh is the leading state producing maize in India, followed by Karnataka, Maharashtra, Rajasthan and Bihar. The consumption pattern of maize indicates that human consumption accounts for less than one third of total maize consumption in the country and a greater share is used collectively for poultry feed; animal feed and industrial use. Export of maize from India is approximately 5%. The government announces Minimum Support Price (MSP) for maize every year. The MSP for maize has gone up from ₹ 540 per quintal in 2006-07 to ₹ 880 per quintal in 2010-11. (Source: *Commodity Report of September, 2010* by NICR (NCDEX Institute of Commodity Markets & Research)).

Our total requirement of maize under Phase-II is estimated at around 70-80 tonnes per day, which we will be sourcing locally. We do not foresee any problem in procurement of maize in future and therefore, have not tied up with any of the agencies for procurement of maize.

### **Infrastructure facilities and utilities**

#### **Power**

The requirement of power under Phase-II is 685 KW, out of total power generation of 705 KW (against total capacity of power plant at 750 KW). In addition, we also propose to use 250 KVA power as standby at times of need for CO<sub>2</sub> plant from Andhra Pradesh Eastern Power Distribution Company Limited (APEDCL).

#### **Steam**

We require about 440 T/day steam for usage in liquefaction, distillation, evaporation and drying. The steam generated in the boiler will be sent through turbine for power generation. The exhaust steam from the turbine with 3.5 kg/sqcm pressure will be used for liquefaction, distillation, evaporation and dryer for which two boiler of 12 TPH are proposed.

#### **Water**

The water requirement is expected to be 1600 m<sup>3</sup> per day, out of which 400 m<sup>3</sup> will be used for demineralised water for boiler and 1200 m<sup>3</sup> will be used for soft water for process including cooling water. Ground Water Department, Government of Andhra Pradesh had accorded permission to use water from existing two bore wells which are sufficient for Phase-I. For expansion of our proposed project under Phase-II, we propose to use water from river Godavari, for which we intend to lay a dedicated pipeline of nearly 10 km length.

#### **Manpower**

The total requirement of manpower for Phase-II will be 96, with the following details:

<b>Department</b>	<b>No. of employees</b>
Production in charge	1
Executives	6
Operators	43
Semi-skilled/unskilled labour	35
Supervisors	8
Stores Assistant	3

We believe that the project being near Rajamundhry, a major town in Andhra Pradesh, manpower in and around the project site for skilled and experienced personnel availability is not expected to be difficult.

#### Funds deployed till date

The details of the amount spent by our Company under Phase-I, as of January 31, 2011 as part of the 'Objects of the Issue' and as certified by G.P. Rao & Co., Chartered Accountants, vide certificate dated February 7, 2011 are provided in the table below:

Particulars	₹ in lakhs
<b>Funds Deployed</b>	
Land and site development	583.21
Building and civil works	468.77
Plant & machinery	2395.06
Miscellaneous fixed assets	35.86
Preliminary & Pre-operative expenses	372.88
Interest during construction, upfront fee, etc.	204.76
<b>Total</b>	<b>4060.54</b>
<b>Sources of funds</b>	
Bank term loan (disbursed till January 31, 2011)	2279.24
Equity Share Capital	1781.30
<b>Total</b>	<b>4060.54</b>

G.P. Rao & Co., Chartered Accountants vide their letter dated February 7, 2011 have confirmed that the bank facilities are enjoyed/availed for the same purpose for which they have been sanctioned.

Under Phase-II, we have deployed ₹ 15.10 lakhs as of January 31, 2011, as certified by G.P. Rao & Co., Chartered Accountants, vide certificate dated February 7, 2011, details of which are as under:

Particulars	₹ in lakhs
<b>Funds Deployed</b>	
Issue Expenses	15.10
<b>Total</b>	<b>15.10</b>
<b>Sources of funds</b>	
Equity Share Capital	15.10
<b>Total</b>	<b>15.10</b>

#### Schedule of Implementation:

Activity	Expected Month of Commencement	Expected Month of Completion
Awarding of EPC	May, 2011	
Factory building and civil works	May, 2011	December, 2011
Raw material godown	September, 2011	December, 2011
Pipe line laying	November, 2011	February, 2012
Order of Plant & Machinery including CO <sub>2</sub> plant	May, 2011	December, 2012
Installation of plant & machinery	July, 2011	February, 2012
Installation of CO <sub>2</sub> plant	July, 2011	December, 2012
Trial runs	March, 2012	March, 2012
Commercial production	April, 2012	



## Proposed deployment of funds in the project

The break-up of proposed deployment of funds is mentioned below:

(₹ in lakhs)

Particulars	Already incurred	FY 2011-12		FY 2012-13	Total
		H1	H2		
Buildings and Civil works	Nil	357.50	357.50	-	715.00
Raw Material Godown	Nil	91.58	213.69	-	305.27
Plant and Machinery	Nil	1254.80	1882.20	-	3137.00
CO <sub>2</sub> Plant	Nil	239.20	358.80	-	598.00
Pipe Lines	Nil	-	335.38	-	335.38
Miscellaneous Fixed Assets	Nil	-	91.34	-	91.34
Preliminary & Pre-operative Expenses	Nil	50.72	60.86	-	111.58
Margin Money for Working Capital	Nil	-	-	400.00	400.00
Public Issue Expenses	15.10	491.33	-	-	506.43
Total	15.10	2485.13	3299.77	400.00	6200.00

### Interim use of proceeds

Our Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the proceeds out of the Issue for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including money market mutual funds and deposits with banks. Such investments would be in accordance with the investment policies approved by the Board from time to time. We confirm that pending utilization of Issue proceeds; we shall not use the funds for any investments in the Equity markets.

### Monitoring of utilisation of funds

The appointment of monitoring agency is not required in accordance with Clause 16 of SEBI (ICDR) Regulations, 2009. We have therefore not appointed any Monitoring Agency for the purpose of monitoring the utilization of issue proceeds. We will disclose the utilization of the proceeds under a separate head in our Company's balance sheet for such fiscal periods as required under the SEBI (ICDR) Regulations, the Listing Agreements with the Stock Exchanges and any other applicable laws or regulations, clearly specifying the purposes for which the Net Proceeds have been utilized. We, will also, in its balance sheet for the applicable fiscal periods, provide details, if any, in relation to all such Net Proceeds that have not been utilized, if any, of such currently unutilized Net Proceeds.

Pursuant to Clause 49 of the Listing Agreement, our Company shall on quarterly basis disclose to the Audit Committee the uses and applications of the proceeds of the Issue. On an annual basis, our Company shall prepare a statement of fund utilized for purposes other than stated in this Draft Red Herring Prospectus and place it before the Audit Committee. Such disclosures shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement will be certified by the Statutory Auditors of our Company.

Our Company shall be required to inform the material deviations in the utilization of the issue proceeds to the Stock Exchanges and shall also be required to simultaneously make the material deviation / adverse comments of the Audit Committee public through advertisement in newspaper.

No part of the issue proceeds, will be paid by our Company, as consideration to Promoters, Directors, Promoter Group Companies, Key Managerial Personnel except in the usual course of business.

## BASIC TERMS OF THE ISSUE

**PUBLIC ISSUE OF [•] EQUITY SHARES OF ₹ 10/- EACH FOR CASH AT A PRICE OF ₹ [•] PER EQUITY SHARE, AGGREGATING ₹ 6,200 LAKHS (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE [•] % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY**

**Price band: ₹ [•] to [•] per Equity Share of face value of ₹ 10/- each.**

**The Issue price is [•] times the face value at the lower end of the price band and [•] times the face value at the higher end of the price band**

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares available for Allocation*	Upto [•] Equity Shares	Not less than [•] Equity Shares	Not less than [•] Equity Shares
Percentage of Issue Size Available for allocation	Upto 50% of the Issue of which 5% will be available for proportionate allocation to Mutual Funds only. Mutual funds participating in the 5% reservation in the QIB portion will also be eligible for allocation in the remaining QIB portion. The unsubscribed portion in the Mutual Fund reseravation will be available to QIBs. However, 10% of the Issue size shall be mandatorily allotted to QIBs failing which the entire subscription monies shall be refunded	Not less than 15% of Issue	Not less than 35% of Issue
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: a. Equity Shares shall be allocated on proportionate basis to Mutual Funds in the Mutual Funds Portion; b. Equity Shares shall be allocated on proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
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
Maximum Bid	Such number of Equity Shares in multiples of [•] Equity Shares so that the Bid amount does not exceed the Issue, subject to applicable	Such number of Equity Shares in multiples of [•] Equity Shares so that	Such number of Equity in multiples of [•] Equity Shares so that the Bid

	limits.	the Bid amount does not exceed the Issue, subject to applicable limits.	amount does not exceed ₹ 2,00,000
Mode of Allotment	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode
Allotment Lot	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter
Trading Lot	One	One	One
Who can apply**	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of ₹ 2500 lakhs, pension funds with minimum corpus of ₹ 2500 lakhs, National Investment Fund and Insurance funds set up and managed by army, navy or air force of the Union of India in accordance with applicable laws.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions, societies and trusts.	Individuals including NRIs and HUFs (in the name of the Karta) applying for Equity Shares such that the Bid amount does not exceed ₹ 200,000 in value.
Terms of Payment	The entire bid amount shall be payable at the time of submission of the Bid-cum-Application Form to the Syndicate Members. In case of ASBA Bidders, SCSBs shall be authorized to block such funds in the bank account that is specified in the Bid-cum-ASBA Form.		

\* Subject to valid Bids being received at or above the Issue Price.

This Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue shall be available for allocation to Qualified Institutional Buyers ("QIBs"), but atleast 10% of the Issue size shall be mandatorily allotted to QIBs on a proportionate basis failing which the full subscription monies shall be refunded. Out of the QIB portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual

Bidders, subject to valid bids being received at or above the Issue Price. Under subscription, if any, in any of the categories would be allowed to be met with spill over from any of the other categories, at the discretion of our Company in consultation with the BRLM, subject to minimum 10% of the Issue Size i.e. [•] Equity Shares shall be mandatorily allotted to QIBs failing which the entire subscription monies shall be refunded.

\*\* In case the Bid-cum-Application form/ ASBA Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the bid cum application form/ ASBA Form.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is ₹ 10/- and Issue Price is ₹ [•] per Equity Share and is [•] times the face value.

Investors should read the following summary with the Risk Factors appearing on page no. iii of this Draft Red Herring Prospectus and the details about our Company and its financial statements included in this Draft Red Herring Prospectus. The trading price of the Equity Shares of our Company could decline due to these risk factors and you may lose all or part of your investments.

### Qualitative Factors

For details in respect of our qualitative factors, please refer to the section “Our Strengths” appearing on page no. 66 of this Draft Red Herring Prospectus.

### Quantitative Factors

#### 1. Adjusted Earning per Equity Share (Basic & diluted):

Period	Earnings per Equity Share (₹)	Weight
2007-08 (9-months period ended March 31, 2008)	(0.68)	1
2008-09 (12 months period ended March 31, 2009)	(0.82)	2
2009-10 (12 months period ended March 31, 2010)	(0.33)	3
April 1, 2010 to September 30, 2010 (6 months period) (Unannualized)	(0.47)	
<b>Weighted Average</b>	-	

**Note:** Our Company have yet to commence commercial production and did not yet earned any income from operations. Hence, the above results as such do not accurately represent the profitability of our Company.

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

The P/E ratio cannot be determined as the EPS for the period ended March 31, 2010 is negative.

#### 3. Return on Networth (RONW)

RONW cannot be determined as our Company has incurred a loss during 2009-10.

#### 4. Minimum return on increased networth to maintain pre-issue EPS:

RONW cannot be determined as our Company has incurred a loss during 2009-10.

**Note:** Our Company have yet to commence commercial production and did not yet earned any income from operations. Hence, the above results as such do not accurately represent the profitability of our Company.

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

Particulars	Adjusted NAV
a. As on September 30, 2010 (₹)	8.57
b. As on March 31, 2010 (₹)	8.29
c. After Issue	[•]

NAV per share = Paid up share capital + Reserves and surplus – Miscellaneous expenditure not yet written off / Number of Equity Shares outstanding as on the last date of reported period

**Comparison with Industry Peers**

We propose to use grain as our feedstock for manufacture of ENA and have yet to commence commercial production. We do not have any peer group listed companies in India, who are in similar line of business and similar size of operations, which we can compare with.

The face value of the shares of our Company is ₹ 10/- per share and the Issue Price of ₹ [●] per share is [●] times of the face value of the Shares of our Company.

The BRLM believes that the Issue price of ₹ [●] is justified in view of the above qualitative and quantitative factors. See the section titled “Risk Factors” and “Financial Statements of the Company” beginning on page no. iii and 109 of this Draft Red Herring Prospectus, including important profitability and return ratios, as set out in the Auditor’s Report beginning on page no. 118 for further information.

## STATEMENT OF TAX BENEFITS

The Board of Directors  
Bio Ethanol Agro Industries Limited,  
D.No. 9-33/1, Andhra Bank Street  
Tallapudi, West Godavari District- 534341  
Andhra Pradesh, India.

### **Re: Statement of possible tax benefits available to Bio Ethanol Agro Industries Limited and its Shareholders**

We hereby certify that the enclosed annexure, prepared by the Company, details the possible tax benefits/consequences available to Bio Ethanol Agro Industries Limited ('the Company') and its Shareholders under the applicable provisions of the Income Tax Act, 1961 and other direct and indirect tax laws presently in force in India. Several of these tax benefits/consequences are dependent on the Company or the Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or the 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 fulfil. No assurance is given that the revenue authorities will concur with the views expressed herein.

The benefits disclosed in the enclosed annexure are not exhaustive in nature. The enclosed annexure is only intended to provide general information to the Company and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

- the Company or its shareholders will continue to obtain these benefits in future; and
- the conditions prescribed for availing the benefits, where applicable have been/would be met with.

The contents of the enclosed annexure are based on information, explanations and representations obtained from the management of the Company which are based on their understanding of the business activities and operations of the Company and our views are based on an interpretation of the current tax laws in force in India which are subject to change from time to time. We do not have any obligation or assume any responsibility to update the views consequent to these changes.

The enclosed annexure is intended solely for your information and for inclusion in the Draft Red herring Prospectus in connection with the proposed issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**for B S R and Associates**

*Chartered Accountants*

Firm Registration No: 128901W

**Bhavesh Dhupelia**

*Partner*

Membership No: 042070

Place : Mumbai

Date : 2 March 2011



## ANNEXURE TO STATEMENT OF TAX BENEFITS

### A. (i) Benefits available to the Company under the Income Tax Act, 1961:

1. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received by the Company is exempt from income-tax.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchased within a period of three months prior to the record date and sold/ transferred within three months (in case of shares) or nine months (in case of units) respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

2. By virtue of section 10(35) of the Act, the following income shall be exempt in the hands of the company –
  - (a) Income received in respect of the units of a Mutual Fund specified under clause (23D) of Section 10; or
  - (b) Income received in respect of units from the Administrator of the specified undertaking; or
  - (c) Income received in respect of units from the specified company.

Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be. For this purpose:

- i. “Administrator” means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.
  - ii. “Specified Company” means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
3. As per the provisions of section 10 (38) of the Act that the long term capital gains (gain arising on transfer of long term capital asset) arising from the transfer of shares or a unit of a equity oriented fund, where the transaction of sale of such share or unit is entered into in a recognized stock exchange in India on or after October 1, 2004 and chargeable to Securities Transaction Tax will be exempt from tax.

Provided that the income by way of long-term capital gain of a company shall be taken into account in computing the book profit and income-tax payable under section 115JB from the assessment year 2007-08.

For this purpose ‘Equity Oriented Fund’ means a fund:

- (i) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty-five per cent of the total proceeds of such fund; and
- (ii) which has been set up under a scheme of Mutual Fund specified under clause (23D)

Provided that percentage of equity share holding shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

As per the provisions of section 2(29A) and section 2(42A), shares and units would be considered as long term if they are held for more than 12 months.

4. Under section 32 of the Act, the Company is eligible for claiming depreciation in respect of buildings, machinery, plant or furniture and intangible assets like know-how, patent etc used for the purpose of the business. The depreciation is calculated under written down value (‘WDV’) method at the rates specified in the Finance Act.

5. Under section 35D of the Act, the Company is eligible to claim deduction of expenses incurred in connection with the extension of the undertaking or in connection of setting up a new unit. The expenses eligible for deduction under section 35D of the Act are allowed as deduction in five equal instalments in five consecutive assessment years. Please note that, under this section no deduction is allowed in excess of five percent of the cost of project or capital employed by the Company.
6. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains, if any, will be treated as long-term capital gains and the gains will be calculated by deducting from the gross consideration, the indexed cost of acquisition and indexed cost of improvement. The indexed cost of acquisition / improvement adjusts the cost of acquisition / improvement by the cost of inflation index, as prescribed from time to time.
7. Under section 54EC of the Act, 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 transfer of long term capital assets are exempt from tax if the gains are invested within six months from the date of transfer in certain long term specified assets being bonds issued on or after April 1, 2007 and by redeemable after three years 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, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain.

If the long-term specified asset is transferred or converted into money (other wise than by transfer, which includes taking loan/ advance on the security of the long term specified asset) at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred or converted into money.

However, the maximum amount of investment in the long-term specified asset, which is considered as eligible for claiming exemption by an assessee during any financial year does not exceed fifty lakh rupees.

8. As per the provisions of section 111A of the Act the short term capital gains arising from the transfer of equity shares or unit of an equity oriented fund, where the transaction of sale of such share/ unit is entered into in a recognized stock exchange in India on or after October 1, 2004 and chargeable to Securities Transaction Tax will be chargeable to tax @ 15% (Plus applicable surcharge).

Where the gross total income includes short term capital gains referred to above, the deduction under Chapter VI-A shall be allowed from the gross total income as reduced by such capital gains.

For the purpose of this section, 'equity oriented fund' shall have meaning as assigned to it in explanation to section 10(38).

9. Under section 112 of the Act, and other relevant provisions of the Act, long term capital gains (In case not covered under section 10(38) of the Act), arising on transfer of share/ units in the Company, shall be taxed at a rate of 20% (plus applicable surcharge). The tax shall however, not exceed 10% (plus applicable surcharge) without indexation, if the transfer is made of a listed security.

In case short term capital gain is earned which is not covered by section 111A of the Act, then the income is taxable at the normal corporate rate of 30% (plus applicable surcharge).

Where the gross total income includes long term capital gains referred to above, the deduction under Chapter VI-A and rebate under section 88 shall be allowed from the gross total income as reduced by such capital gains.

10. According to section 115JB of the Act, MAT is applicable to a company if the tax payable by a company on its total income, as computed under the normal provision is less than 18% of its book profits. In computing book profits for MAT purposes, certain positive and negative adjustments must be made to the net profits of the Company. As per section 115 JAA (1A) of the Act, a company is eligible to claim credit for any taxes paid under section 115 JB of the Act against tax liabilities computed under the normal provisions incurred in subsequent years.

MAT credit eligible for carry forward to subsequent years is the difference between MAT paid and the tax computed as per normal provisions of the Act for a financial year. Such MAT credit is allowed to be carried forward for set off up to 10 years succeeding the year in which the MAT credit becomes available.

11. Education Cess of 2% and Secondary and higher education cess of 1% on Income tax payable including surcharge. The rate of tax would therefore increase accordingly.
12. As per section 74 Short term capital loss suffered during the year is allowed to be set-off against short term as well as long term capital gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains only. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' Long term capital gains only.

A (ii) Special tax benefits available to the Company under the Income Tax Act, 1961

There are no company specific special tax benefits available to the Company. Tax benefits mentioned above in A(i) are available to all the companies subject to fulfilment of specified conditions.

B. (i) Benefits available to the shareholders of the Company under the Income Tax Act, 1961:

Benefits to Resident Shareholders:

13. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received from a domestic company is exempt from income tax.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchased within a period of three months prior to the record date and sold/ transferred within three months (in case of shares) or nine months(in case of units) respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

14. As per the provisions of section 10 (38) of the Act any long term capital gains arising from the transfer of shares , where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after October 1, 2004 and chargeable to Securities Transaction Tax will be exempt from tax.

Provided that the income by way of long-term capital gain of a company shall be taken into account in computing the book profit and income-tax payable under section 115JB from the assessment year 2007-08.

Provided that the income by way of long-term capital gain of a company shall be taken into account in computing the book profit and income-tax payable under section 115JB from the assessment year 2007-08.

As per the provisions of section 2(29A) and section 2(42A), shares would be considered as long term if they are held for more than 12 months.

Provided that percentage of equity share holding shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

15. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains, if any, will be treated as long-term capital gains and the gains will be calculated by deducting from the gross consideration, the indexed cost of acquisition and indexed cost of improvement. The indexed cost of acquisition / improvement adjusts the cost of acquisition / improvement by the cost of inflation index, as prescribed from time to time.
16. Under section 112 of the Act, and other relevant provisions of the Act, long term capital gains (in case not covered Section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax shall however, not exceed 10% (plus applicable surcharge) without indexation.

As per section 112(2) of the Act, where the gross total income includes long term capital gains referred to above, the deduction under Chapter VI-A shall be allowed from the gross total income as reduced by such capital gains.

17. Under section 54EC of the Act, subject to the conditions and to the extent specified therein, long-term capital gains (in case not covered under Section 10(38) of the Act) arising on transfer of the shares of the Company are exempt from tax if the gains are invested within six months from the date of transfer in certain long term specified assets being bonds issued on or after April 1, 2007 and redeemable after three years 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, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. If the long-term specified asset is transferred or converted into money (otherwise than by transfer which includes taking loan/ advance on the security of long term specified assets) at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred or converted into money.

However, the maximum amount of investment in the long-term specified asset, which is considered as eligible for claiming exemption by an assessee during any financial year does not exceed fifty lakh rupees.

18. Under section 54F of the Act, long term capital gains (in case not covered under section 10(38) of the Act) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) are exempt from capital gains tax if the net consideration is utilized, within a period of

one year before, or within two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

- a) if the individual or Hindu Undivided Family-
  - i. Owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
  - ii. Purchases another residential house within a period of one year after the date of transfer of the shares; or
  - iii. Constructs another residential house other than the new house within a period of three years after the date of transfer of the shares; and
- b) The income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property"

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

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

- 19. As per the provisions of section 111A of the Act, the short term capital gains arising from the transfer of equity shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after 1<sup>st</sup> Day of October, 2004 and such transaction is chargeable to securities transaction tax will be chargeable to tax @ 15% (plus surcharge).

Where the gross total income includes short term capital gains referred to above, the deduction under Chapter VI-A and rebate under section 88 shall be allowed from the gross total income as reduced by such capital gains.

- 20. Education Cess of 2% and Secondary and higher education cess of 1% on Income tax payable including surcharge. The rate of tax would therefore increase accordingly.
- 21. As per section 74 of the Act, short term capital loss suffered during the year is allowed to be set-off against short term as well as long term capital gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains only. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long term capital gains only.

B (ii) Special tax benefits available to the shareholders of the Company under the Income Tax Act, 1961

There are no individual specific special tax benefits available to the share holders of the Company. Tax benefits mentioned above in B (i) are available to all the individuals subject to fulfilment of specified conditions.

C. Benefits to Non-resident Indians / Non residents shareholders (Other than FIIs)

- 22. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received from a domestic company is exempt from income tax.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchases within a period of three months prior to the record date and sold/ transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

23. As per the provisions of section 10 (38) of the Act that the long term capital gains arising from the transfer of shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after October 1, 2004 and chargeable to Securities Transaction Tax will be exempt from tax.

Provided that the income by way of long-term capital gain of a company shall be taken into account in computing the book profit and income-tax payable under section 115JB from the assessment year 2007-08.

As per the provisions of section 2(29A) and section 2(42A) , shares would be considered as long term if they are held for more than 12 months.

24. Under the first proviso to section 48 of the Act, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Indian Company acquired in convertible foreign exchange, cost indexation will not be available. The capital gains/loss in such a case will be computed by converting the cost of acquisition, consideration for transfer 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 and the capital gains computed in such foreign currency shall be reconverted into Indian currency.
25. Under Section 54EC of the Act, subject to the conditions and to the extent specified therein, long-term capital gains (in case not covered under section 10(38) of the Act) arising on transfer of long term capital asset are exempt from tax if the gains are invested within six months from the date of transfer in certain long term specified assets being bonds issued on or after April 1, 2007 and redeemable after three years 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, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. If the long-term specified asset is transferred or converted into money (otherwise than by transfer which includes taking loan/ advance on the security of long term specified assets) at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred or converted into money.

However, the maximum amount of investment in the long-term specified asset, which is considered as eligible for claiming exemption by an assessee during any financial year does not exceed fifty lakh rupees. .

26. Under section 54F of the Act, long term capital gains (in case not covered under Section 10(38) of the Act) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) are exempt from capital gains tax if the net consideration is utilized, within a period

of one year before, or within two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

- a) If the individual or Hindu Undivided Family-
  - i. owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
  - ii. Purchases another residential house within a period of one year after the date of transfer of the shares; or
  - iii. Constructs another residential house within a period of three years after the date of transfer of the shares; and
- b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property"

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

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

- 27. As per the provisions of section 111A of the Act, the short term capital gains arising from the transfer of equity shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after 1<sup>st</sup> day of October, 2004 and chargeable to Securities Transaction Tax will be chargeable to tax @ 15% (plus surcharge).

Where the gross total income includes short term capital gains referred to above, the deduction under Chapter VI-A shall be allowed from the gross total income as reduced by such capital gains.

- 28. Under section 112 of the Act, and other relevant provisions of the Act, long term capital gains.(i.e., if shares are held for a period exceeding 12 months) (In case not covered under section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge). The tax shall however, not exceed 10% (plus applicable surcharge) without indexation.

As per section 112(2) of the Act, where the gross total income includes long term capital gains referred to above, the deduction under Chapter VI-A shall be allowed from the gross total income as reduced by such capital gains.

- 29. Education Cess of 2% and Secondary and higher education cess of 1% on Income tax payable including surcharge. The rate of tax would therefore increase accordingly.
- 30. A non-resident Indian (i.e. an individual being a citizen of India or person of Indian origin who is not a resident) has an option to be governed by the provisions of Chapter XIIA of the Act, viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:
  - a. According to the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian Company not exempt under section 10 (38), will be subject to tax at the rate of 10 percent (plus applicable education cess and secondary higher education cess) without indexation benefit.

- b. Under section 115F of the Act, long term capital gains (in case 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 is exempt from Income tax, if the net consideration is reinvested in specified assets within six months from the date of transfer. If only a part of the net consideration is so invested, the exemption shall be proportionately reduced.

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

- c. Under Section 115G of the Act, it shall not be necessary for a Non-resident Indian to furnish his return of income if his income chargeable under the act consists on only investment income or long term capital gains or both arising out of specified assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
  - d. Under section 115H of the Act, where the Non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the Chapter XIIA shall continue to apply to him in relation to such investment income derived from the specified assets mentioned in sub clauses (ii), (iii), (iv) and (v) of clause (f) of Sec 115C for that year and subsequent assessment years until such assets are converted into money.
  - e. Under section 115I of the Act, a Non-Resident Indian may elect not be governed by the provisions of Chapter XIIA for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.
31. Under section 90(2) of the Act, where the Central Government has entered into an agreement with the Government of any country outside India for granting relief of tax, or as the case may be, avoidance of double taxation, then, in relation to the assessee to whom such agreement applies, the provisions of the Act shall apply to the extent they are more beneficial to that assessee.

#### D. Benefits to Foreign Institutional Investors (FIIs)

32. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received from a domestic company is exempt from income tax.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

33. As per the provisions of section 10 (38) of the Act that the long term capital gains arising from the transfer of shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after October 1, 2004 and chargeable to Securities Transaction Tax will be exempt from tax.



Provided that the income by way of long-term capital gain of a company shall be taken into account in computing the book profit and income-tax payable under section 115JB from the assessment year 2007-08.

As per the provisions of section 2(29A) and section 2(42A), shares would be considered as long term if they are held for more than 12 months.

34. As per the provisions of Section 115AD of the Income Tax Act, income (other than income by way of dividends referred to in Section 115 O of the IT Act) of FIIs arising from securities (other than the units purchased in foreign currency referred to Section 115AB of the Income Tax Act) would be taxed at concessional rates, as follows:

Nature of Income	Rate of Tax (%)
Income in respect of securities	20
Long Term Capital Gains other than the one covered u/s 10(38)	10
Short Term Capital Gains (other than short term capital gain referred to in Section 111A, in which case the rate is 15%))	30

The benefits of indexation and foreign currency fluctuation protection as provided under Section 48 of the Income Tax Act are not available.

35. As per the provisions of section 111A of the Act, the short term capital gains arising from the transfer of equity shares, where the transaction of sale of such shares is entered into in a recognized stock exchange in India on or after 1<sup>st</sup> day of October, 2004 and chargeable to Securities Transaction Tax will be chargeable to tax @ 15% (plus surcharge).

Where the gross total income includes short term capital gains referred to above, the deduction under Chapter VI-A and shall be allowed from the gross total income as reduced by such capital gains.

36. Under Section 54EC of the Act, subject to the conditions and to the extent specified therein, long-term capital gains (in case not covered section 10(38) of the Act) arising on transfer of a long term capital asset are exempt from tax if the gains are invested within six months from the date of transfer in certain long term specified assets being bonds issued on or after April 1, 2007 and redeemable after three years by:

- National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
- Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain.

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

However, the investment made on or after the 1<sup>st</sup> day of April, 2007 in the long-term specified asset by an assessee during any financial year does not exceed fifty lakh rupees.

37. Education Cess of 2% and Secondary and higher education cess of 1% on Income tax payable including surcharge. The rate of tax would therefore increase accordingly.
38. Under section 90(2) of the Act, where the Central Government has entered into an agreement with the Government of any country outside India for granting relief of tax, or as the case may be, avoidance of double taxation, then, in relation to the assessee to whom such agreement applies, the provisions of this act shall apply to the extent they are more beneficial to that assessee.

E. Benefits to Mutual Funds

39. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received from a domestic company is exempt from income tax.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt

40. Under section 10(23D) of the Act, any income of:

- a) A Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under;
- b) Such other Mutual Fund set up by a public sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf will be exempt from income-tax.

F. Benefits available to Venture Capital Companies / Funds:

41. Under section 10(34) of the Act, any income by way of dividends referred to in section 115-O received from a domestic company is exempt from income tax.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares purchases within a period of three months prior to the record date and sold/ transferred within three months after such date, will be ignored to the extent dividend income on such shares is claimed as tax exempt.

The taxation of the gains on the sale of shares is same as those applicable to non resident.

G. Benefits available to the shareholders of the Company under the Wealth Tax Act, 1957:

42. Shares of the company held by the shareholders will not be treated as an asset within the meaning of section 2 (ea) of the Wealth Tax Act, 1957. Hence, shares are not liable to wealth tax.

H. Benefits available to the shareholders of the Company under the Gift Tax Act, 1958:

43. Gift made on or after 1<sup>st</sup> October, 1998 is not liable for any gift tax, and hence, gift of shares of the Company would not be liable for any gift tax. However, from 1 October 2009, the same will be taxed in the hands of the donee if it fulfils the conditions entailed in Clause (vii) of section 56 of the Income Tax Act, 1961

**Notes:**

1. The above statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws 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.
2. The above Statement of possible tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or list of all potential tax consequences.
3. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
4. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
5. In view of the individual nature of tax consequences, each investor is advised to consult his/her/its own tax advisor with respect to specific tax consequences of his/her/its participation in the scheme.
6. The tax benefits listed above are not exhaustive.

## SECTION IV – ABOUT THE COMPANY

### INDUSTRY OVERVIEW

*The information in this section is derived from CARE Research Report on 'Indian Ethanol Industry' published in September, 2010. We have not verified or attempted to verify this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Accordingly, investment decisions should not be based to an undue extent on such information. Industry sources and publications are also prepared based on information and estimates as of specific dates and may no longer be current. For complete disclaimer clause of CARE Research, please refer to page no. 144 of this Draft Red Herring Prospectus. The data may have been re-classified by us for the purpose of presentation.*

#### **Industry Overview**

Globally, ethanol has been used as an automotive fuel since the early 1900. However, the usage of ethanol as fuel gained momentum only after the 1970s with the launch of the Proalcool programme in Brazil. Until 1975, the year of the launch of the Proalcool programme in Brazil, the ethanol market was predominantly beverages and industrial. Thereafter, the fuel ethanol market grew substantially and it accounted for 80 % of the world ethanol production in 2010.

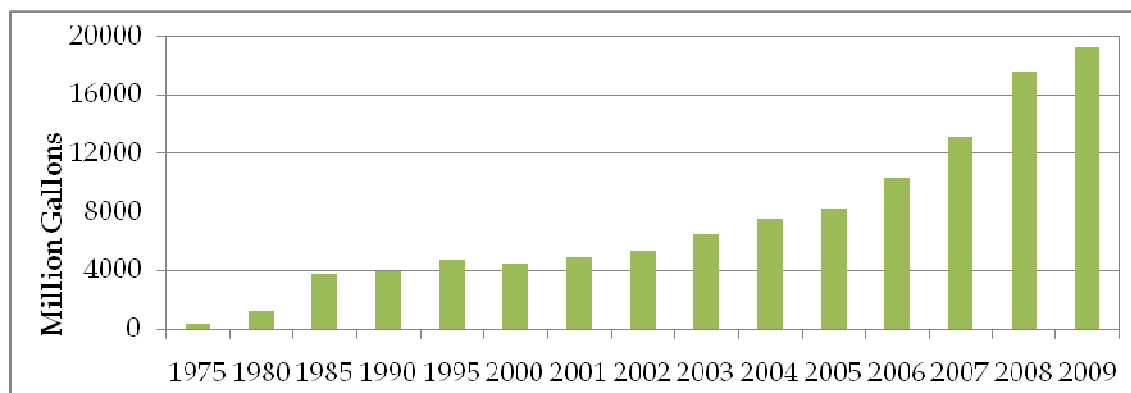
The global ethanol industry with 19,227 mn gallons of production during CY09 has grown substantially over the years due to the focus on bio-fuels. During the period of 1975-2009, the global production of ethanol grew at a Compounded Annual Growth Rate (CAGR) of 11.86%. The rising crude oil prices, coupled with the increasing quest for energy security and reducing green house gas emissions have fuelled the global ethanol industry. The United States of America and Brazil are the two major ethanol producers across the globe. These two countries together accounted for almost 89% of the total global ethanol production in 2009.

The fermentation route using sugary or sugar-yielding material and yeast has been in practice in India since long for the production of alcohol or Ethanol. Most of the Ethanol produced (almost 95%) is through the fermentation route. Grains like rice, corn or maize, barley-malt, rye, wheat, sorghum etc., starchy bulbs and vegetables like cassava (tapioca) and potatoes are commonly used for producing ethanol under the fermentation route in India. In India, ethanol is mostly produced from molasses obtained during the process of crushing sugarcane.

Ethanol can be classified on the basis of uses, production route and on the basis of composition.

1. On the basis of the uses, it can be classified as beverage ethanol, industrial ethanol and ethanol fuel:
  - f. *Beverage Ethanol*: ethanol used in alcoholic spirits such as vodka and shochu.
  - g. *Industrial Ethanol*: ethanol used as a feedstock for alcohol-based chemicals such as paints and inks.
  - h. *Ethanol fuel*: ethanol used as an automotive fuel (can be used for blending with petrol).
2. On the basis of the production route ethanol can be classified as fermented ethanol and synthetic ethanol.
3. On the basis of the composition, ethanol can be classified as hydrous and anhydrous. (Hydrous ethanol contains about 5% of the water content whereas anhydrous ethanol contains 0.5% of the water content)

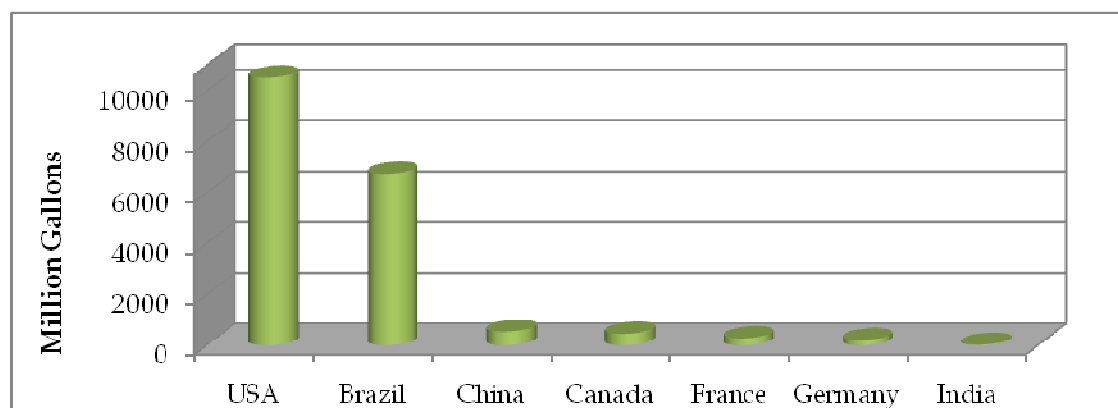
#### **Trend of global fuel ethanol production**



Source: Business Brains and CARE Research

### Country-wise Ethanol Production in 2009

USA and Brazil are the two major ethanol producers across the globe accounting for almost 89% of the total global ethanol production in 2009.



Source: British Petroleum (BP) and CARE Research

### Country-wise Bio fuel investment (2009)

in \$ mn

Country	Investment
Brazil	3,454
USA	2,010
Papua New Guinea	800
Canada	589
India	438
Rwanda	250
Philippines	197
South Africa	190
Ethiopia	84
Australia	75
Sweden	73
Kenya	46

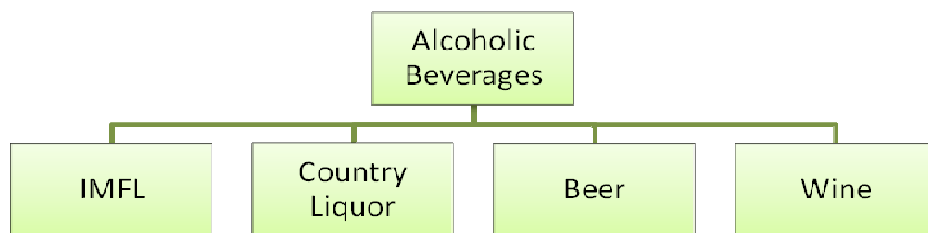
Source: Biofuels Digest & CARE Research

### Indian Industry outlook

#### Alcohol

Indian alcoholic beverages market is valued at ₹ 340 bn and it is the third largest alcoholic market across the globe. Currently, there are about 325 distilleries operating in the country with the total production

capacity of 3,540 mn litres. The Alcoholic Beverage Industry in India can be broadly classified into 4 types: beer, wine, IMFL (Indian Made Foreign Liquor) and country liquor.



**Production Trend of alcoholic beverages in India \***



Source: Centre for Monitoring Indian Economy (CMIE) and CARE Research

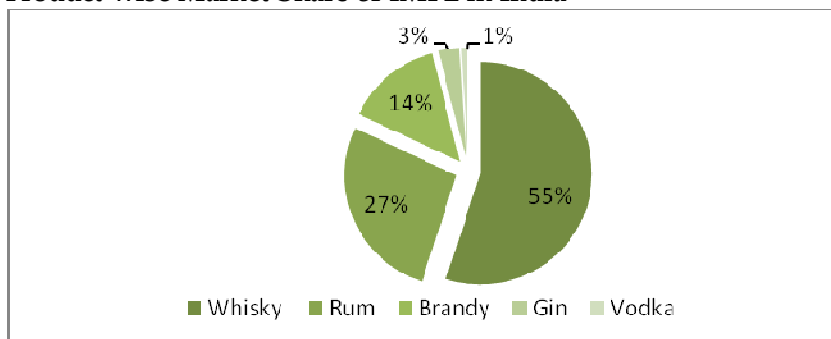
\*compiled from production data of 64 companies

The production of alcohol beverages in India grew from 913 mn litres in FY 05 to 1,594 mn litres in FY 09, translating into a CAGR of 14.94%. During FY 09, Indian alcoholic beverages industry was valued at ₹ 300 bn. The changing perception of the people towards alcohol, rising youth population in the country coupled with rising acceptability of the 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 8%, during the period of FY09-13.

### IMFL

The IMFL primarily comprises wine, vodka, gin, whisky, rum and brandy with the market share heavily skewed towards whisky. Whisky accounts for 55% of the total IMFL market and other spirits accounts for the rest 45%.

**Product-wise Market Share of IMFL in India**

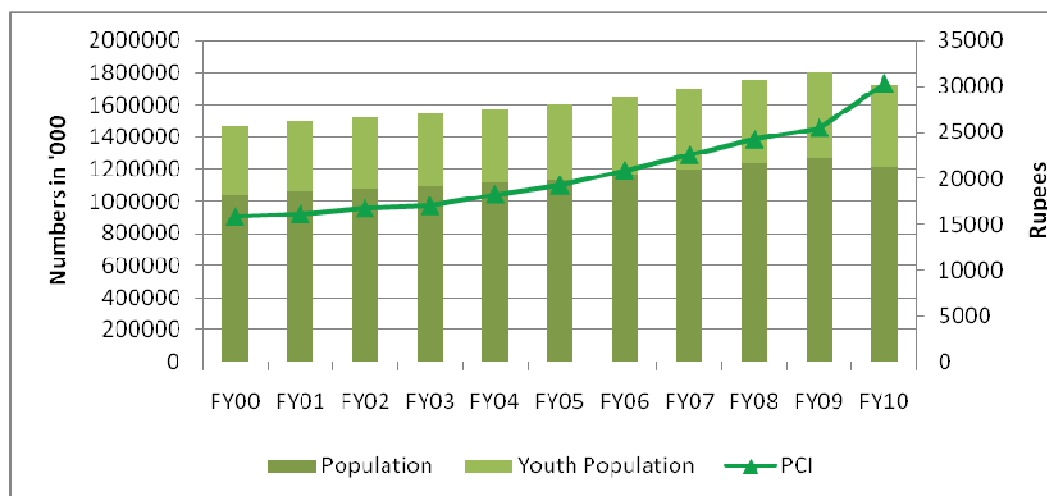


Source: CARE Research

The fermentation route using sugary or sugar-yielding material and yeast has been in practice in India since long for the production of alcohol or Ethanol. Most of the Ethanol produced (almost 95%) is through the fermentation route. Grains like rice, corn or maize, barley-malt, rye, wheat, sorghum etc., starchy bulbs and vegetables like cassava (tapioca) and potatoes are commonly used for producing ethanol under the fermentation route in India. In India, ethanol is mostly produced from molasses obtained during the process of crushing sugarcane.

Indian sugarcane industry is highly cyclical in nature. The availability & price of the molasses completely depends on the acreage under sugarcane and availability of sugarcane in the country. In order to reduce the dependence on molasses, Maharashtra government approved the usage of grains for producing alcohol during 2000. However, due to the difference in cost of production between the grain based & molasses based alcohol, grain based industry could not take off. In order to encourage grain based neutral alcohol production the Maharashtra government passed a scheme known as “Financial Assistance to Grain Based Distillery & Integrated Units-2007” in June 2007.

### Demographic profile of India

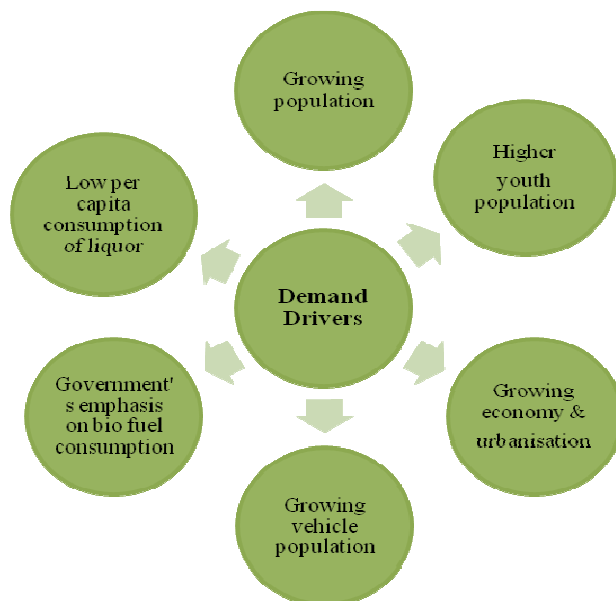


Source: Mospi and CARE Research PCI for FY10 is an estimate

In terms of the demographic profile, India is one of the youngest nations in the world with the median age of 25.9 years. More than 40% of the population is in the range of 15-40 years. The growing youth population coupled with increasing per capita income and increasing exposure to western influences are boosting the alcohol consumption in country. Further, the growing social acceptability and popularity of the alcoholic beverages among the female population is also boosting the alcohol demand. This will in turn boost the demand for grain based alcohol as it is used for producing premier alcohol in India.

Demand drivers for Ethanol or extra neutral alcohol can be summarized as government's emphasis on bio fuel consumption; growing vehicle population; low per capita consumption of liquor; growing population, Higher youth population; growing economy and urbanization.

### Growth drivers' of ethanol/extra neutral alcohol



Source: CARE Research

### Ethanol Fuel

Ethanol can be used as an automotive fuel and it can also be mixed with petrol (gasoline) to make it a relatively environment-friendly fuel. Ethanol contains oxygen which helps the engine combust the fuel completely and reduces green fuel emissions.

Thus, to reduce green fuel emissions and the dependence on imported fuel, the Government of India (GoI) announced its decision to introduce compulsory blending of ethanol and petrol programme in the country in a phased manner in December 2002. Thereafter, various changes were made in the blending programme as detailed below.

### Ethanol blending chronology

- In January 1, 2003, GoI passed a notification of blending 5% ethanol with petrol in nine states and in four territories (Andhra Pradesh, Karnataka, Maharashtra, Punjab, Tamilnadu, Uttar Pradesh, Gujarat, Chandigarh, Haryana, Damman & Diu, Goa, Dadra & Nagar Haveli, Pondicherry) in the first phase.
- Due to the inadequate availability of ethanol and higher prices of ethanol-blended petrol, the implementation of the blending programme was delayed. In order to promote the blending programme, GoI reduced the additional excise duty leviable on petrol which is intended for blending by ₹ 0.3 per litre. This exemption was valid till June 2004.
- Further, GoI totally exempted 5% ethanol-blended petrol from levy of additional excise duty.
- Due to the shortage of sugarcane in the country, oil companies faced a problem in sourcing ethanol and in fixing ethanol prices. Consequently in October 2004, GoI amended the blending programme. As per the amendments, blending will take place in specified areas only if the indigenous ethanol industry is making the ethanol available to the oil marketing companies at a price comparable to that offered for alternative uses and at comparable import parity price.
- In November 2006, a blending programme was extended to all the states and union territories except for the states in Northeast, Jammu and Kashmir (J&K), Lakshadweep and Andaman Nicobar Islands.
- In October 2007, the 5% blending programme was made mandatory.
- In October 2007, the Cabinet Committee on Economic Affairs (CCEA) decided to make 10% blending programme mandatory from October 2008. However, GoI deferred the 10% blending programme taking cues from the declining sugarcane output in 2008-09.

Despite taking various measures to implement the programme by the government, there has been a delay in the implementation mainly due to the lack of pricing consensus between the oil manufacturers and



ethanol suppliers in India. In April 2010, Group of Ministers (GoM) had approved an interim price (till an experts committee decides on future pricing) of ₹ 27 per litre for ethanol to be blended with petrol.

The following table depicts the ethanol requirement at 5% blending programme vs. 10% blending programme based on FY09 demand for gasoline in India.

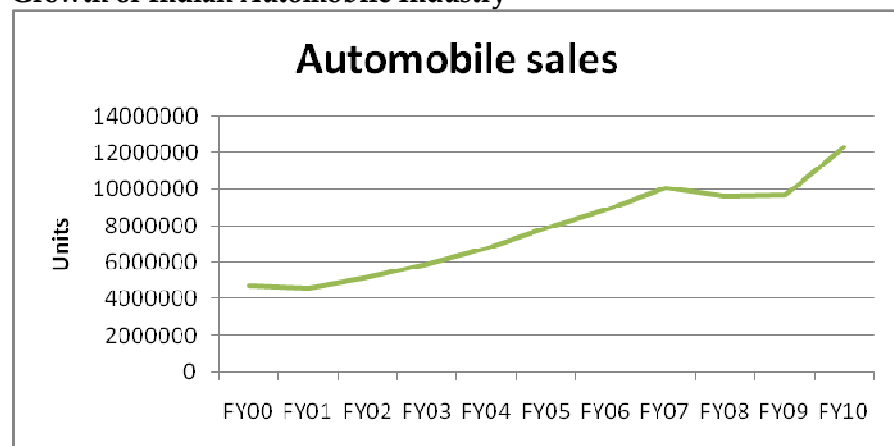
	5% Blending	10% Blending
Ethanol Requirement (mn litres)	794	1,588

Source: CARE Research

India's economy has developed at a rapid pace and its demand for expensive crude oil has intensified with the growing number of people owning vehicles in the country. During the period of financial year 2000 to financial year 2010 the sales of the Indian automobile industry grew at a CAGR of 10%. As per Credit Analysis & Research Limited (CARE) research, it expects the India automobile industry to grow at a CAGR of 9% in the next five years. This will boost the demand for crude oil further.

The government's policy and commitment to give a cleaner environment and reduce greenhouse gas emission levels will also scale up the demand for ethanol in India.

#### Growth of Indian Automobile Industry



Source: SIAM and CARE Research

India meets about 70% of its energy requirements through imports. Thus, to reduce its dependence on imports, the country is emphasising on the consumption of bio fuels which will drive demand for the ethanol industry. Further, the government's policy and commitment to give a cleaner environment and reduce greenhouse gas emission levels will also scale up the demand for ethanol in India.

## OUR BUSINESS

### Business Overview

Our Company was incorporated on June 8, 2006 as a Public Limited Company and obtained the certificate of commencement of business from the Registrar of Companies, Andhra Pradesh on September 1, 2006. Our Company is formed primarily to carry on the business as manufactures, producers, processors, fabricators, traders in all kinds of ethanol.

We had earlier decided to set up a 60 Kilo Litre Per Day (KLPD) Extra Neutral Alcohol (ENA) and Rectified Spirit at a cost of ₹ 6750 lakhs. However, due to scale down of economy during 2008-09, we decided to set up halve the capacity from 60 KLPD to 30 KLPD at a cost of ₹ 4400 lakhs (Phase-I). The Phase – I is now expected to be operational by April, 2011. After assessment of the market conditions and demand picking up for potable alcohols with preference for grain based ENA (vis-a-vis molasses based for potable usage), it was proposed to implement the project with full capacity i.e. 60 KLPD production of ENA as per original plan (Phase – II). We also propose to add certain additional facilities that were not envisaged in Phase I. In addition to ENA, we will, therefore, be manufacturing 4 KLPD of Technical Alcohol (or rectified spirit), 30 MTPD of CO<sub>2</sub> and 44 TPD of Distiller's Dried Grains with Solubles (DDGS). Therefore, the total alcohol production would now be 64 KLPD (60ENA+4TA). Further, to ensure regular availability of power, we propose two captive generation power plant with installed capacity of 1.5 MW to supply uninterrupted power and steam for the plant.

Our project will be multi-grain distillation plant wherein variety of feedstock viz. maize, jowar, sweet sorghum, broken rice, bajra, wheat, starch etc. can be used for production of Extra Neutral Alcohol (Potable); Ethanol (Alternative Fuel); and Rectified Spirit.

### Location

The production unit is setup at Annadevarapreta, Tallapudi – Mandal, West Godavari-District, Andhra Pradesh, India. The plant is located in an area of land covering about 35 acres and 11 cents out of which we have utilized 10 acres for Phase I of the project, while we propose to use 12 acres for the Phase II of the project and remaining for green belt operations, approach road, etc. The location of plant is in proximity to major maize growing belts and also near to river Godavari, which is 8 km away and 40 km away from the National Highway 9(NH9).

### Products:

Our main products include the following:

- **Grain based Extra Neutral Alcohol (ENA)** : The 96% pure grain based ENA produced with multi pressure distillation technology can be sold/ exported to distilleries and bottling plants for making alcoholic products (potable alcohol) and pharma grade alcohol. ENA is mainly used for production of Indian Made Foreign Liquor (IMFL), Whisky, Brandy, Gin, Vodka, etc.
- **Rectified Spirit (RS) – Technical Alcohol**: Rectified Spirit can be used as an intermediate in chemical industry. Rectified Spirit is a base product used in the manufacture of Ethanol and is also used in making country liquor.
- **Ethanol (Biofuel)**: Ethanol (99.99% pure) can be used as an automotive fuel by itself that can be blended with gasoline to form “gasohol”. Since Ethanol is produced from plants that harness the power of the Sun, ethanol is also considered a renewable fuel.

### Our by-products:

**Distiller's Dried Grains with Solubles (DDGS):**

In the process of manufacturing ENA by using maize or any grains as feedstock, we propose to recover DDGS (Distiller's Dried Grains with Solubles), a waste product from maize distillation. DDGS is considered as a valuable feed ingredient and is one of the by-products that will be produced in our plant. Due to its reasonably high protein content, fairly low phosphorus content and low cost compared to fish meal, it can be considered as a protein source that can replace expensive plant protein sources and also for cattle feed/poultry feed.

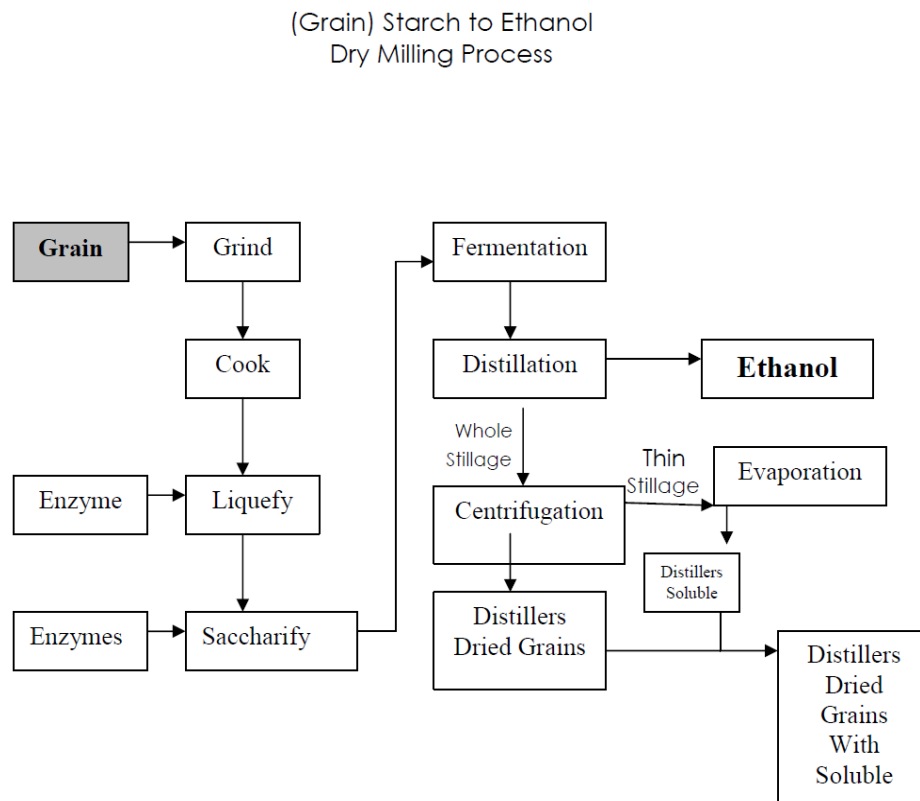
#### **Carbon Dioxide (CO<sub>2</sub>):**

CO<sub>2</sub> produced as a by-product during manufacture of ENA out of corn/ grains. Carbon Dioxide can be used in soda and soft drinks production, core hardening in foundries, MIC welding, dry ice production, preparation of artificial mineral water, effervescent lemonades and other aerated beverages. It is also used as refrigerant in cooling, for production of refractory bricks, in pharmaceuticals, fire extinguishers etc.

#### **Manufacturing Process:**

The grain- based ethanol in India can be produced either through the wet-milling process or through the dry-milling process. We will be using dry-milling process, details of which are as under:

#### **Dry Milling Process**



Source: Business Brains

In this process, the grains are first ground into flour through a hammer mill process. Once this is done, water is added to the mixture to make a fine mash. A special type of enzyme (alpha-amylase) is then added to the mixture which further converts starch to dextrose, a simple sugar. Ammonia is added for pH control and as a nutrient to the yeast. Subsequently, the mash is processed in a high-temperature cooker to reduce bacteria levels ahead of fermentation. The mixture is then cooled and yeast is added in order to ferment the mixture into ethanol.

(Source: CARE Research Report)

## Raw Materials

Our project will be multi-grain distillation plant, however we will be using maize as the raw material as the plant is located near the maize growing belts. India gets a major proportion of the total maize production (16.7 million tonnes in 2009-10) from Kharif season crop. However, this crop can be taken up in both seasons, Kharif as well as Rabi. In India, maize is cultivated throughout the year in different part of the country. Andhra Pradesh is the leading state producing maize in India, followed by Karnataka, Maharashtra, Rajasthan and Bihar. The consumption pattern of maize indicates that human consumption accounts for less than one third of total maize consumption in the country and a greater share is used collectively for poultry feed; animal feed and industrial use. Export of maize from India is approximately 5%. The government announces Minimum Support Price (MSP) for maize every year. The MSP for maize has gone up from ₹ 540 per quintal in 2006-07 to ₹ 880 per quintal in 2010-11. The maize is also traded on the Commodities Stock Exchange(s).

(Source: Commodity Report of September, 2010 by NICR (NCDEX Institute of Commodity Markets & Research).

Our total requirement of maize under Phase-I is estimated at around 70-80 tonnes per day, which we will be sourcing locally and from Commodity Stock Exchange(s). We do not foresee any problem in procurement of maize in future and therefore, have not tied up with any of the agencies for procurement of maize.

## Plant & Machinery

We have executed Phase-I project on EPC basis through Mojji Engineering Systems Limited, which is expected to commence commercial production from April, 2011. Mojji Engineering Systems Limited has supplied all the plant & machinery, in addition to building and civil works and has implemented the project under Phase-I on turnkey basis. The major plant & machinery used are grain silo, pre-cleaner & accessories, grain handling & milling, liquefaction & saccharification, fermentation, multi-pressure distillation, DDGS dryer, boiler, turbine, etc.

## Infrastructure facilities and utilities

### Power

The requirement of power under Phase-I is 685 KW, out of total power generation of 705 KW (against total capacity of power plant at 750 KW).

### Steam

We will require about 440T/day steam for usage in liquefaction, distillation, evaporation and drying. The steam generated in the boiler will be sent through turbine for power generation. The exhaust steam from the turbine with 3.5 kg/sqcm pressure will be used for liquefaction, distillation, evaporation and dryer for which two boilers of 12 TPH are proposed.

### Water

The water requirement is expected to be 1600 m<sup>3</sup> per day, out of which 400 m<sup>3</sup> will be used for demineralised water for boiler and 1200 m<sup>3</sup> will be used for soft water for process including cooling water. Ground Water Department, Government of Andhra Pradesh had accorded permission to use water from existing two bore wells which are sufficient for Phase-I. For expansion of our proposed project under Phase-II, we propose to use water from river Godavari, for which we intend to lay a dedicated pipeline of nearly 10 km length.

### Manpower

The total requirement of manpower for each of project is 96, with the following details:

Department	No. of employees
------------	------------------

Production in charge	1
Executives	6
Operators	43
Semi-skilled/unskilled labour	35
Supervisors	8
Stores Assistant	3
<b>Total</b>	<b>96</b>

Besides, we will be requiring staff of 34 comprising of a general manager, 4 senior managers, 4 managers, 1 marketing manager, 7 associates, 1 assistant accountant, 4 office assistant and 12 watch and ward staff.

We believe that the project being near Rajamundhry, a major town in Andhra Pradesh, manpower in and around the project site for skilled and experienced personnel availability is not expected to be difficult.

#### **Enviormental clearance:**

The project is expected to have zero discharge and does not pose any environmental hazard. The unit has obtained consent and authorization order from Andhra Pradesh Pollution Control Board under Water (Prevention & Control of Pollution) Act, 1974; Air (Prevention & Control of Pollution) Act, 1961 and Hazardous Wastes (Management, Handling & Transboundary, Movement) Rules, 2008.

#### **Status of project**

Mojj Engineering Systems Limited, had already installed plant & machinery and trial runs expected from March, 2011. We expect to commence commercial production from April, 2011. The details of amount already spent till January 31, 2011 and as certified by G.P. Rao & Co., Chartered Accountants, vide their certificate dated February 7, 2011 is as under:

<b>Particulars</b>	<b>₹ in lakhs</b>
<b>Funds Deployed</b>	
Land and site development	583.21
Building and civil works	468.77
Plant & machinery	2395.06
Miscellaneous fixed assets	35.86
Preliminary & Pre-operative expenses	372.88
Interest during construction, upfront fee, etc.	204.76
<b>Total</b>	<b>4060.54</b>
<b>Sources of funds</b>	
Bank term loan (disbursed till January 31, 2011)	2279.24
Equity Share Capital	1781.30
<b>Total</b>	<b>4060.54</b>

#### **Marketing & Competition:**

The production of alcohol beverages in India grew from 913 mn litres in FY 05 to 1,594 mn litres in FY 2009, translating into a CAGR of 14.94%. During FY 2009, Indian alcoholic beverages industry was valued at ₹ 300 billions. CARE Research expected the Indian alcoholic beverage industry to grow at a CAGR of 8%, during the period of FY 2009-13. Similarly, IMFL primarily comprises of wine, vodka, gin, whisky, rum and brandy with the market share heavily skewed towards whisky. Whisky accounts for 55% of the total IMFL market and other spirits accounts for the rest 45%. During FY 2005-09, the production of IMFL grew at a CAGR of 11.1%. The primary use of grain-based neutral alcohol is for producing IMFL in India. Thus, the growth of the IMFL industry in India which is expected to grow at a CAGR of 10% by FY12 will boost the demand for the grain-based alcohol industry. (Source: CARE Research Report on Indian Ethanol Industry; September, 2010). We believe that grain based alcohol has a better quality content than molasses based

alcohol and is also considered to be environmental friendly.

The total capacity of 60 KLPD ENA will be sold to IMFL units. We propose to evolve a suitable marketing strategy just before the commencement of commercial operations by inducting persons experienced in the line of sales. We envisage no difficulty in selling our production to IMFL units.

There are three units viz. Empee Distilleries Limited, Spy Agro Industries Limited and Sentini Bioproducts Private Limited in Andhra Pradesh which are engaged in manufacture of ENA using grain as feedstock. Further, there are around 31 operating companies for manufacture of ENA in Andhra Pradesh and the major units in and around our project are Nava Bharat Ventures Limited, Samalkot; Sri Sarvaraya Sugars Ltd., Chelluru; The Jeypore Sugar Company Limited, Chagallu; Andhra Sugars Ltd., Tanuku; KCP Sugar & Industries Corp. Ltd., Vuyyuru; Terna Distilleries Private Limited, Vishakhapatnam; NCS Distilleries, Chinabrahmadevam, from whom we have competition. However, all these producers are reported to be molasses based alcohol units, whereas our Company is a grain based ENA producer alongwith three grain based ENA producers, from whom we have direct competition.

#### Existing capacity & capacity utilization

Particulars (per annum)	2008-09	2009-10	2010-11	2011-12*	2012-13	2013-14
<b><u>ENA</u></b>						
Installed Capacity (Kilo Litres)	Nil	Nil	Nil	10,950	21,900	21,900
Utilisation (Kilo Litres)	Nil	Nil	Nil	9,900	19,800	19,800
<b><u>Technical Alcohol</u></b>						
Installed Capacity (Kilo Litres)	Nil	Nil	Nil	730	1,460	1,460
Utilisation (Kilo Litres)	Nil	Nil	Nil	660	1,320	1,320
<b><u>DDGS</u></b>						
Installed Capacity (Tonnes)	Nil	Nil	Nil	8,030	16,060	16,060
Utilisation (Tonnes)	Nil	Nil	Nil	7,260	14,520	14,520
<b><u>CO<sub>2</sub></u></b>						
Installed Capacity (Tonnes)	Nil	Nil	Nil	7,300	14,600	14,600
Utilisation (Tonnes)	Nil	Nil	Nil	6,600	13,200	13,200

\* Our Company is expecting commercial production from April, 2011 for Phase-I and April, 2012 for Phase-II. The above figures are computed on 365 day basis.

#### Export possibilities and export obligations

Presently, we do not have any export obligations.

#### Our Strengths

##### ***Multi-grain distillation plant:***

We have installed multi-grain distillation plant under Phase-I and are in the process of expanding the capacities under Phase-II. We believe that grain based ENA is considered to have better flavour and preferred for high-end liquors. We also believe that due to decline in sugarcane cultivation, grain based alcohols are expected to fill the gap in place of molasses. At present, we will be using maize as our raw materials. However, in case of any difficulty in procurement of maize, our plant has the capability to use other grain as the feedstock.

##### ***Captive Power Plant:***

We propose to install two captive power generation plant with the capacity of 750 KW each to supply uninterrupted power and steam for the plant. We believe that the power plant will have the advantage to supply us low pressure steam to act as input to manufacture ENA and reduction in our cost of power.

***Locational advantage:***

The production unit is setup at Annadevarapeta, Tallapudi – Mandal, West Godavari-District, Andhra Pradesh, India. The location of plant is in proximity to major maize growing belts and also near to river Godavari, which is 8 km away and 40 km away from the National Highway 9(NH9). We believe that this facilitates movement of raw materials and finished products.

***Technology:***

We have identified Mojj Engineering System Limited as a turnkey supplier, who will be using molecular sieve technology. We believe that this technology ensures zero discharge while producing high quality alcohol as well as DDGS. We also believe that our plant has proper grain handling & milling section; jet cooking equipment; fermentation technology to achieve better yields; and stillage recycle to reduce water consumption.

***Competitiveness:***

We believe that additional facilities envisaged under Phase-II viz. CO<sub>2</sub> recovery plant, 10 km water pipeline to bring in Godavari water for process usage and also a raw material shed will bring our operations more efficient and competitive.

**Our business strategies**

***Expansion in capacities:***

We after implementation of Phase-II of our project, will be manufacturing 60,000 litres of ENA, 4,000 litres of Technical Alcohol, 44 tonnes of DDGS and 30 tonnes of CO<sub>2</sub> per annum by processing the grains in the state of Andhra Pradesh. We plan to increase this capacity further with expansion in India and abroad.

***Forward Integration:***

We intend to manufacture IMFL by setting up bottling unit and create our own brand in the state of Andhra Pradesh.

***Geographical expansion:***

We also intend to expand our operations in other States like Karnataka, Tamil Nadu, Orissa and Kerala.

***Backward Integration:***

Currently we are using the maize as raw material for the manufacture of ENA/Ethanol and as backward integration, we propose to set up a seed polynation unit to manufacture the quality seed of maize and distribute the same to farmers and self help groups to have contract farming aggrangment for buy back of the final product.

**Insurance**


As per the erection, installation, commissioning agreements with Mojj Engineering Systems Limited, Mojj Engineering Systems Limited is liable to procure all necessary insurances with regard to the plant and machinery effective till the handing over of the completed site (with erection, installation, commissioning of the plant). We have therefore not procured any separate insurance policy(ies). All the Insurance Policies are in the name of Mojj Engineering Systems Limited. The details of insurance policies obtained by Mojj Engineering Systems Limited are as under:

S. No	Nature of the Policy	Name of the Insurer	Particulars of Risk covered	Sum Insured (₹ in lakhs)	Premium Amount (₹ in lakhs)	Date of Expiry
-------	----------------------	---------------------	-----------------------------	--------------------------	-----------------------------	----------------

1.	Erection All Risk Insurance Policy	ICICI Lombard General Insurance Company Limited	Erection of Distillery Project	3,123.00	1.34	15/04/2011
----	------------------------------------	---	--------------------------------	----------	------	------------

### Intellectual Property Rights

As on date, our Company has filed following trademark registration application with the Trade Mark Registry, Chennai:

S. No.	Trademark Name	Application No.	Class	Date of filling
1.	BAIL	2032263, 2032265, 2032267, and 2032269	01, 04, 05, and 33	October 04, 2010
2.	BIO ETHANOL AGRO	2032264, 2032266, 2032268, and 2032270	01, 04, 05 and 33	October 04, 2010
3.		2093974, 2093975, 2093976 and 2093977	01, 04, 05 and 33	February 03, 2011

As on date, all trademark applications are pending with the said Trade Mark Registry.

### Our Property

#### Owned Property:

The details of the immovable properties which are registered in the name of our Company are given below:

Sr. No.	Original document number/date of deed and description of properties	Location	Survey Numbers/(acres)	Total area (in acres)	Consideration (₹ in Lakhs)	Purpose
1	Sale Deed No. 141/2007/ dated January 25, 2007 / Executed by 1) Mr. Satyanarayana S/o Undavalli Suranna; 2) Mr. Ganapathi Rao S/o Satyanarayana; 3) Mr. Srinivas Rao S/o Satyanarayana; and 4) Mr. Sathiraju S/o Satyanarayana	Annadevarapeta Village and Panchayat, Sri Vegeshwarapuram, Thalapudi Mandal, West Godavari District, Andhra Pradesh	452/2 (3.47 acres) 207 (4.45 acres) 237/3 (4.17 acres)	12.09	60.45	Factory / manufacturing unit
2	Sale Deed No. 2090/2007 / dated December 6, 2007 / Executed by Mr. China Satyanarayana S/o Late Gampala Sarasayya	Annadevarapeta Village and Panchayat, Sri Vegeshwarapuram, Thalapudi Mandal, West Godavari District, Andhra Pradesh	212/1	1.72	10.15	Factory / manufacturing unit



3	Sale Deed No. 2442/2006 / dated December 6, 2006 15-06-1998 / Executed by 1) Satyanarayana S/o Undavalli Suranna 2) Ganapathi Rao S/o Satyanarayana 3) Srinivasa Rao S/o Satyanarayana and 4) Sathi Raju S/o Satyanarayana	Annadevarapeta Village and Panchayat, Sri Vegeshwarapuram, Thalapudi Mandal, West Godavari District, Andhra Pradesh	213	17.70	88.94	Factory / manufacturing unit
4	Sale Deed No. 367/2007 / dated February 26, 2007 Executed by Mr. Subramanyam S/o Maddipoti Durga Rao	Annadevarapeta Village and Panchayat, Sri Vegeshwarapuram, Thallapudi Mandal, West Godavari District, Andhra Pradesh	212/2	1.63	8.15	Factory / manufacturing unit
5	Sale Deed No. 2113/07 / dated December 13, 2007 Executed by Subbayamma W/o Menni Seethaiah	Annadevarapeta Village and Panchayat, Sri Vegeshwarapuram, Thalapudi Mandal, West Godavari District, Andhra Pradesh	209/1	1.67	9.86	Factory / manufacturing unit
6	Sale Deed No. 1602/2007 / dated September 3, 2007 / Executed by Srinivasa Rao S/o Dosapalli Pullaiah	Prakkilanka Village and Panchayat, Sri Vegeshwarapuram, Thala-pudi Mandal, West Godavari District, Andhra Pradesh	63/3	0.30	2.06	Factory / manufacturing unit

The sale deeds, as mentioned above, provide our Company absolute ownership on the extent of land mentioned herein above and there are no restrictive covenants forming part of the said sale deeds. The land is free from all encumbrances except for the charge created in favour of Bank of Baroda, Rajmundry Branch. Our Company does not require any further approval pertaining to land acquired for our proposed expansion under Phase-II.

#### **Leased properties:**

Sr. No.	Location	Lessor	Rent (₹ in lacs)	Area	Execution Date / Period of Agreement
<b>Registered Office</b>					
1	D. No. 9-33/1, Andhra	K. Usharani, W/o	0.025 per	850 sq.	May 28, 2010

	Bank Street, Tallapudi, West Godavari District, Andhra Pradesh - 534341	Prasad Rao, D.No.9- 33/1, 'Ground Floor', Andhra Bank Street, Tallapudi, West Godavari District, Andhra Pradesh - 534341	month	feet	11 months
<b>Corporate Office</b>					
2	No. 8-2-120/86/7&8A, II Floor, Road No. 2, Banjara Hills, Hyderabad (Plot No.1, 2 <sup>nd</sup> Floor, JR Towers, Road No.2, Banjara Hills, Hyderabad-500034)	A.P. Rajeshwari and A.P. Mithun Kumar; both residing at No. 8-2- 120/86/7&8A, Road No. 2, Banjara Hills, Hyderabad	0.22 per month	500 sq. feet	January 01, 2011  9 months

### **Purchase of property**

Except as stated in section titled "Objects of the Issue" appearing on page no. 30 of this Draft Red Herring Prospectus, there is no property which our Company has purchased or acquired or propose to purchase or acquire which is to be paid wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed as on the date of filing of this Draft Red Herring Prospectus with SEBI, other than property:

- the contract for the purchase or acquisition whereof was entered into in the ordinary course of the business, the contract not being made in contemplation of this Issue, nor this Issue in contemplation of the contract; or
- In respect of which the purchase money is not material.

Our Company has not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

## OUR FINANCIAL INDEBTEDNESS

We are availing following credit facilities from Bank of Baroda:

Facilities	Amount sanctioned (₹ in Lakhs)	Rate of Interest	Repayment Terms	Security offered
Term Loan	2665.00	BPLR+ 0.25%	-Repayable in 28 quarterly installments -27 installments of ₹ 95.18 lakhs and 28th (last) installment of ₹ 95.14 lakhs commencing after a period of 2 years from the date of first disbursement i.e. 25 November 2009.	<ul style="list-style-type: none"> <li>Secured by 35.11 acres of land situated at Annadevarapeta Village, Tallapudi Mandal, West Godavari.</li> <li>Hypothecation of all fixed assets, raw materials, stock-in-process, finished goods and all the book debts, moveable plant and machinery, vehicles, crafts, consumables stores and spares, both present and future.</li> <li>Personal guarantees of Mr. Venkata S Meenavalli, Mr. K. Bhaskar Reddy and Mr. A Veerabhadra Rao</li> </ul>
Working capital*	250.00**	BPLR+ 0.25%	Cash credit has been granted for the period of 12 months	

\* The working capital loan has not been utilized till December 31, 2010.

\*\* Proposal for enhancement of working capital from ₹ 250 lakhs to ₹ 500 lakhs has been made to Bank of Baroda vide our letter dated February 1, 2011.

### Restrictive covenants in secured loan agreement

Our Company is subject to certain restrictive covenants of loan agreement entered into with Bank of Baroda. These restrictive covenants require our Company to seek the prior consent of the bank for various activities, including amongst others:

1. effect any change in the constitution/capital structure of the Company;
2. implement any scheme of expansion/ modernization/diversification/renovation or acquire any fixed assets except as has been approved by the Bank;
3. formulate any scheme of merger/acquisition/ amalgamation/reconstruction;
4. enter into borrowing, either secured or unsecured, with any other bank/ financial/institution/corporate body/ firm or other person;
5. undertake guarantee obligation on behalf of any other firm;
6. declare dividends for any year, except out of the profits related to that year, after paying all dues and making provision as required for that year, provided there is no default in repayment obligation by the Company to the bank;
7. sell, assign, mortgage, or otherwise dispose off any of the Company's fixed assets charged to the bank,
8. make any drastic change in the management;
9. create any further charge, lien or encumbrance over the assets and properties of the Company charged to the bank, in favour of any other bank, financial institution, firm or person; and

Pursuant to the aforesaid, we have obtained no objection certificate from Bank of Baroda vide their letter no. BOB/RJY/ADV/38 dated February 9, 2011 in respect of raising funds through IPO and our expansion plan.

## REGULATIONS AND POLICIES

*The following description is a summary of the relevant regulations and policies as prescribed by the central / state governments that are applicable to our Company in India. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.*

### **The Companies Act, 1956**

The Act deals with laws relating to companies and certain other associations. It was enacted by the parliament in 1956. The Companies Act primarily regulates the formation, financing, functioning and winding up of companies. The Act prescribes regulatory mechanism regarding all relevant aspects including organizational, financial and managerial aspects of companies. Regulation of the financial and management aspects constitutes the main focus of the Act. In the functioning of the corporate sector, although freedom of companies is important, protection of the investors and shareholders, on whose funds they flourish, is equally important. The Companies Act plays the balancing role between these two competing factors, namely, management autonomy and investor protection.

### **Regulation of Foreign Investment in India**

Foreign investment in India is primarily governed by the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and the rules and regulations promulgated there under. The RBI, in exercise of its powers under FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("FEMA Regulations") which prohibit, restrict and regulate, transfer or issue of securities, to a person resident outside India. Pursuant to the FEMA Regulations, no prior consent or approval is required from the RBI for foreign direct investment under the "automatic route" within the specified sectoral caps prescribed for various industrial sectors. In respect of all industries not specified under the automatic route, and in respect of investments in excess of the specified sectoral limits under the automatic route, approval for such investment may be required from the FIPB and/or the RBI. Further, FIIs may purchase shares and convertible debentures of an Indian company under the portfolio investment scheme through registered brokers on recognized stock exchanges in India. Regulation 1 (4) of Schedule II of the FEMA Regulations provides that the total holding by each FII or SEBI approved sub-account of an FII shall not exceed 10% of the total paid-up equity capital of an Indian company or 10% of the paid-up value of each series of convertible debentures issued by an Indian company and the total holdings of all FIIs and sub accounts of FIIs added together shall not exceed 24% of the paid-up equity capital or paid-up value of each series of convertible debentures. However, this limit of 24% may be increased up to the statutory ceiling as applicable, by the Indian company concerned passing a resolution by its board of directors followed by the passing of a special resolution to the same effect by its shareholders.

### **Environment (Protection) Act, 1986**

The Environment (Protection) Act, 1986 was enacted as a general legislation to safeguard the environment from all sources of pollution by enabling coordination of the activities of the various regulatory agencies concerned, to enable creation of an authority with powers for environmental protection, regulation of discharge of environmental pollutants etc. The purpose of the Act is to act as an "umbrella" legislation designed to provide a frame work for Central government co-ordination of the activities of various central and state authorities established under previous laws, such as Water Act & Air Act. It includes water, air and land and the inter-relationships which exist among water, air and land, and human beings and other living creatures, plants, micro-organisms and property.

### **Consent for operation of the plant under the Air (Prevention and Control of Pollution) Act 1981 ("Air Act")**

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.

#### **Consent for operation of the plant under the Water (Prevention and Control of Pollution) Act, 1974 ("Water Act")**

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.

#### **Water (Prevention and Control of Pollution) Cess Act, 1977**

The Water Cess Act, 1977 is a legislation providing for the levy and collection of a cess on local authorities and industries based on the consumption of water by such local authorities and industries so as to enable implementation of the Water Act by the regulatory agencies concerned.

#### **Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008**

These rules stipulate provisions for proper collection, reception, transport, treatment, storage and disposal of hazardous waste. Any waste, which by virtue of any of its physical, chemical, reactive, toxic, flammable, explosive or corrosive characteristics causes danger or is likely to cause danger to health or environment, whether alone or when in contact with other wastes or substances has been defined as "hazardous waste" and includes wastes generated mainly from the industrial processes referred under Schedule-I of the said Rules. In addition, some wastes become hazardous by virtue of concentration limits as well as hazardous characteristics listed under Schedule -II of the said Rules. It also includes the wastes specified in Parts A and B of Schedule-III in respect of import or export of such wastes and other wastes possessing hazardous characteristics specified in Part C of Schedule-III.

#### **Trade Marks Act, 1999**

The Indian law on trademarks is enshrined in the Trade Marks Act, 1999. Under the existing legislation, a trademark is a mark used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor to use the mark. A 'mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The trademark once applied for, is advertised in the trademarks journal, oppositions, if any are invited and after satisfactory adjudications of the same, a certificate of registration is issued. The right to use the mark can be exercised either by the registered proprietor or a registered user. The present term of registration of a trademark is ten years, which may be renewed for similar periods on payment of prescribed renewal fee.

#### **Copyright Act, 1957**

The Copyright Act, 1957 came into effect from January 1958. Copyright is an exclusive right. The statutory definition of Copyright is the exclusive right to do or authorizes others to do certain acts in relation to Literary, dramatic or musical works, Artistic work Cinematograph film; and Sound recording. The purpose of recognizing & protecting the copyright of an author is to statutorily protect his work & inspire him to exercise his creative faculties. Copyright is granted for a specific period of time. Whether any act is an infringement of the copyright work, would depend on the fact that whether such copyright was subsisting in the work or not. In case the copyright has expired, the work falls in the public domain and any act of reproduction of the work by any person other than then the author would not amount to infringement.

#### **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.

### **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 ₹ 400,000, 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

### **Central Sales Tax Act (CST)**

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.

### **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.

### **Value Added Tax ("VAT")**

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.

### **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 State Excise Authorities, Sales Tax, are required to be obtained before commencing the building of a factory or the start of manufacturing operations.

### **Industrial (Development and Regulation) Act, 1951**

The Industrial (Development and Regulation) Act, 1951 has been liberalized under the New Industrial Policy dated July 24, 1991, and all industrial undertakings are exempt from licensing except for certain industries such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defense equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and hazardous

chemicals and those reserved for the small scale sector. An industrial undertaking, which is exempt from licensing, is required to file an Industrial Entrepreneurs Memorandum ("IEM") with the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and no further approvals are required.

#### **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.

#### **The Factories Act, 1948**

The Factories Act, 1948 is a social legislation which has been enacted to regulate the occupational safety, health and welfare of workers at work places. This legislation is being enforced by the Government through officers appointed under the Act i.e. Inspectors of Factories, Deputy Chief Inspectors of Factories who work under the control of the Chief Inspector of Factories and overall control of the Labour Commissioner. The ambit of operation of this Act includes the approval of Factory Building Plans before construction/extension, investigation of complaints with regard to health, safety, welfare and working conditions of the workers employed in a factory, the maintenance of registers and the submission of yearly and half-yearly returns.

#### **Payment of Wages Act, 1936 ("Wages Act")**

Wages Act applies to the persons employed in the factories and to persons employed in industrial or other establishments where the monthly wages payable to such persons is less than ₹ 10,000/-. The Wages Act confers on the person(s) responsible for payment of wages certain obligations with respect to the maintenance of registers and the display in such factory/establishment, of the abstracts of this Act and Rules made there under.

#### **The Minimum Wages Act, 1948 ("Minimum Wages Act")**

Minimum Wages Act was enacted to provide for minimum wages in certain employments. Under this Act, the Central and the State Governments are the authorities to stipulate the scheduled employment and to fix minimum wages. The Act contains list of Agricultural and Non Agricultural employment where the prescribed minimum rate of wages is to be paid to the workers. The minimum wages are calculated and fixed based on the basic requirement of food, clothing, housing required by an average Indian adult.

#### **Employees (Provident Fund and Miscellaneous Provisions) Act, 1952**

The Act is applicable to factories employing more than 20 employees and may also apply to such establishments and industrial undertakings as notified by the Government from time to time. All the establishments under the Act are required to be registered with the Provident Fund Commissioners of the State. Also, in accordance with the provisions of the Act the employers are required to contribute to the Employees' Provident Fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance (if any) payable to the employees. The employee shall also be required to make the equal contribution to the fund. As per the provision of the Act, employers are to contribute 12% of the basic wages, dearness allowances and remaining allowances (if any) payable for the time being to the employees. A monthly return in Form 12 A is required to be submitted to the commissioner in addition to the maintenance of registers by the employers.

#### **Payment of Gratuity Act, 1972**

A terminal lump sum benefit paid to a worker when he or she leaves employment after having worked for the employer for a prescribed minimum number of years is referred to as "gratuity". The provisions of the

Act are applicable to all the factories. The Act provides that within 30 days of opening of the establishment, it has to notify the controlling authority in Form A and thereafter whenever there is any change in the name, address or change in the nature of the business of the establishment a notice in Form B has to be filed with the authority. The Employer is also required to display an abstract of the Act and the rules made there-under in Form U to be affixed at the or near the main entrance. Further, every employer has to obtain insurance for his liability towards gratuity payment to be made under Payment of Gratuity Act 1972, with Life Insurance Corporation or any other approved insurance fund.

#### **Payment of Bonus Act, 1965**

The Payment of Bonus Act, 1965 is applicable to every establishment employing 20 or more employees. The said Act provides for payment of the minimum bonus to the employees specified under the Act. It further requires the maintenance of certain books and registers such as the register showing computation of the allocable surplus; the register showing the set on & set off of the allocable surplus and register showing the details of the amount of Bonus due to the employees. Further it also require for the submission of Annual Return in the prescribed form (FORM D) to be submitted by the employer within 30 days of payment of the bonus to the Inspector appointed under the Act.

#### **Contract Labour (Regulation and Abolition) Act, 1970**

The purpose of Contract Labour (Regulation and Abolition) Act, 1970 is to regulate the employment and protect the interests of the workers who are hired on the basis of individual contracts in certain establishments. In the event that any activity is outsourced, and is carried out by labourers hired on contractual basis, then compliance with the Contract Labour (Regulation and Abolition) Act, including registration will be necessary and the principal employer will be held liable in the event of default by the contractor to make requisite payments towards provident fund etc.

#### **Employment (Standing Orders) Act, 1950**

The Industrial Employment (standing orders) Act, 1950 requires employers in industrial establishments to formally define conditions of employment under them. It applies to every industrial establishment wherein 100 (reduced to 50 by the Central Government in respect of the establishments for which it is the Appropriate Government) or more workmen are employed. The Act calls for the submission of such conditions of work to the relevant authorities for their approval.

#### **The Equal Remuneration Act, 1976 ("Equal Remuneration Act") and Equal Remuneration Rules, 1976**

The Constitution of India provides for equal pay for equal work for both men and women. To give effect to this provision, the Equal Remuneration Act, 1976 was implemented. The Act provides that no discrimination shall be shown on the basis of sex for performing similar works and that equal remuneration shall be paid to both men and women when the same work is being done.

#### **Employees State Insurance Act, 1948**

All the establishments to which the Employees State Insurance (ESI) Act applies are required to be registered under the Act with the Employees State Insurance Corporation. The Act applies to those establishments where 20 or more persons are employed. The Act requires all the employees of the factories and establishments to which the Act applies to be insured in the manner provided under the Act. Further, employer and employees both are required to make contribution to the fund. The return of the contribution made is required to be filed with the ESI department.

#### **The Maternity Benefit Act, 1961 ("Maternity Act")**

The purpose of Maternity Act 1961 is to regulate the employment of pregnant women and to ensure that they get paid leave for a specified period during and after their pregnancy. It provides, inter-alia for payment of maternity benefits, medical bonus and enacts prohibition on dismissal, reduction of wages paid to pregnant women etc.



**Registrations under the applicable Shops & Commercial Establishments Acts of the respective States in which our Company has an established place of business/ office ("Shops Act")**

The Shops Act provides for the regulation of conditions of work in shops, commercial establishments, restaurants, theatres and other establishments. The Act is enforced by the Chief Inspector of Shops (CIS) and various inspectors under the supervision and control of Deputy/Assistant Labour Commissioners of the concerned District, who in turn functions under the supervision of Labour Commissioner.

**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.

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

This legislation and the rules made there under apply to any packaged commodity that is sold or distributed. It provides for standardization of packages in specified quantities or numbers, in which the manufacturer, packer or distributor shall sell, distribute or deliver some specified commodity to avoid undue proliferation of weights, measures or number in which such commodities may be packed. Any person intending to pre-pack or import any commodity for sale, distribution or delivery has to make an application to the Director of Legal Metrology for registration.

**Standards of Weights and Measures Enforcement Act, 1985**

The Standards of Weights and Measures Enforcement Act, 1985 regulates the classes of weights and measures manufactured, sold, distributed, marketed, transferred, repaired or used and the classes of users of weights and measures. The Act was passed with a view to regulating and modernizing the standards used in India based on the metric system. The units of weight which are sought to be used in day to day trade are required to be periodically inspected and certified by the designated authorities under this Act for their accuracy.

**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 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.

## HISTORY AND CERTAIN CORPORATE MATTERS

### Overview

Bio Ethanol Agro Industries Limited was incorporated on June 8, 2006 under the Companies Act, 1956 as 'Bio Ethanol India Limited' vide Certificate of Incorporation issued by the Registrar of Companies, Hyderabad, Andhra Pradesh, India and received its certificate for Commencement of Business on 1<sup>st</sup> September 2006. The name of the Company was changed to 'Bio Ethanol Agro Industries Limited' and a fresh Certificate of Incorporation dated October 22, 2010 was issued by Registrar of Companies, Hyderabad, Andhra Pradesh. Our Company is formed primarily to carry on the business as manufactures, producers, processors, fabricators, traders in all kinds of ethanol.

### Major events in the history of our Company:

Financial Year	Event
2006-07	<ul style="list-style-type: none"> <li>The Company was incorporated under the Companies Act 1956.</li> <li>Acquired 35 acres &amp; 11 cents of land at Annadevarapeta (Village), Tallapudi (Mandal), West Godavari (Dist), Andhra Pradesh for setting up the Company's plant for manufacture of Extra Neutral Alcohol and Rectified Spirit.</li> </ul>
2009-10	<ul style="list-style-type: none"> <li>Awarded EPC contract to Mojj Engineering Systems Ltd for erection &amp; commissioning; supply of plant and machinery and for civil, structural work &amp; tank farm for Phase-I.</li> </ul>
2010-11	<ul style="list-style-type: none"> <li>Change in the name of the Company from Bio Ethanol India Limited to Bio Ethanol Agro Industries Limited on October 22, 2010.</li> </ul>

### Changes in the Registered Office of our Company

Date of change	Particulars	Reason for change
February 5, 2008	The registered office of our Company was shifted from Plot No.91, Prasasan Nagar, Road No.72, Jubilee Hills, Hyderabad 500033, Andhra Pradesh to Plot No.1, JR Towers, 2nd Floor, Road No.2, Banjarahills, Hyderabad- 500034, Andhra Pradesh.	Operational Convenience
October 1, 2008	The registered office of our Company was shifted from Plot No.1, JR Towers, 2nd Floor, Road No.2, Banjarahills, Hyderabad- 500034, Andhra Pradesh to D.No.3-99/1, Andhra Bank Street, Tallapudi, West Godavari- 534341, Andhra Pradesh.	Operational Convenience so as to keep the Registered Office near to the place of production facility
December 4, 2008	The registered office of our Company was shifted from D.No.3-99/1, Andhra Bank Street, Tallapudi, West Godavari- 534341, Andhra Pradesh to D.NO.9-33/1, Andhra Bank Street, Tallapudi, West Godavari 534341, Andhra Pradesh.	Consequent to correction in address, fresh Form 18 was filed

### Changes in Memorandum of Association of our Company (changes pursuant to increase in Authorised Share Capital)

S. No.	Date	Increased from (₹ in lakhs)	Increased to (₹ in lakhs)	Remarks
1.	June 8, 2006	-	100.00	10,00,000 Equity Shares of ₹ 10 each, as provided in the Memorandum of Association of the Company at the time

				of Incorporation.
2.	April 7, 2007	100.00	500.00	Increased from ₹ 100.00 lakhs divided into 10,00,000 equity shares of ₹ 10/- each to ₹ 500.00 lakhs divided into 50,00,000 equity shares of ₹ 10/- each.
3	February 4, 2008	500.00	2,000.00	Increased from ₹ 500.00 lakhs divided into 50,00,000 equity shares of ₹ 10/- each to ₹ 2,000.00 lakhs divided into 2,00,00,000 equity shares of ₹ 10/- each.
4.	September 27, 2008	2,000.00	2,800.00	Increased from ₹ 2,000.00 lakhs divided into 2,00,00,000 equity shares of ₹ 10/- each to ₹ 2,800.00 lakhs divided into 2,80,00,000 equity shares of ₹ 10/- each.
5.	September 30, 2010	2,800.00	3,200.00	Increased from ₹ 2,800.00 lakhs divided into 2,80,00,000 equity shares of ₹ 10/- each to ₹ 3,200.00 lakhs divided into 3,20,00,000 equity shares of ₹ 10/- each.
6.	January 5, 2011	3,200.00	4000.00	Increased from ₹ 3,200.00 lakhs divided into 3,20,00,000 equity shares of ₹ 10/- each to ₹ 3,200.00 lakhs divided into 4,00,00,000 equity shares of ₹ 10/- each

### **Changes in Memorandum of Association of our Company (changes pursuant to alteration in Objects Clause)**

The Company has inserted Clause 2 & 3 after existing Clause 1 of Memorandum of Association with the approval of Shareholders in Annual General Meeting held on September 30, 2010.

### **Main Objects of Company**

The main objects of the Company as stated in the Memorandum of Association are:

1. To carry on business as manufacturers, producers, processors, fabricators, importers, exporters, traders, buyers, sellers, retailers, wholesalers, suppliers, indenters, packers, movers, stockiest, agents, sub-agents, merchants, distributors, consignors, jobbers, brokers, concessionaires or otherwise deal in all kinds of fuel ethanol, and to deal in the by-products and joint products of fuel ethanol in India or elsewhere in the world.
2. To carry on the business of manufacturers, producers, processors, millers, preparators, dealers, exporters, importers of all varieties of pulses, paddy rice, bran, wheat, wheat products and all other kinds and types of agricultural produce whether commercial crops, food grains, oil seeds or otherwise, directly as principals or as agents, representatives, commission agents and with a view there to acquire, construct and erect integrated pulses and paddy processing project with facilities to produce pulses, rice, rice bran, oil, vanaspatti ghee, cattle feed, husk and all other products of backward and forward integration and factory or factories for other products.
3. To undertakes commercial agricultural activities including raising of crops and plantation and to process and manufacture all types of agro based products and to deal in, trade, export and import such agricultural products including crops, vegetable and dairy products.

### **Revaluation of Assets**

Our Company has not revalued its assets since its incorporation.

### **Subsidiaries of our Company**

Our Company has no subsidiaries as on the date of filing of the Draft Red Herring Prospectus.

### **Shareholders**

As on the date of this Draft Red Herring Prospectus, the total number of shareholders is 132.

### **Shareholders Agreement**

Our Company has not entered into any shareholders' agreement.

### Other Agreements

Our Company has executed following agreements with Mojj Engineering Systems Limited for Phase-I. The key terms of the Agreements are as under:-

#### 1. Agreement for civil, structural work and tank farm between our Company and Mojj Engineering Systems Limited

1.	Date of Agreement	November 18, 2009
2.	Base of the Agreement	Mojj Engineering Systems Limited has agreed to construct for Bio Ethanol India Limited, Civil, Structural and Tank Farm required for the plant which can produce 30,000 liters per day of Extra Neutral Alcohol and 2,000 Liters per day of Technical Alcohol from grain at Annadevaraeta, Tallapudi (M), West Godavari District, Andhra Pradesh.
3.	Consideration	Contract Price is ₹ 505.60 Lakhs including cost of transit insurance of the machinery, equipment & material for civil work, structural and storage tanks and accessories.
4.	Terms of the Agreement	<ul style="list-style-type: none"> <li>i. Civil Work include design, execution of all the excavation at plant, foundations for the equipments and structure, all UCR masonry and all RCC work at the plant</li> <li>ii. structural work include design, fabrication, erection, painting of M.S. structure and the roofing of any kind required to support and huse the plant</li> <li>iii. tank farm includes storage tanks for alcohol and work includes design, fabrication, painting, gauging, piping and providing accessories of the alcohol storage tank.</li> <li>iv. Warranty period for the equipment under contract supply shall be 12 months from the signing date of performance test or 18 months from the date of shipment of that equipment, whichever is earlier.</li> </ul>
5.	Time schedule for completion	9 months with an additional grace period of 15 days from the date of the Agreement. In case of delay, Mojj Engineering Systems Limited is liable to pay a penalty of 0.50% of contract value per week of delay till completion and handing over the project with performance guarantee subject to a maximum of 5% of contract price.
6.	Termination Clause	Only subject to force majeure article or if and as agreed by both the parties.

#### 2. Agreement for erection and commissioning between our Company and Mojj Engineering Systems Limited

1.	Date of Agreement	November 18, 2009
2.	Base of the Agreement	Mojj Engineering Systems Limited has agreed for erection, installation and commissioning of the equipments, accessories and pipelines for the plant which can produce 30,000 liters per day of Extra Neutral Alcohol and 2,000 Liters per day of Technical Alcohol from grain at their site at Annadevaraeta, Tallapudi (M), West Godavari District, Andhra Pradesh.
3.	Consideration	₹ 118.00 Lakhs including cost of insurance for erection and commissioning of machinery, equipment and material for the plant.
4.	Terms of the Agreement	<p>Erection, installation, commissioning of the equipments, accessories and pipe lines.</p> <ul style="list-style-type: none"> <li>i. Commissioning shall mean and include the successful completion of putting the equipment on load in pre-fermentation as well as fermentation sections and putting the equipment on load</li> </ul>

		producing extra neutral alcohol. ii. Mojj Engineering Systems Limited shall provide training to our Company's personnel in respect of the operation of the plant, maintenance and trouble shooting areas.
5.	Time schedule for completion	9 months with an additional grace period of 15 days from the date of the Agreement. In case of delay, Mojj Engineering Systems Limited is liable to pay a penalty of 0.50% of contract value per week of delay till completion and handing over the project with performance guarantee subject to a maximum of 5% of contract price.
6.	Termination Clause	Only subject to force majeure article or if and as agreed by both the parties.

### 3. Agreement for supply of plant & machinery between our Company and Mojj Engineering Systems Limited

1.	Date of Agreement	November 18, 2009
2.	Base of the Agreement	Mojj Engineering Systems Limited has agreed to supply all the machines and equipments required for setting up a Grain based Distillery plant to produce 30,000 liters per day of Extra Neutral Alcohol and 2,000 Liters per day of Technical Alcohol from grain at their site at Annadevaraeta, Tallapudi (M), West Godavari District, Andhra Pradesh.
3.	Consideration	₹ 2,609.40 Lakhs including the cost of transit insurance of the machinery, equipment and material for the plant.
4.	Terms of the Agreement	(i) procurement of machines and equipments; (ii) fabrication, design, engineering, transportation, unloading and supervision of commissioning; (iii) warranty period for the equipment under contract supply shall be 12 months from the signing date of performance test or 18 months from the date of supply of equipment, whichever is earlier; (iv) necessary provision of training to the technical staff of the Company.
5.	Time schedule for completion	9 months with an additional grace period of 15 days from the date of the Agreement. In case of delay, Mojj Engineering Systems Limited is liable to pay a penalty of 0.50% of contract value per week of delay till completion and handing over the project with performance guarantee subject to a maximum of 5% of contract price.
6.	Termination Clause	Only subject to force majeure article or if and as agreed by both the parties.

#### Strategic Partners

As on the date of Draft Red Herring Prospectus, our Company does not have any strategic partners.

#### Financial Partners

As on the date of Draft Red Herring Prospectus, our Company does not have any financial partners

## OUR MANAGEMENT

As per Article 106 of Articles of Association, our Company must have a minimum of three and a maximum of twelve Directors. As on the date of this Draft Red Herring Prospectus, our Company has six Directors out of which three are Independent Directors.

The following table sets forth details regarding our Board of Directors as on the date of filing of this Draft Red Herring Prospectus.

<b>Name, designation, father's name, address, DIN and occupation</b>	<b>Age (years)</b>	<b>Tenure</b>	<b>Other Directorships, Proprietorship, Partnership, association etc.</b>
<b>Mr. Venkata S. Meenavalli</b> <i>Non-Executive Chairman</i> S/o Mr. M. Krishna Mohan  Plot No. 1144, Road No.58, Jubilee Hills, Hyderabad -500 033 Andhra Pradesh  DIN: 00015132  Occupation: Business	40	Liable to retire by rotation	<i>Directorship:</i> 1. Northgate Technologies Limited 2. Stampede Holdings Limited 3. Greenfire Agri Commodities Private Limited 4. Green Fire Agro Tech Private Limited
<b>Mr. A. Veerabhadra Rao</b> <i>Executive Director</i> S/o Mr. A. Rama Rao  H.No. 73-16-1, Sridevi Nilayam, Srinivas Garden, A.V. Apparao Road, Rajahmundry, Andhra Pradesh-533103  DIN: 00155543  Occupation: Business	53	Reappointed for 3 years on April 08,2010 upto April 07, 2013 and liable to retire by rotation	<i>Directorship:</i> 1. Brilliant Securities Limited
<b>Mr. G. Linga Murthy</b> <i>Non Executive and Non-Independent Director</i> S/o Mr. Gaddi Iylaiah  H.No.11-14-212/1, Road No.9/2, New Hari Puri Colony, Saroornagar, Ranga Reddy Dist., Hyderabad  DIN: 02605861  Occupation: Service	32	Liable to retire by rotation	<i>Directorship:</i> 1. Stampede Holdings Limited 2. Greenfire Agri Commodities Private Limited 3. Green Fire Agro Tech Private Limited
<b>Mr. P. Parthasarathi</b> <i>Non-Executive and Independent Director</i> S/o P. Venkata Subba Rao  509/C/III, Road No.86, Jubilee Hills	62	Liable to retire by rotation	<i>Directorship:</i> 1. Northgate Technologies Limited 2. Social Media India Limited 3. Andhra Electronics Limited

Co-operative Society, Jubilee Hills, Hyderabad - 500033  DIN: 00004936  Occupation: Retired Banker			4. Green Fire Agri Commodities Private Limited
<b>Mr. D. Prakash Rao</b> <i>Non-Executive and Independent Director</i> S/o D. Jagannath Rao  N-HIG-B/6, Flat#223 5 <sup>th</sup> Phase, Yelahanka New Town, Bangalore-560 064  DIN: 03013165  Occupation: Service	41	Liable to retire by rotation	Nil
<b>Mr. T. Naresh Kumar</b> <i>Non-Executive and Independent Director</i> S/o T. Bali Reddy  Plot No.112/A, MLAs Colony, Road.12, Banjara Hills, Hyderabad-500034, Andhra Pradesh  DIN: 00018575  Occupation: Business	49	Liable to retire by rotation	<i>Directorship:</i> 1. Northgate Technologies Limited 2. Navik Systems Private Limited 3. VAR Quant Tech Securities Private Limited 4. Green Fire Agri Commodities Private Limited

None of our directors are related to each other. Our Company has not entered into any service contracts with any Directors which provide for any benefits to the said Directors upon termination of employment. Our Company has not entered into any arrangement or understanding with its major shareholders, customers, suppliers or others pursuant to which any of the directors were selected as a director or member of senior management. Further, except for statutory benefits upon termination of their employment in our Company or upon retirement, no officer of our Company, including our Directors and our key managerial persons, are entitled to any benefits upon termination of employment with our Company.

#### **Confirmation from Directors**

None of our Directors, have held or are holding directorships in any listed companies whose shares have been or were suspended from being traded on the stock exchanges or whose shares have been or were delisted from the stock exchange(s).

#### **Borrowing powers of Board of Directors**

The borrowing powers of our Directors are regulated by Article 66 of the Articles of Association of our Company. For further details, kindly refer section titled "Main Provisions of Articles of Association" beginning on page no. 190 of this Draft Red Herring Prospectus.

As per the members' resolution passed in the annual general meeting of our Company held on 27 September 2008, the directors of our Company are authorized to borrow from time to time, any sum or

sums of money on such terms and conditions with or without security as the Board of Directors may think fit which, together with the moneys already borrowed by the Company (excluding temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital and its free reserves provided that the total amount of money (s) so borrowed by the board shall not at any time exceed the limit of ₹ 10,000 lakhs pursuant to provisions of Section 293(1) (d) of the Companies Act, 1956.

#### **The brief profile of the Directors of our Company:**

##### **Mr. Venkata S Meenavalli, Non-Executive Chairman**

Mr. Venkata S. Meenavalli, aged 40 years, is Master of Science in Computer Science from Suffield University, a distant learning university; certificate of proficiency in radiotelephony from Spectrum Management Agency, Australia and certification of Novell Certified Engineer (CNE), Microsoft Certified Engineer (MCSE); and Microsoft Certified Systems Engineer + Internet (MCSE+I). He started his career by joining University of Sydney as Network consultant in the year 1994. He joined Northgate Technologies Limited, in 2002 as Managing Director. He has an overall experience of 17 years in the field of information technology, marketing and administration. He has been actively involved in the business of our Company and has played a key role with his inputs in strategic planning.

##### **Mr. A. Veerabhadra Rao, Executive Director**

Mr. A. Veerabhadra Rao, aged 53 years, has done graduation in Science from Andhra University and DIFAT (Alcohol Technology) from National Sugar Institute, Kanpur. He started his career in 1977 by joining in Government Distillery, Chagallu, Andhra Pradesh and then joined Nizam Sugars in 1983. He has over 32 years of experience in alcohol and distillery industry in the field of administration, fermentation, distillation, mechanical maintenance, and effluent treatment. He is Executive Director of our Company and is responsible for business policies, strategic decisions, and business development.

##### **Mr. G. Linga Murthy, Non-Executive and Non-Independent Director**

Mr. G. Linga Murthy, aged 32 Years is a post graduate in Computer science from Institute Advanced of Studies Education University (IASE), Rajasthan and has around 7 years of experience in software design, development and enhancement, programming, business, finance, analytics applications, database design and business administration. He had worked in Isoftel Telecommunications Singapore, where he was part of a team researching analyst billing systems, specialized in Radius server and B2B billing. He joined Northgate Technologies Limited as a Research Head in Voice Over Internet Telephony (VoIP). He is currently positioned as a Project Co-Ordinator handling the responsibilities to evaluate and identify appropriate technology platforms, participating in trading floor for delivering the company's objectives in Stampede Holdings Limited, one of our Promoter Group Company.

##### **Mr. P. Parthasarathi, Non Executive and Independent Director**

Mr. P. Parthasarathi, aged 62 years, is a Commerce Graduate from Andhra University and CAIIB. He retired as Assistant Chief Officer from UCO Bank, heading inspection and vigilance department. Presently he is Chairman of SRR Mutually Aided Co-operative Society Limited registered under A.P. Municipality Aided Co-operative Society Act, 1995. He has 25 years of experience in rural credit, agricultural advances, export credit, business development, inspection and vigilance.

##### **Mr. D. Prakash Rao, Non-Executive and Independent Director**

Mr. D. Prakash Rao, aged 41 years, is a Non-Executive and Independent Director. He is Bachelor of Science in agriculture from Andhra Pradesh Agricultural University and Mater of Science in Agriculture from Andhra Pradesh Agricultural University and attained Gold Medal for distinction. He has also done Post Graduate Diploma in Business Administration from KJ Somayia University, Mumbai. He has experience in sales, marketing, business development and production in agro related industry viz., agro chemicals, seeds,



tissue culture and bio-fertilizers. Presently he is working in Shri Ramco Biotech, a subsidiary of Ramco group as Regional Head SI-Marketing, Andhra, Karnataka and Tamilnadu.

#### **Mr. T. Naresh Kumar, Non-Executive and Independent Director**

Mr. T. Naresh Kumar, aged 49 years, is graduate in science from Osmania University and also Bachelor of Engineering in Production from Osmania University. He started his career in 1987 as Director in Tool Craft Accessories, Bangalore. During that period he visited Japan to identify the technical know how for CNC tools. In 1990 he joined Hyderabad Connectronics Limited as Production Incharge looking after the electroplating and CNC department. In the year 1990, he promoted Navik Systems Private Limited and export of Medical transcription services to USA. He has 20 years of experience in production and marketing of products.

#### **Details of Compensation of Executive Director**

Some of the key terms of the compensation to Mr. A. Veerabhadra Rao (Executive Director) *inter alia* include the following:

- Salary of ₹ 12 Lakhs per annum.
- Perquisites such as rent free furnished residential accommodation, company owned car and driver and telephone expenses, medical expenses reimbursements, reimbursement of actual entertainment, travelling, boarding and lodging expenses incurred by him in connection with the Company's business.

The following tables set forth total compensation paid by the Company to the Executive Director:

(₹ in lakhs)

Name of Director	Amount (from April 1, 2009 till March 31, 2010)	Amount (from April 1, 2010 till September 30, 2010)
Mr. A. Veerabhadra Rao	12.81	6.59

#### **Remuneration to Independent and Non-Executive Directors**

Pursuant to the Board resolution dated December 22, 2010, the Independent Directors of the Company are entitled to a sitting fee of ₹ 5,000 for attending each meeting of the Board/ meeting of Committee of Directors.

There has been no compensation paid by the Company to the Independent /non-executive Directors for the financial year 2009-2010.

#### **Bonus or profit sharing plan of the Directors**

There is no bonus or profit sharing plan in place for our Directors.

#### **Corporate Governance**

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance shall be applicable to us immediately upon listing of our Company's Equity Shares on the Stock Exchanges. Our Company has complied with the requirements of Corporate Governance, particularly those relating to composition of board of directors, constituting the committees such as Audit Committee, Shareholding/Investor Grievance Committee, and Remuneration Committee.

#### **Audit Committee**

The Audit Committee was constituted at the Board meeting held on 31 March 2010. The Audit Committee

comprises of the following members:

Name of Director	Status in Committee	Nature of Directorship
Mr. P. Parthasarathi	Chairman	Non-Executive and Independent Director
Mr. T. Naresh Kumar	Member	Non-Executive and Independent Director
Mr. D. Prakash Rao	Member	Non-Executive and Independent Director
Mr. G. Linga Murthy	Member	Non-Executive and Non-Independent Director

The role of the Committee has been defined to include the following activities:

- (a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- (b) Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and fixation of audit fee.
- (c) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (d) Reviewing with the management the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of any related party transactions.
  - Qualifications in the draft audit report.
- (e) 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.
- (f) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- (g) 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.
- (h) Discussion with internal auditors any significant findings and follow up there on.
- (i) 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.
- (j) 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.
- (k) 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.
- (l) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- (m) approving 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.
- (n) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

### ***Remuneration Committee***

The Remuneration Committee was constituted on March 31, 2010 and comprises the following directors of

the Board:

Name of Director	Status in Committee	Nature of Directorship
Mr. P. Parthasarathi	Chairman	Non-Executive and Independent Director
Mr. T. Naresh Kumar	Member	Non-Executive and Independent Director
Mr. D. Prakash Rao	Member	Non-Executive and Independent Director

The terms of reference of the Remuneration Committee are as follows:

- The Remuneration Committee recommends to the Board the compensation terms of the executive directors.
- Framing and implementing on behalf of the Board and on behalf of the shareholders, a credible and transparent policy on remuneration of executive directors including Employee Stock Option Plans, Pension Rights and any compensation payment.
- To evolve, decide upon and bring into effect the Employee Stock Option Scheme and make any amendments, modifications, alteration in the said scheme from time to time, as may required, including to make necessary adjustment in case of right issues, bonus issues, stock splits or any other corporate actions subsequently and to settle all questions, difficulties or doubts that may arise in relation to the implementation of scheme and to do all such act, deeds, matters and things and execute all such deeds, documents, instruments and writings as it secure any further consent or approval of the company, unless otherwise required in terms of the guidelines issued by the SEBI or any other Authority.
- Considering approving and recommending to the Board the changes in designation and increase in salary of the executive directors.
- Ensuring the remuneration policy is good enough to attract, retain and motivate directors.
- Bringing about objectivity in deeming the remuneration package while striking a balance between the interest of our Company and the shareholders.

#### ***Shareholders'/ Investor Grievances Committee***

The Shareholders and Investors Grievances Committee was constituted at the Board meeting held on 31 March 2010. The Committee consists of the following Directors:

Name of Director	Status in Committee	Nature of Directorship
Mr. Venkata S. Meenavalli	Chairman	Non-Executive and Non-Independent Director
Mr. P. Parthasarathi	Member	Non-Executive and Independent Director
Mr. D. Prakash Rao	Member	Non-Executive and Independent Director

The scope and function of this committee is to consider and review shareholders'/ investors' grievances and complaints and ensure that all shareholders'/ investors' grievances and correspondence are attended to expeditiously and satisfactorily unless constrained by incomplete documentation and/ or legal impediments.

#### **Shareholding of Directors in the Company**

The Articles of Association of the Company do not require the Directors to hold any equity shares in the Company as qualification shares. The following table sets out the shareholding of the Directors who hold shares either in their personal capacity or as joint holder, as on the date of this Draft Red Herring Prospectus.

Sr. No.	Name of the Directors	Number of Equity	% to pre-issue paid up equity
---------	-----------------------	------------------	-------------------------------

		<b>Shares</b>	<b>share capital</b>
1.	Mr. Venkata S. Meenavalli	89,36,800	43.62%
2.	Mr. A. Veerabhadra Rao	5,00,000	2.44%
3.	Mr. T. Naresh Kumar	1,00,100	0.49%
4.	Mr. P. Parthasarathi	10,000	0.05%
5.	Mr. G. Linga Murthy	10,000	0.05%
6.	Mr. D. Prakash Rao	2,500	0.01%
	<b>Total</b>	<b>95,59,400</b>	<b>46.66%</b>

### Interest of Directors

All the Directors are interested to the extent of the sitting fees payable to them for attending meetings of the Board or any committee thereof as well as to the extent of remuneration and reimbursement of expenses payable to them. Further, directors may also be deemed to be interested to the extent of Equity Shares held by them. 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.

Our Directors, Mr. Venkata S. Meenavalli and Mr. A. Veerabhadra Rao are also Promoter of our Company. Further, Mr. G. Linga Murthy may deem to be interested to the extent of remuneration to be received from our Promoter Group Company viz. Stampede Holdings Limited, where he is a Whole Time Director.

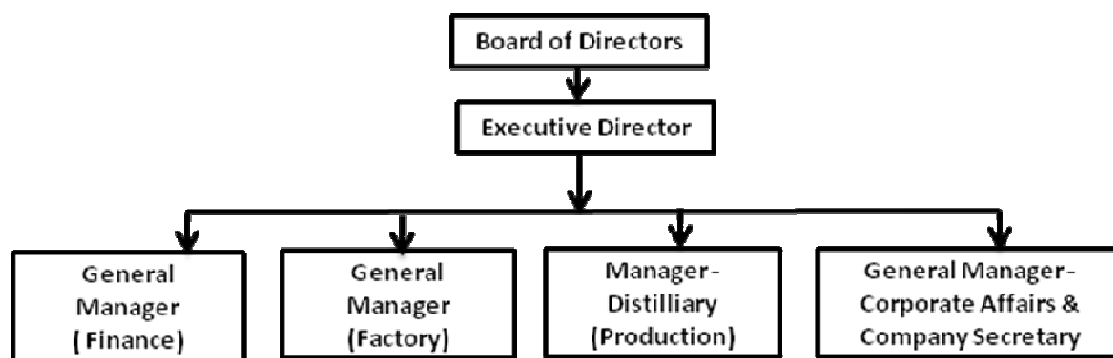
Further, except as stated in “Related Party Transactions” beginning on page no. 107 of this Draft Red Herring Prospectus, to the extent of shareholding in our Company or shareholding in the companies in which they are interested, our Directors do not have any other interest in our Company. Our Directors do not have any interest in any property acquired by our Company in a period of two years before filing this Draft Red Herring Prospectus with SEBI or proposed to be acquired by us as on date of filing this Draft Red Herring Prospectus with SEBI.

### Changes in the Directors during the last three years

The following changes have taken place in the Board of Directors of the Company during the last three years:

<b>S. No.</b>	<b>Name of Director</b>	<b>Date of Appointment</b>	<b>Date of Resignation / Cessation</b>	<b>Reason for change</b>
1.	Mr. P. Parthasarathi	June 08, 2006	February 05, 2008	Resignation
2.	Mr. Yerradoddi Suresh Kumar Reddy	June 08, 2006	February 05, 2008	Resignation
3.	Mr. Govada Venkatappaiah	February 5, 2008	February 17, 2010	Resignation
3.	Mr. D.V.S.S. Lakshminarayana	December 12, 2007	December 22, 2010	Resignation
4.	Mr. Venkata S. Meenavalli	February 17, 2010	-	Appointment
5.	Mr. P. Parthasarathi	March 31, 2010	-	Appointment
6.	Mr. T. Naresh Kumar	March 31, 2010	-	Appointment
7.	Mr. G. Linga Murthy	March 31, 2010	-	Appointment
8.	Mr. D. Prakash Rao	March 31, 2010	-	Appointment

## ORGANISATION CHART



## KEY MANAGERIAL PERSONNEL

The details of the key managerial personnel of the Company are as follows:

S.No.	Name, Designation & Academic Qualifications	Age (Years)	Date of Joining	Total overall experience (years)	Previous Employment
1.	Mr. A. Ravi Kumar <i>General Manager (Factory)</i>  <i>Qualification: Diploma in Electrical Engineering</i>	51	December 11, 2007	27	Assarain Concrete Products
2.	Mr. Gouse Shaik <i>General Manager – Corporate Affairs &amp; Company Secretary</i>  <i>Qualification: B.Com., LL.B, ACS</i>	37	June 1, 2010	10	Northgate Technologies Limited
3.	Mr. B. Prabhakara Rao <i>General Manager (Finance)</i>  <i>Qualification: B.Com, ACA</i>	37	July 12, 2007	13	Northgate Technologies Limited
4.	Mr. Moji Mathew <i>Manager Distillery</i>  <i>Qualification: B.Sc (Hons.), DIFAT</i>	40	November 1, 2010	20	Umeri Distillery Private Limited

1. All the persons named as our Key Managerial Personnel are the permanent employees of our Company.
2. There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.
3. None of the above mentioned Key Managerial Personnel are related to each other.

### Brief profile of the Key Managerial Personnel:

#### Mr. A. Ravi Kumar, General Manager (Factory)

Mr. A. Ravi Kumar, aged 51, is an Electrical Engineering Diploma holder and having 27 years of experience in various industries such as sugar, distillery, refractory, bulk drugs & pharmaceuticals, explosives &

detonators, and chemicals from executive level to management level in India and abroad. He is having knowledge on electrical section i.e. design, estimates, erection, maintenance, cost control and safety. He is also having experience in PLC based automatic plants, erection commissioning of plants, production and preventive maintenance of plant. During 2009-10, he was paid a gross remuneration of ₹ 7.80 lakhs.

**Mr. Gouse Shaik, General Manager – Corporate Affairs & Company Secretary**

Mr. Gouse Shaik, aged 37 years, is a graduate in Commerce and in law and an associate member of Institute of Company Secretary of India. He is Company Secretary and Compliance Officer of our Company, and currently responsible for secretarial, corporate law and legal matters. He has about 10 years of experience in secretarial, corporate law and legal matters. He started his career with M/s Puttaparthi Jagannatham & Co., a practicing Company Secretaries firm as trainee in the year 2000. He then moved to Goldstone group of Companies as Company Secretary. Before joining our Company, he was with Northgate Technologies Limited from 2005 to 2010. During 2009-10, he was not paid any remuneration.

**Mr. B. Prabhakara Rao, General Manager (Finance)**

Mr. B. Prabhakar Rao, aged 37 years, is a Chartered Accountant with 13 years of experience in the areas of finance, accounting, auditing and taxation. He started his career in the year 1997 as an Audit Manager and continued in the Audit field for a period of 5 years in various companies. He moved to Northgate Technologies Limited in the Year 2006 as a Finance Manager and from December 2007 he is working with our Company and responsible for the finance, budgeting, accounting and MIS functions. During 2009-10, he was paid a gross remuneration of ₹ 7.20 lakhs.

**Mr. Moji Mathew - Manager Distillery (Production)**

Mr. Moji Mathew, aged 40 years, is B.Sc.(Chemistry Hons.) from Berhampur University and also holds Post Graduate Diploma in Industrial Fermentation and Alcohol Industry (DIFAT) from AVSI-Pune, Maharashtra. He joined our Company in the year 2011 as Manager Distillery. Prior to joining our Company, he has worked with Umeri Distillery Private Limited, Orissa as Chief Chemist. At present he is responsible for controlling the production process, production schedule and quality control. During 2009-10, he was not paid any remuneration.

**Shareholding of Key Managerial Personnel**

The shareholdings of the key managerial personnel are as under:

S. No.	Name of the key managerial person	No. of equity shares held	% to pre-issue paid up equity share capital
1.	Mr. B. Prabhakara Rao	20,000	0.10%
2.	Mr. Gouse Shaik	15,000	0.07%
3.	Mr. A. Ravi Kumar	10,000	0.05%

**Changes in the key managerial personnel during the last three years**

There have been no changes in the Key Managerial Personnel in our Company during the last three years except as stated below:

Name of the Key Managerial Person	Designation	Date of Appointment	Date of Resignation/ Cessation	Reason
Mr. Moji Mathew	Manager Distillery	November 1, 2010	-	Appointment
Mr. Gouse Shaik	General Manager – Corporate Affairs & Company Secretary	June 1, 2010	-	Appointment

**Interest of key managerial personnel**

The key managerial personnel of our Company do not have any interest in our Company other than their shareholding in our Company and 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.

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contract, agreement or arrangement during the preceding two years from the date of this Draft Red Herring Prospectus in which the key managerial personnel are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

**Bonus or profit sharing plan for the key managerial personnel**

Our Company does not have any bonus/profit sharing plan for any of the Key Managerial Personnel.

**Employees Share Purchase Scheme / Employees Stock Option Scheme to Employees**


Presently, we do not have ESOP/ESPS scheme for our employees.

**Other benefits to our key managerial personnel**

There is no other benefit payable to our Key Managerial Personnel other than listed above.


## OUR PROMOTERS

### Mr. Venkata S. Meenavalli

	Permanent Account Number	AFEPM7879N
	Driving License Number	-
	Voter Identification Card Number	-
	Bank Account Number	05211930000062 HDFC Bank Limited, Hyderabad
	Passport Number	Z138809

For details of Mr. Venkata S. Meenavalli, please refer to section titled “Our Management” beginning on page no. 84 of this Draft Red Herring Prospectus.

### Mr. A. Veerabhadra Rao

	Permanent Account Number	AGKPA1823F
	Driving License Number	DLFAP105208902007
	Voter Identification Card Number	-
	Bank Account Number	06790100006233 Bank of Baroda, Rajahmundry
	Passport Number	H7986945

For details of Mr. A. Veerabhadra Rao, please refer to section titled “Our Management” beginning on page no. 84 of this Draft Red Herring Prospectus.

We confirm that Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to Bombay Stock Exchange Limited and National Stock Exchange of India Limited at the time of filing the Draft Red Herring Prospectus with them.

### Interest of Promoters

Our aforementioned Promoters viz. Mr. A. Veerabhadra Rao and Mr. Venkata S. Meenavalli are interested to the extent of their shareholding in our Company. Further, Mr. A. Veerabhadra Rao and Mr. Venkata S. Meenavalli, our Promoters, are also the Directors of our Company, may be deemed to be interested to the extent of remuneration and reimbursement of expenses payable to them.

Moreover, Mr. Venkata S. Meenavalli is also on the Board of Directors of our certain Promoter Group Companies (viz. Northgate Technologies Limited, Stampede Holdings Limited, Greenfire Agri Commodities Private Limited, Green Fire Agro Tech Private Limited) and he may deemed to be interested to the extent of payments made by our Company, if any, to these Promoter Group Companies or may deemed to be interested to the extent of being Directors in the said Promoter Group Companies. Further, Mr. A. Veerabhadra Rao is also Director on the board of Brilliant Securities Limited.



Except as mentioned hereinabove, our Promoters do not have any other interest in any property acquired by our Company in a period of two years before filing of this Draft Red Herring Prospectus or proposed to be acquired by us as on date of filing the Draft Red Herring Prospectus.

Except as stated in "Related Party Transactions" beginning on page no. 107 of Draft Red Herring Prospectus, and as stated herein, our Promoters or any of the Promoter Group Entities do not have any other interest in our business.

#### **Payment or benefit to Promoters of our Company**

Except as stated in Draft Red Herring Prospectus under related party transactions, no amount or benefit has been paid or given within two years or is intended to be paid or given to any of the promoters or officers of the Company except the normal remuneration for services rendered as directors, officers or employees.

#### **Details of entities from which Promoters have disassociated**

Except as disclosed below, we do not have any Promoter Group Company from which Promoters have disassociated during the last three years preceding the date of filing of this Draft Red Herring Prospectus:

##### **1. Brilliant Securities Limited (BSL)**

Mr. K. Bhaskar Reddy, Mrs. K Uma, Mr. Venkata S. Meenavalli, Mrs. M. Usha Rani and KBR Holdings Private Limited entered into a Share Purchase Agreement on 21<sup>st</sup> January 2008 with the erstwhile promoter group of Brilliant Securities Limited to acquire in aggregate 21,75,200 fully paid-up equity shares of ₹ 10/- each, representing 42.59% of subscribed and voting capital of BSL, at a price of ₹ 12.19/- per share. Accordingly, Open Offer was made pursuant to regulation 10 & 12 of the SEBI (SAST) Regulations with the prime object to have substantial acquisition of shares/voting rights accompanied with the change of control and management of BSL. At the time of contemplating the purchase of shares of BSL, Mr. Venkata S. Meenavalli and his wife were included in Share Purchase Agreement along with Mr. K. Bhaskara Reddy and his associates as Persons Acting in Concert for the limited purpose of acquiring shares in Brilliant Securities Limited in June, 2008.

Other than for this limited purpose neither at the time of acquiring shares nor at any time thereafter, Mr. Venkata S. Meenavalli and his wife had any control over BSL nor involved in the management of its affairs. The control and the management of affairs of BSL ever since the acquisition of shares, has been vested with Mr. K. Bhaskara Reddy and his associates. Accordingly Mr. Venkata S. Meenavalli and his wife disassociated themselves with BSL in the year 2010 after selling their respective shares.

The Board of Directors of BSL in their meeting held on January 17, 2011 has approved the scheme of arrangement with Stampede Holdings Limited. Mr. Venkata S. Meenavalli and his wife promoted the Stampede Holdings Limited and holds majority of shareholding. Consequent upon the scheme becoming effective and without any further application, act or deed, the control and management of the company will pass on to Mr. Venkata S. Meenavalli and his wife and such change in management or control will not attract Regulations 10, 11 and 12 of SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 1997 as per the Regulation 3(1)(j) of the said Regulations. Brilliant Securities Limited had vide their letter dated February 28, 2011 received in-principle approval under Clause 24(f) of Listing Agreement for the proposed scheme of arrangement. Brilliant Securities Limited is in the process of filing a petition with the Hon'ble High Court of Andhra Pradesh for their approval in respect of the said scheme of arrangement.

## **2. VAR Quant Tech Securities Limited**

VAR Quant Tech Securities Limited, a wholly owned subsidiary of Northgate Technologies Limited, incorporated on September 29, 2008. On November 11, 2010, Northgate Technologies Limited entered into share purchase agreements with Mr. Srinivas Kethineedi and Mr. Emmanuel Dasi to transfer its entire shareholding equally to Mr. Srinivas Kethineedi and to Mr. Emmanuel Dasi. Northgate Technologies Limited, now therefore, has disassociated itself from VAR Quant Tech Securities Limited. The main reason for disassociation was to discontinue trading in securities business.

## **3. Globe7 Americas Inc.**

Globe7 Americas Inc. was incorporated on July 10, 2008 under the laws of America. As on date, Globe7 America Inc. has been voluntary dissolved with effect from March 18, 2010. On March 18, 2010 the Board of Directors and Stockholders, in accordance with subsections (a) and (b) of Section 275 of the General Corporation Law of the State of Delaware, have authorized the dissolution of Globe7 Americas Inc.

## PROMOTER GROUP

In addition to the Promoters named above, the following natural persons are part of our Promoter Group:  
*As per Regulation 2 (1)(zb)(ii) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, the following natural persons form part of our Promoter Group:*

<b>Name</b>	<b>Relationship with Mr. Venkata S. Meenavalli</b>
Ms. Meenavalli Usha Rani	Wife
Mr. Meenavalli Krishna Mohan	Father
Ms. Meenavalli Venkata Lakshmi	Mother
<b>Name</b>	<b>Relationship with Mr. A. Veerabhadra Rao</b>
Ms. A.Vijayalakshmi	Wife
Mr. A.Rama Rao	Father
Ms. A.Bala Tripura Sundari	Mother
Mr. A.Naveen Venkata Kumar	Son

### Entities forming part of our Promoter Group

The companies that are part of the Promoter Group are as follows:

<b>S. No.</b>	<b>Name</b>
1.	Northgate Technologies Limited
2.	Northgate Investments Pte. Limited
3.	Globe7 Pte. Limited
4.	Axill Europe Limited
5.	Social Media India Limited
6.	Green Fire Agri Commodities Private Limited
7.	Green Fire Agro Tech Private Limited
8.	Globe7 HK Limited
9.	Stampede Holdings Limited
10.	Globe7 UK Limited

There are no partnership firms, HUFs, proprietary concern that form part of our Promoter Group. The details of the entities which are part of our Promoter Group are as follows:

### A. Listed Promoter Group Company

#### 1. Northgate Technologies Limited

Northgate Technologies Limited is a public company incorporated on June 11, 1991 under the Companies Act 1956. Its registered office is located at SDE Serene Chambers, 8-2-334, 1st Floor, South Eastern Wing, Road No.7, Banjara Hills, Hyderabad- 500034. It is into the business of online advertising services.

### Board of Directors

- Mr. Venkata S. Meenavalli
- Mr. P. Srinivasu
- Mr. P. Parthasarathi

- Mr. T. Naresh Kumar
- Mr. Y. Ramesh

<b>Consolidated Audited Financial Information</b>	<b>2009-2010</b>	<b>2008- 2009</b>	<b>2007- 2008</b>
<b>(₹ in lakhs)</b>			
Turnover/Income from operations	7,446.34	56,034.27	55,125.09
Profit/(Loss) after Tax	(14,698.44)	(29,543.80)	7,284.66
Paid up Equity Capital (Face value ₹ 10/- each)	3,514.71	3,514.71	3498.71
Reserve & Surplus (Net of Profit and Loss account debit balance)	(1,765.86)	12,996.79	38,454.55
Earning per Share (₹) - Basic	(41.97)	(84.54)	21.53
Earning per Share (₹) - Diluted	(41.97)	(84.54)	20.97
Net Asset Value (NAV) (₹)*	4.99	47.15	120.35
<b>Standalone Audited Financial Information</b>	<b>2009-2010</b>	<b>2008- 2009</b>	<b>2007- 2008</b>
<b>(₹ in lakhs)</b>			
Turnover/Income from operations	795.64	1,299.71	6,194.34
Profit/(Loss) after Tax	(9,876.96)	(25,307.13)	4134.35
Paid up Equity Capital (Face value ₹ 10/- each)	3,514.71	3,514.71	3498.71
Reserve & Surplus (Net of Profit and Loss account debit balance)	1,179.68	11,056.64	36285.58
Earning per Share (₹) - Basic	(28.20)	(72.42)	12.22
Earning per Share (₹) - Diluted	(28.20)	(72.42)	11.90
Net Asset Value (NAV) (₹)*	13.41	41.61	114.13

\* NAV is calculated as  $NAV = \{(\text{share capital} + \text{reserves \& surplus}) - \text{Miscellaneous expenditure}\} / \text{Number of equity shares}$

The Promoters of our Company holds 6.64% stake in Northgate Technologies Limited and control this Company. Total promoter & promoter group holds 13.54% stake of Northgate Technologies Limited.

### Details of Listing

The Equity Shares of Northgate Technologies Limited are listed on NSE since April 3, 2007. The Equity Shares are actively traded on NSE and IndoNext platform of BSE. It has not received any show cause notice or suspension order from the NSE, BSE or SEBI in the past. The company has voluntarily delisted from The Jaipur Stock Exchange on January 9, 2008; The Ahmadabad Stock Exchange Limited on February 5, 2008; Delhi Stock Exchange Association Limited on March 27, 2008; Calcutta Stock Exchange Limited on March 27, 2008; and Hyderabad Stock Exchange Limited on August 29, 2007.

It has not become a sick company within the meaning of SICA and is not under winding up. There has been no change in control of Northgate Technologies Limited in the last three (3) years preceding the date of the Draft Red Herring Prospectus.

### Shareholding pattern

Shareholding Pattern as on December 31, 2010 of Northgate Technologies Limited is as follows:

Cate gory code	Category of shareholder	Numb er of share holders	Total number of shares	Number of shares held in de- materialize d form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a Percen tage of (A+B)'	As a percenta ge of (A+B+C)	Number of Shares (VIII)	As a percent age (IX)=(V III)/(IV) *100
A	Shareholding of promoter and promoter group							
1	Indian							
a	Individuals/Hindu Undivided Family	10	1,06,40,116	1,06,40,116	21.76	21.71	Nil	NA
b	Central Government/ State Government(s)	Nil	Nil	Nil	Nil	Nil	Nil	NA
c	Bodies Corporate	Nil	Nil	Nil	Nil	Nil	Nil	NA
d	Financial Institutions/Books	Nil	Nil	Nil	Nil	Nil	Nil	NA
e	any Other (specify)	Nil	Nil	Nil	Nil	Nil	Nil	NA
	Sub-Total(A)(1)	10	1,06,40,116	1,06,40,116	21.76	21.71	Nil	NA
2	Foreign							
a	Individuals(Non-Resident individuals/Foreign Individuals	Nil	Nil	Nil	Nil	Nil	Nil	NA
b	bodies Corporate	Nil	Nil	Nil	Nil	Nil	Nil	NA
c	Institutions	Nil	Nil	Nil	Nil	Nil	Nil	NA
d	any Other (specify)	Nil	Nil	Nil	Nil	Nil	Nil	NA
	Sub-Total(A)(2)	Nil	Nil	Nil	Nil	Nil	Nil	NA
	Total Shareholding of Promoter and Promoter Group(A)=(A)(1)+(A)(2)	10	1,06,40,116	1,06,40,116	21.76	21.71	Nil	NA
B	Public shareholding							
1	Institutions							
a	Mutual Funds/UTI	Nil	Nil	Nil	Nil	Nil	Nil	NA
b	Financial Institutions/Banks	Nil	Nil	Nil	Nil	Nil	Nil	NA
c	Central Government/ State Government(s)	Nil	Nil	Nil	Nil	Nil	Nil	NA
d	Venture Captial Funds	Nil	Nil	Nil	Nil	Nil	Nil	NA
e	Insurance Companies	Nil	Nil	Nil	Nil	Nil	Nil	NA
f	Foreign Institutional investors	5	1,36,43,279	1,36,43,279	27.90	27.83	Nil	NA
g	Foreign Venture Capital investors	Nil	Nil	Nil	Nil	Nil	Nil	NA
h	Any Other (Specify)	Nil	Nil	Nil	Nil	Nil	Nil	NA
	Sub-Total (B)(1)	5	1,36,43,279	1,36,43,279	27.90	27.83	Nil	NA

2	<b>Non-Institutions</b>							
a	Bodies Corporate	727	66,78,606	66,78,606	13.66	13.62		
b	Individuals - i) individual shareholders holding nominal share capital up to ₹ 1 lakh	18,836	1,14,81,875	1,14,61,749	23.48	23.42	Nil	NA
	ii) Individual shareholders holding nominal shares capital in excess of ₹ 1 lakh	197	58,81,639	58,81,639	12.03	12.00	Nil	NA
c	Any Other (NRI'S)	176	5,75,075	5,75,075	1.18	1.17	Nil	NA
	<b>Sub-Total(B)(2)</b>	<b>19,936</b>	<b>2,46,17,195</b>	<b>2,45,97,069</b>	<b>50.35</b>	<b>50.22</b>	Nil	NA
	<b>Total Public shareholding (B)=(B)(1)+(B)(2)</b>	<b>19,941</b>	<b>3,82,60,474</b>	<b>3,82,40,348</b>	<b>78.24</b>	<b>78.05</b>	Nil	NA
	<b>TOTAL (A)+(B)</b>	<b>19,951</b>	<b>4,89,00,590</b>	<b>4,88,80,464</b>	<b>100</b>	<b>99.76</b>	Nil	NA
C	<b>Shares held by Custodians and against which depository receipts have been issued</b>							
1	Promoter and Promoter Group	Nil	Nil	Nil	Nil	Nil	Nil	NA
2	Public shareholding	1	1,18,000	1,18,000	NA	0.24	Nil	NA
	<b>Total C=C1+C2</b>	<b>1</b>	<b>1,18,000</b>	<b>1,18,000</b>	<b>NA</b>	<b>0.24</b>	Nil	NA
	<b>GRAND TOTAL (A+B+C)</b>	<b>19,952</b>	<b>4,90,18,590</b>	<b>4,89,98,464</b>	<b>NA</b>	<b>100.00</b>	Nil	NA

NA-Not Applicable

### Change in shareholding

The shareholding of Northgate Technologies Limited for the period ended June 30, 2010 and December 31, 2010 was as under:

S. No.	Name of the promoter	Shareholding as on June 30, 2010		Shareholding as on December 31, 2010	
		Number of shares	As a % of total paid up capital	Number of shares	As a % of total paid up capital
(A) Shareholding of promoter & promoter group					
1.	Individuals/Hindu Undivided Family	1,08,96,116	31.11	1,06,40,116	21.71
(B) Public shareholding					
1.	Foreign Institutional Investors	18,97,714	5.42	1,36,43,279	27.83
2.	Bodies corporate	53,70,661	15.34	66,78,606	13.62
3.	Individuals & others	1,68,54,099	48.13	1,80,56,589	36.84
	Total (A+B)	3,50,18,590	100.00	4,90,18,590	100.00

### Share price information

Equity shares of Northgate Technologies Limited are listed on NSE. The Equity Shares are actively traded on NSE and IndoNext platform of BSE. The monthly high and low of the closing market price of the equity

shares of Northgate Technologies Limited on NSE and Indonext platform of BSE for the last six months are as follows:

Month	NSE		BSE	
	High	Low	High	Low
February 2011	17.25	12.50	17.28	12.48
January 2011	17.85	13.75	17.85	13.70
December 2010	19.05	16.20	19.05	16.15
November 2010	29.15	17.85	29.05	17.90
October 2010	21.75	17.80	21.80	17.75
September 2010	21.90	19.65	21.90	19.55

(Source: [www.nseindia.com](http://www.nseindia.com) and [www.bseindia.com](http://www.bseindia.com))

The market capitalisation of Northgate Technologies Limited based on the closing price of ₹ 15.65 and ₹ 15.60 per equity share on the NSE and BSE respectively as on March 1, 2011 was ₹ 5480.41 lakhs and ₹ 5462.90 lakhs respectively.

### Details of past public / rights issues

Northgate Technologies Limited has not come out with any public or rights issue in the preceding ten years. Northgate Technologies Limited issued 1,40,00,000 equity shares to QIBs under Chapter VIII of SEBI (ICDR) Regulations, 2009 during October, 2010 at a price of ₹ 20.50 per equity share.

### Significant Notes of Auditor

#### Audit Report for Financial year 2009-10

- Northgate Group had inadvertently failed to obtain prior approval of the Reserve Bank of India (RBI) in relation to the securities trading activities of VAR Quant Tech Securities Private Limited (VAR Quant), a fully owned subsidiary of the Company and such activities were carried out in contravention of the RBI guidelines (between 10 December 2009 till 29 January 2010). The Group has initiated the process of obtaining necessary approvals and has also applied to RBI for condonation of the non-compliance. Further, the securities trading activities have currently been suspended, till such time that all the regulatory formalities are complete. Pending the receipt of the regulatory approvals, there exists an uncertainty over the financial penalties that may fall due, which is currently not quantifiable.

VAR Quant Tech Securities Private Limited was registered with the SEBI as sub-broker and therefore was not required to be registered with the RBI. The same was informed to RBI. Northgate Technologies Limited has sold 100% equity shares of VAR Quant Tech Securities Private Limited on 11 November 2010.

### Mechanism for redressal of investor grievance

The Board of Directors of Northgate Technologies Limited have constituted a Shareholders / Investor Grievance Committee. The Investors' Grievance Committee focuses on shareholders' grievances and strengthening of investor relations. The functions of the committee include the redressal of shareholders/investor complaints/grievances pertaining to transfers/transmissions of shares, dividend, and dematerialization of shares, replacement of lost/ stolen/ mutilated share certificates and other related issues. The Committee comprises of three Directors:

S.No.	Name of Director	Position in Committee
1	Mr. Y.Ramesh	Chairman
2	Mr. P. Srinivasu	Member
3	Mr. Venkata S. Meenavalli	Member

As on date, there is no investor grievance pending. The details of investor grievances received and resolved by Northgate Technologies Limited in the last three years are as follows:

S.No.	Particulars	
1.	Total number of complaints received during the FY 2007-08	02
2.	Total number of complaints as on April 1, 2008	None
3.	Total number of complaints received during the last FY 2008-09	11
4.	Total number of complaints as on April 1, 2009	None
5.	Total number of complaints received during the last FY 2009-10	14
6.	Total number of complaints as on April 1, 2010	None
7.	Total number of complaints received during the current FY 2010-11	None
8.	Number of complaints pending as on the date of filing of the Draft Red Herring Prospectus with SEBI	None
9.	Time normally taken for disposal of various types of investor grievances	7 working days

It has further confirmed that it has not been detained as wilful defaulters by the RBI or any other Government authority in India. Additionally, there are no violations of securities laws committed by it in the past or are pending against it, there have been no defaults in meeting any statutory / bank / institution dues, no proceedings have been initiated for economic offences against it and it has not been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

## B. Unlisted Promoter Group Companies

### 1. Social Media India Limited

Social Media India Limited was incorporated on August 09, 2007 under the Companies Act, 1956. Its registered office is located at 8-2-334, 1st Floor, SDE Serene Chambers, South Eastern Wing, Road No.7, Banjara Hills, Hyderabad, Andhra Pradesh. It is a step down subsidiary of Northgate Technologies Limited. It is engaged in the business of online advertising services. The shareholding pattern of Social Media India Limited is as follows:

Name of the Shareholder	No. of Shares	% of Shareholding
Globe7 Pte Limited	29,446,904	100.00%
Mr. Venkata S. Meenavalli	1	Negligible
Mr. K.Bhaskara Reddy	1	Negligible
Ms. M. Usha Rani	1	Negligible
Ms. K. Uma	1	Negligible
Ms. K.Naimi	1	Negligible
Mr. M. Krishna Mohan	1	Negligible
<b>Total</b>	<b>29,446,910</b>	<b>100.00%</b>

### Board of Directors:

- Mr. D.V.S.S. Lakshminarayana
- Mr. Srinivasu Palacharla
- Mr. P. Parthasarathi



**Financial Information:**

(₹ in lakhs)

<b>Audited Financial Information</b>	<b>2009-2010</b>	<b>2008- 2009</b>	<b>2007- 2008</b>
Income from operations	2,025.59	6,671.59	985.22
Profit/(Loss) after Tax	(994.16)	(491.08)	(396.90) )
Equity Capital (Face Value ₹10/- per equity share)	2,944.69	2,944.69	2,500.00
Reserve & Surplus (Net of Profit and loss account debit balance)	(992.76)	1.40	(396.90)
Earning per Shares (EPS) (₹)	(3.38)	(1.96)	(1.83)
Net Asset Value (NAV) (₹)*	6.63	10.00	8.41

\* NAV is calculated as  $NAV = \{(\text{share capital} + \text{reserves \& surplus}) - \text{Miscellaneous expenditure}\} / \text{Number of equity shares.}$

The Promoters of our Company holds one share in Social Media India Limited but control this Company. Total promoter & promoter group, holds 100% stake of Social Media India Limited.

Social Media India Limited is neither listed at any Stock Exchange. It has not come out with any public or right issue in the preceding three years. It has not become a sick company within the meaning of SICA and is not under winding up.

It has further confirmed that it has not been detained as wilful defaulters by the RBI or any other Government authority in India. Additionally, there are no violations of securities laws committed by it in the past or are pending against it, there have been no defaults in meeting any statutory / bank / institution dues, no proceedings have been initiated for economic offences against it and it has not been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

**2. Globe7 Pte. Ltd.**

Globe7 Pte. Ltd. incorporated on May 11, 2006 under the laws of Republic of Singapore as private company limited by shares. Its registered office is located at 51, Bukit Batok Crescent, #08-05 Unity Centre, Singapore 658077. It is a step down subsidiary of Northgate Technologies Limited. It is engaged in the business of online advertising solutions and investment holding. The shareholding pattern of Globe7 Pte. Ltd. is as follows:

<b>Name of the Shareholder</b>	<b>No. of Shares</b>	<b>% of Shareholding</b>
Northgate Investments Pte. Limited	13,53,52,983	100.00%
<b>Total</b>	<b>13,53,52,983</b>	<b>100.00%</b>

**Board of Directors:**

- Mr. Birudavolu Lokesh
- Mr. Venkata S. Meenavalli
- Mr. Dorababu Penumarthi
- Mr. P. Srinivasu
- Mr. RSNSVJ Prasad

**Financial Information:**

(₹ in lakhs)

<b>Audited Financial Information</b>	<b>2009-2010</b>	<b>2008-2009</b>	<b>2007- 2008</b>
Income from operations	247.79	39,345.63	23,592.17
Profit/(Loss) after Tax	(16,345.33)	(28,680.77)	896.89
Equity Capital (Face Value 1 Singapore \$)	44,181.45	48,754.82	14,030.08
Reserve & Surplus (Net of Profit and loss account debit balance)	(40,743.54)	(27,538.48)	896.13
Earning per Shares (EPS) (₹)	(21.77)	(39.34)	1.99
Net Asset Value (NAV) (₹)*	4.58	29.10	33.06
Conversion rate (1US\$) (figures in ₹) as on March 31 (Source: <a href="http://www.rbi.org.in">www.rbi.org.in</a> )	45.14	50.95	39.97

\* NAV is calculated as NAV = {(share capital + reserves & surplus) - Miscellaneous expenditure}/ Number of equity shares.

The Promoters of our Company does not hold any shareholding in Globe7 Pte. Ltd. but control this company. Total promoter & promoter group holds 100% stake of Globe7 Pte. Ltd.

Globe7 Pte. Ltd. is neither listed at any Stock Exchange. It has not come out with any public or right issue in the preceding three years. It has not become a sick company and is not under winding up.

It has further confirmed that it has not been detained as wilful defaulters by the RBI or any other Government authority in India. Additionally, there are no violations of securities laws committed by it in the past or are pending against it, there have been no defaults in meeting any statutory / bank / institution dues, no proceedings have been initiated for economic offences against it and it has not been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

### 3. **Globe7 HK Limited**

Globe7 HK Limited was incorporated on November 8, 2005 under the laws of Hong Kong. Its registered office is located at B3, 6/F, Loyong Court Commercial Building, 212 Lockhart Road, Wanchai, Hong Kong. It is a step down subsidiary of Northgate Technologies Limited. It is engaged in the business of providing online advertising services and trading of voice minutes through SIP services. The shareholding pattern of Globe7 HK Limited is as follows:

<b>Name of the Shareholder</b>	<b>No. of Shares</b>	<b>% of Shareholding</b>
Globe7 Pte. Ltd.	1,88,77,149	100%
<b>Total</b>	<b>1,88,77,149</b>	<b>100%</b>

#### **Board of Director**

- Mr. Venkata S. Meenavalli
- Mr. Birudavolu Lokesh

#### **Financial Information:**

(₹ in lakhs)

<b>Audited Financial Information</b>	<b>2009-2010</b>	<b>2008- 2009</b>	<b>2007- 2008</b>
Income from operations	1,122.01	18,716.76	11,689.42
Profit/(Loss) after Tax	(1625.16)	(17,671.34)	2,315.78

Equity Capital (Face Value 1 Hongkong \$)	514.87	592.98	455.39
Reserve & Surplus (net of debit balance of Profit and loss account)	(459.42)	1,342.55	14,602.03
Earning per Shares (EPS) (₹)	(18.31)	(199.07)	26.09
Net Asset Value (NAV) (₹)*	(0.62)	21.80	169.62
Conversion rate (1Hongkong\$) (figures in ₹) as on March 31	5.80	6.68	5.13

\* NAV is calculated as  $NAV = \{(\text{share capital (excluding share application money)} + \text{reserves \& surplus}) - \text{Miscellaneous expenditure}\} / \text{Number of equity shares}$ .

The Promoters of our Company does not hold any shareholding in Globe7 HK Limited but control this company. Total Promoter & Promoter group holds 100% stake of Globe7 HK Limited.

Globe7 HK Limited is not listed at any Stock Exchange. It has not come out with any public or right issue in the preceding three years. It has not become a sick company within the meaning of SICA and is not under winding up.

It has further confirmed that it has not been detained as willful defaulters by the RBI or any other Government authority in India. Additionally, there are no violations of securities laws committed by it in the past or are pending against it, there have been no defaults in meeting any statutory / bank / institution dues, no proceedings have been initiated for economic offences against it and it has not been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

#### 4. Green Fire Agri Commodities Private Limited

Green Fire Agri Commodities Private Limited was incorporated on December 13, 2005 under the Companies Act, 1956. Its registered office is located at D.No.8-2-120/86/A, JR Towers, 2nd Floor, Road No.2, Banjara Hills, Near L.V.Prasad Eye Institute, Hyderabad, Andhra Pradesh. It is engaged in the business of trading and clearing services. It is a subsidiary of Northgate Technologies Limited. The shareholding pattern of Green Fire Agri Commodities Private Limited is as follows:

Name of the Shareholder	No. of Shares	% of Shareholding
Northgate Technologies Limited	4,11,060	51.00%
Stampede Holdings Limited	3,94,936	49.00%
<b>Total</b>	<b>8,05,996</b>	<b>100.00%</b>

#### Board of Directors

- Mr. P. Parthasarathi
- Mr. Venkata S. Meenavalli
- Mr. T. Naresh Kumar
- Mr. G. Linga Murthy
- Mr. Vishal Shyam Gurnani

#### Financial Information:

(₹ in lakhs)

<b>Audited Financial Information</b>	<b>2009-2010</b>	<b>2008- 2009</b>	<b>2007- 2008</b>
Income from operations	0.84	0.20	0.32
Profit/(Loss) after Tax	(2.93)	(6.93)	(4.93)
Equity Capital (Face Value ₹ 10/- per equity share)	1.00	1.00	1.00
Share Application Money	39.35	24.99	20.45
Reserve & Surplus (net of debit balance of Profit and loss account)	(20.70)	(17.77)	(10.84)
Earning per Shares (EPS) (₹)	(29.27)	(69.30)	(49.31)
Net Asset Value (NAV) (₹)*	(196.98)	(167.71)	(106.88)

\* NAV is calculated as  $NAV = \{(\text{share capital} + \text{reserves \& surplus excluding share application money}) - \text{Miscellaneous expenditure}\} / \text{Number of equity shares}$ .

The Promoters of our Company does not hold any shareholding in Green Fire Agri Commodities Private Limited but control this company. Total Promoter & Promoter group holds 100% stake of Green Fire Agri Commodities Private Limited.

Green Fire Agri Commodities Private Limited is not listed at any Stock Exchange. It has not come out with any public or right issue in the preceding three years. It has not become a sick company within the meaning of SICA and is not under winding up.

It has further confirmed that it has not been detained as willful defaulters by the RBI or any other Government authority in India. Additionally, there are no violations of securities laws committed by it in the past or are pending against it, there have been no defaults in meeting any statutory / bank / institution dues, no proceedings have been initiated for economic offences against it and it has not been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

#### **5. Stampede Holdings Limited**

Stampede Holdings Limited was incorporated on April 5, 2007 under the Companies Act, 1956 as private limited company. Its registered office is located at JR Towers, 2nd Floor, Road No.2, Banjara Hills, Hyderabad, Andhra Pradesh. Its business is of Investment, Broking and development of techical products relating capital markets, but Stampede Holdings Limited has not yet commenced its operations. The name of the company was changed from Stampede Holdings Private Limited to Stampede Holdings Limited w.e.f. November 4, 2010. The Promoters of our Company holds 86.80% shareholding in Stampede Holdings Limited. Total Promoter & Promoter group holds 89.20% stake of Stampede Holdings Limited.

#### **6. Globe7 UK Limited**

Globe7 UK Limited incorporated on April 8, 2010 under the laws of Singapore. 51, Bukit Batok Crescent, #08-05 Unity Centre, Singapore 658077. It is a wholly owned subsidiary of Northgate Technologies Limited. It is engaged in the business of online advertising services. The Promoters and Promoter Group of our Company holds 100% shareholding in Globe7 UK Limited.

#### **7. Green Fire Agro Tech Private Limited**

Green Fire Agro Tech Private Limited was incorporated on June 3, 2010 under the Companies Act, 1956. Its registered office is located at JR Towers, 2nd Floor, Road No. 2, Banjara Hills, Hyderabad, Andhra Pradesh. The main object for which it was incorporated is to carry on the activities of agriculture, farming,

horticulture, floriculture and to sale, purchase, export, etc. these products. It has not yet commenced its business operations. The Promoters and Promoter Group of our Company holds 50% shareholding in Green Fire Agro Tech Private Limited.

#### 8. Northgate Investments Pte. Limited

Northgate Investments Pte. Limited incorporated on September 05, 2007 under the laws of Republic of Singapore as a private company limited by shares. Its registered office is located at 51, Bukit Batok Crescent, #08-05 Unity Centre, Singapore 658077. It is a wholly owned subsidiary of Northgate Technologies Limited. It is an investment holding Company and carries no other activities. The Promoters of our Company does not hold any shareholding in Northgate Investments Pte. Limited but control this company. Total Promoter & Promoter group holds 100% stake of Northgate Investments Pte. Limited.

### C. Company having negative networth and under winding up

#### 1. Axill Europe Limited

Axill Europe Limited was incorporated on July 25, 2005 under the laws of United Kingdom. Its registered office is located at Bristol & West House, Post office Road, Bournemouth, United Kingdom, BH1 1BL. It is a step down subsidiary of Northgate Technologies Limited. It was engaged in the business of online advertising services. The shareholding pattern of Axill Europe Limited is as follows:

Name of the Shareholder	No. of Shares	% of Shareholding
Globe7 Pte. Limited	3,30,200	100%
<b>Total</b>	<b>3,30,200</b>	<b>100%</b>

#### Board of Directors:

- Mr. Venkata S. Meenavalli
- Mr. Dorababu Penumarthy

#### Financial Information:

(₹ in lakhs)

Audited Financial Information	2009-2010	2008- 2009	2007- 2008
Income from operations	436.95	2,334.90	15,593.45
Profit/(Loss) after Tax	(13,427.12)	27.69	139.97
Equity Capital	2246.35	2,405.84	2,626.08
Reserve & Surplus (Net of Profit and loss account debit balance)	(2,640.10)	11,552.88	12,579.26
Earning per Shares (EPS) (₹)	(406.64)	0.84	4.24
Net Asset Value (NAV) (₹)*	(11.92)	422.74	460.49
Conversion rate (1£) (figures in ₹) as on March 31 (Source: <a href="http://www.rbi.org.in">www.rbi.org.in</a> )	68.03	72.86	79.93

\* NAV is calculated as NAV = {(share capital + reserves & surplus) - Miscellaneous expenditure}/ Number of equity shares.

The Promoters of our Company holds nil stake in Axill Europe Limited and control this Company. Total promoter & promoter group holds 100% stake of Axill Europe Limited.

Axill Europe Limited is neither listed at any Stock Exchange. It has not come out with any public or right issue in the preceding three years. A planned creditor voluntary liquidation (CVL) of Axill Europe Limited (AEL) was initiated on 23 June 2010 by the board of directors/creditors by passing a (i) Special Resolution; and (ii) Ordinary Resolution. In the Special Resolution it was resolved that the company cannot by reason of its liabilities continue its business and that the company be wound up voluntarily. In the Ordinary Resolution of the Creditors, Mr. Bijoy Shah was appointed as a liquidator of the company. As on the date, the liquidation proceedings are still pending.

It has further confirmed that it has not been detained as wilful defaulters by the RBI or any other Government authority in India. Additionally, there are no violations of securities laws committed by it in the past or are pending against it, there have been no defaults in meeting any statutory / bank / institution dues, no proceedings have been initiated for economic offences against it and it has not been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

#### **Details of Promoter group companies whose names have been struck off from Registrar of Companies**

There is no Promoter group company whose names have been struck off from Registrar of Companies.

#### **Undertaking / confirmations**

Our Promoters and Promoter Group companies have confirmed that they have not been detained as willful defaulters by the RBI or any other Government authority. Additionally, there are no violations of securities laws committed by them in the past or are pending against them and none of our Promoters or persons in control of body corporate forming part of our Promoter Group have been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

Further none of our Promoters or Promoter Group have become sick companies within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 or BIFR proceedings initiated against any of our Promoter Group. None of our Promoter Group Companies are under winding up except Axill Europe Limited, the details of which are appearing on page no. 105 of this Draft Red Herring Prospectus. Further, none of our Group Companies has made any public or right issue in preceding three years.

#### **Interest of Promoters / Promoter Group in the Property of our Company**

Our Promoters/Promoter Group have confirmed that they do not have any interest in any property acquired by our Company within two years preceding the date of this Draft Red Herring Prospectus or proposed to be acquired by our Company. Further, other than as mentioned in the section titled "Our Business", our Promoters do not have any interest in the acquisition of any land, construction of any building or supply of any equipment/machinery.

#### **Common pursuits / conflict of interest**

Our Promoter Group Companies do not have any common pursuits and are not engaged in businesses similar to those carried out by our Company. There are no transactions relating to sales or purchases between our Company and our Promoter Group Company exceeding 10% of the sales or purchases of our Company during the last 5 years, except that one purchase transaction aggregating to ₹ 3.76 lakhs was made with related party during the period April 1, 2010 to September 30, 2010.

## **RELATED PARTY TRANSACTIONS**

Please refer to Annexure XI of the Auditor's Report, beginning on page no. 122 of this Draft Red Herring Prospectus.

## **DIVIDEND POLICY**

Our Company has not paid any dividends on its equity shares in the past.

We do not have any formal dividend policy. The declaration and payment of dividend if any, will be recommended by the Board of Directors and declared by the shareholders of our Company, in their discretion, and will depend on a number of factors, including but not limited to the profits, capital requirements, the terms of credit facilities, overall financial condition and other financing arrangements at the time of dividend is considered and other relevant factors. Our Board of Directors may also pay interim dividend from time to time.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.



## SECTION V – FINANCIAL STATEMENTS

The Board of Directors  
Bio Ethanol Agro Industries Limited  
[Formerly Bio Ethanol India Limited]

We have examined the attached restated financial information of Bio Ethanol Agro Industries Limited [Formerly Bio Ethanol India Limited] ('the Company'), as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II to the Companies Act, 1956, as amended ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, (the 'SEBI Regulations'), the Guidance note on 'Reports in Company's Prospectus (Revised)' issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable ('Guidance Note') and in terms of our engagement agreed upon with you in accordance with our engagement letter dated 16 October 2010 in connection with the proposed issue of Equity Shares of the Company.

These information have been extracted by the Management from the financial statements for the following:

- Period from 8 June 2006 (the date of incorporation of the Company) to 30 June 2007
- Nine months period ended 31 March 2008
- Financial year ended 31 March 2009
- Financial statements for the year ended 31 March 2010 prepared to comply with the requirements of Part IX of Schedule VIII to the SEBI Regulations.
- Interim financial statements for the six months period ended 30 September 2010.

Audit of the financial statements as of and for the period from 8 June 2006 to 30 June 2007, nine months period ended 31 March 2008 and financial year ended 31 March 2009 was conducted by the previous auditors, M/s G.P. Rao & Co., whose reports have been furnished to us and accordingly relied upon by us. The financial statements for the year ended 31 March 2010, as mentioned above and the financial statements for the six months period ended 30 September 2010 have been audited by us.

In accordance with the requirements of Paragraph B, Part II of Schedule II of the Act, the SEBI Regulations and the terms of our engagement agreed with you, we further report that:

- (a) The Restated Summary Statement of Assets and Liabilities of the Company as at 30 June 2007, 31 March 2008, 31 March 2009, 31 March 2010 and 30 September 2010 examined by us, as set out in Annexure I to this report read with the significant accounting policies in Annexure V are after making such adjustments and regroupings as in our opinion are appropriate and more fully described in Notes to the Restated Summary Statements enclosed as Annexure IV to this report.
- (b) The Restated Summary Statement of Profits and Losses of the Company for the period 8 June 2006 to 30 June 2007, nine months period ended 31 March 2008, financial years ended 31 March 2009 and 31 March 2010 and six months period ended 30 September 2010 as set out in Annexure II to this report read with the significant accounting policies in Annexure V are after making such adjustments and regroupings as in our opinion are appropriate and more fully described in Notes to the Restated Summary Statements enclosed as Annexure IV to this report.
- (c) Based on the above, we are of the opinion that the restated financial information have been made after incorporating:
  - i. Adjustments for the changes in accounting policies retrospectively in respective financial years/ periods to reflect the same accounting treatment as per the changed accounting policy for all the reporting periods;
  - ii. Adjustments for the material amounts in the respective financial years/ periods to which they relate; and

iii. there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.

(d) We have also examined the following financial information as set out in Annexures prepared by the Management and approved by the Board of Directors relating to the Company as of and for the period from 8 June 2006 to 30 June 2007, nine months period ended 31 March 2008, financial years ended 31 March 2009 and 31 March 2010 and for the six months period ended 30 September 2010:

- i. Annexure III containing statement of cash flows, as restated;
- ii. Annexure VI containing statement of accounting ratios, as restated;
- iii. Annexure VII containing details of other income, as restated;
- iv. Annexure VIIIA & VIIIB containing statement of secured loans, as restated;
- v. Annexure IX containing statement of loans and advances, as restated;
- vi. Annexure X containing capitalisation statement as at 30 September 2010;
- vii. Annexure XI containing details of the list of related parties, transactions and balances outstanding with them; and
- viii. Annexure XII containing statement of tax shelter.

In our opinion, the above financial information contained in Annexure I to XII of this report read along with the significant accounting policies (Refer Annexure V) and Notes to the Restated Summary Statements (Refer Annexure IV) are prepared after making adjustments and regroupings as considered appropriate and have been prepared in accordance with Paragraph B, Part II of Schedule II of the Act and the SEBI Regulations.

Our report is intended solely for use of the Management and for inclusion in the draft offer document in connection with the proposed issue of equity shares of the Company. Our report should not to be used, referred to or distributed for any other purpose without our written consent.

*for B S R and Associates*

*Chartered Accountants*

Firm Registration No: 128901W

**Zubin Shekary**

*Partner*

Membership No: 48814

Place : Hyderabad

Date : 2 March, 2011

## STATEMENT OF ASSETS &amp; LIABILITIES, AS RESTATED

(Amount ₹ in lakhs)

Particulars	As at 30 <sup>th</sup> June 2007	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2010	As at 30 <sup>th</sup> September 2010
<b>1.Fixed Assets:</b>					
a) Gross Block	181.95	221.96	237.83	244.82	245.10
b) Less: Accumulated depreciation	(0.26)	(1.65)	(2.63)	(3.50)	(4.23)
c) Net block	<b>181.69</b>	<b>220.31</b>	<b>235.20</b>	<b>241.32</b>	<b>240.87</b>
d) Capital work- in- progress including capital advances	-	104.10	313.24	1582.69	2674.87
e) Expenditure during construction period pending allocation	10.02	30.27	82.86	159.80	273.07
<b>Total</b>	<b>191.71</b>	<b>354.68</b>	<b>631.30</b>	<b>1983.81</b>	<b>3188.81</b>
<b>2. DEFERRED TAX ASSET</b>	-	-	-	0.21	0.52
<b>3.CURRENT ASSETS, LOANS AND ADVANCES:</b>					
a) Cash and Bank Balances	25.19	147.57	26.89	62.44	33.20
b) Inventories (raw materials)	-	-	-	-	3.76
c) Current Assets, loans and advances	0.32	2.43	4.65	135.75	257.90
<b>Total</b>	<b>25.51</b>	<b>150.00</b>	<b>31.54</b>	<b>198.19</b>	<b>294.86</b>
<b>4.LIABILITIES AND PROVISIONS</b>					
c) Secured loans	-	-	5.00	950.00	1813.51
d) Current liabilities and provisions	2.60	4.24	2.85	520.55	584.09
<b>Total</b>	<b>2.60</b>	<b>4.24</b>	<b>7.85</b>	<b>1470.55</b>	<b>2397.60</b>
<b>5. DEFERRED TAX LIABILITY</b>	<b>0.10</b>	<b>0.12</b>	<b>0.21</b>	-	-
<b>6. NET WORTH (1+2+3-4-5)</b>	<b>214.52</b>	<b>500.32</b>	<b>654.78</b>	<b>711.66</b>	<b>1086.59</b>
<b>NET WORTH REPRESENTED BY</b>					
<b>7. SHARE CAPITAL</b>					
a) Equity Share Capital	248.92	555.92	759.62	759.62	1229.55
<b>8 SHARE APPLICATION MONEY PENDING ALLOTMENT</b>	-	-	-	82.00	32.50
<b>9. DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT</b>	(34.40)	(55.60)	(104.84)	(129.96)	(175.46)
<b>10. NET WORTH (7+8-9)</b>	<b>214.52</b>	<b>500.32</b>	<b>654.78</b>	<b>711.66</b>	<b>1086.59</b>

Note:

1. The above statement should be read with the accompanying annexure and notes related thereto, notes to restated summary statements and significant accounting policies as appearing in Annexures IV and V respectively.

2. These financial information have been extracted from the audited financial statements as at and for the period from 8 June 2006 to 30 June 2007, nine months period ended 31 March 2008 and financial years ended 31 March 2009, year ended 31 March 2010 and from the audited interim financial statements as at and for the six months period ended 30 September 2010. The Company has prepared revised financial statements for the year ended 31 March 2010 to comply with the requirements of Part IX of Schedule VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. These revised financial statements were audited to comply with the requirements of Part IX of Schedule

VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. The financial information for the year ended 31 March 2010 has been extracted from these revised financial statements.

3. 820,000 equity shares of ₹ 10 each were allotted on 10 April 2010 against share application money pending allotment of ₹ 82 lakhs as at 31 March 2010. 325,000 equity shares of ₹ 10 each were allotted on 22 October 2010 against share application money pending allotment of ₹ 32.50 lakhs as at 30 September 2010.

## ANNEXURE - II

### STATEMENT OF PROFITS & LOSSES, AS RESTATED

(Amount ₹ in lakhs)

Particulars	8 <sup>th</sup> June 2006 to 30 <sup>th</sup> June 2007	For the 9 months period ended 31 <sup>st</sup> March 2008	For the year ended 31 <sup>st</sup> March 2009	For the year ended 31 <sup>st</sup> March 2010	For 6 months period ended 30 <sup>th</sup> September 2010
<b>INCOME:</b>					
Other Income	-	0.52	0.27	0.99	1.45
<b>Total</b>	<b>-</b>	<b>0.52</b>	<b>0.27</b>	<b>0.99</b>	<b>1.45</b>
<b>EXPENDITURE:</b>					
Personnel Costs	5.10	3.40	9.46	12.92	11.90
Administrative and other expenses	28.39	16.13	34.49	7.65	34.11
Finance Charges	0.42	0.41	4.11	4.73	0.07
Depreciation	0.26	1.39	0.98	0.87	0.73
<b>Total</b>	<b>34.17</b>	<b>21.33</b>	<b>49.04</b>	<b>26.17</b>	<b>46.81</b>
<b>Profit before tax, as restated</b>	<b>(34.17)</b>	<b>(20.81)</b>	<b>(48.77)</b>	<b>(25.18)</b>	<b>(45.36)</b>
<b>Less: Provision for tax</b>					
a) Current tax expense	-	0.16	0.08	0.31	0.45
b) Deferred tax expense/ (benefit)	0.10	0.02	0.10	(0.42)	(0.31)
c) Fringe benefit tax expense	0.13	0.21	0.29	0.05	-
<b>Profit after tax, as restated</b>	<b>(34.40)</b>	<b>(21.20)</b>	<b>(49.24)</b>	<b>(25.12)</b>	<b>(45.50)</b>
Add: Balance in profit and loss account brought forward, as restated	-	(34.40)	(55.60)	(104.84)	(129.96)
<b>Balance carried forward to balance sheet, as restated</b>	<b>(34.40)</b>	<b>(55.60)</b>	<b>(104.84)</b>	<b>(129.96)</b>	<b>(175.46)</b>

Note:

1. The above statement should be read with the accompanying annexure and notes related thereto, notes to restated summary statements and significant accounting policies as appearing in Annexures IV and V respectively.

2. The figure for the period 8 June 2006 to 30 June 2007, nine months period ended 31 March 2008 and six months period ended 30 September 2010 are not comparable to figure for the year ended 31 March 2009 and 31 March 2010.

3. These financial information have been extracted from the audited financial statements as at and for the period from 8 June 2006 to 30 June 2007, nine months period ended 31 March 2008 and financial years ended 31 March 2009, year ended 31 March 2010 and from the audited interim financial statements as at and for the six months period ended 30 September 2010. The Company has prepared revised financial

statements for the year ended 31 March 2010 to comply with the requirements of Part IX of Schedule VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. These revised financial statements were audited to comply with the requirements of Part IX of Schedule VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. The financial information for the year ended 31 March 2010 has been extracted from these revised financial statements.

4. Company in its audited financial statements for the period from 8 June 2006 to 30 June 2007, for the 9 months period ended 31 March 2008 and for the financial year ended 31 March 2009 used to capitalise all expenditure, during the construction phase under the head "Miscellaneous expenditure". Accordingly, the Company had not prepared the profit and loss account for the period from 8 June 2006 to 30 June 2007, for the 9 months period ended 31 March 2008 and for the financial year ended 31 March 2009. Institute of Chartered Accountants of India (ICAI) had withdrawn its Guidance Note on Treatment of Expenditure During Construction Period by an announcement on 19 August 2008, effective 1 April 2008. Consequently, in preparation of the Restated Summary Statements, the Company has charged off such expenditure not directly related to the construction of the plant to profit and loss account under respective heads in preparation of the Restated Summary Statements. Further, expenditure during construction directly related to the construction period has been included in the restated balance sheet as "Expenditure during construction period pending allocation".

#### ANNEXURE III

#### STATEMENT OF CASH FLOWS, AS RESTATED

(Amount ₹ in lakhs)

Particulars	8 <sup>th</sup> June 2006 to 30 <sup>th</sup> June 2007	For the 9 month period ended 31 <sup>st</sup> March 2008	For the year ended 31 <sup>st</sup> March 2009	For the year ended 31 <sup>st</sup> March 2010	For the 6 months period ended 30 <sup>th</sup> September 2010
<b>A) Cash Flow from operating activities</b>					
Net loss before tax, as restated	(34.17)	(20.81)	(48.77)	(25.18)	(45.36)
<b>Adjustments for:</b>					
Depreciation	0.26	1.39	0.98	0.87	0.73
Finance Charges	0.42	0.41	4.11	4.73	0.07
Interest Income	-	(0.52)	(0.27)	(0.99)	(1.45)
<b>Operating profit before changes in working capital</b>	<b>(33.49)</b>	<b>(19.53)</b>	<b>(43.95)</b>	<b>(20.57)</b>	<b>(46.01)</b>
<b>Adjustments for:</b>					
(Increase)/decrease in current liabilities and provisions	2.47	1.31	(2.85)	2.07	20.96
(Increase) in Inventories	-	-	-	-	(3.76)
Increase/(decrease) in loans and advances	(0.32)	(2.11)	(2.15)	(106.27)	(60.59)
<b>Cash flow from operating activities</b>	<b>(31.34)</b>	<b>(20.33)</b>	<b>(48.95)</b>	<b>(124.77)</b>	<b>(89.40)</b>
<b>Adjustments for:</b>					
Income -taxes paid	-	(0.42)	(0.27)	(0.25)	(0.11)
<b>Net cash flow from (used in) operating activities (A)</b>	<b>(31.34)</b>	<b>(20.75)</b>	<b>(49.22)</b>	<b>(125.02)</b>	<b>(89.51)</b>
<b>B) Cash flow from investing activities</b>					
Purchase of fixed assets	(191.97)	(163.97)	(276.09)	(804.17)	(1119.11)
Share application money paid	-	-	-	(24.85)	-

Refund of share application money	-	-	-	-	24.85
Inter-corporate loans granted	-	-	-	-	(85.00)
Interest received	-	0.52	0.21	1.01	0.05
<b>Net Cash flow from/(used in) investing activities (B)</b>	<b>(191.97)</b>	<b>(163.45)</b>	<b>(275.88)</b>	<b>(828.01)</b>	<b>(1179.21)</b>
<b>C) Cash flow from financing activities</b>					
Proceeds from issue of share capital	248.92	307.00	203.70	-	387.93
Share application money received	-	-	-	82.00	32.50
Proceeds from borrowings	-	-	5.00	945.00	863.51
Interest paid	(0.42)	(0.41)	(4.28)	(38.43)	(44.46)
<b>Net cash flow from/(used in) financing activities (C)</b>	<b>248.50</b>	<b>306.59</b>	<b>204.42</b>	<b>988.57</b>	<b>1239.48</b>
<b>Net increase/(decrease) in cash and cash equivalents(A+B+C)</b>	<b>25.19</b>	<b>122.39</b>	<b>(120.68)</b>	<b>35.54</b>	<b>(29.24)</b>
<b>Cash and cash equivalents (opening balance)</b>	<b>-</b>	<b>25.19</b>	<b>147.58</b>	<b>26.90</b>	<b>62.44</b>
<b>Cash and cash equivalents (Closing balance)</b>	<b>25.19</b>	<b>147.58</b>	<b>26.90</b>	<b>62.44</b>	<b>33.20</b>

Note:

1. The above statement should be read with the accompanying annexures and notes related thereto, notes to restated summary statements and significant accounting policies as appearing in Annexures IV and V respectively.

2. These financial information have been extracted from the audited financial statements as at and for the period from 8 June 2006 to 30 June 2007, nine months period ended 31 March 2008 and financial years ended 31 March 2009 and from the special purpose audited financials for the year ended 31 March 2010 and from the audited interim financial statements as at and for the six months period ended 30 September 2010.

#### ANNEXURE - IV

#### NOTES TO RESTATED SUMMARY STATEMENTS

(Amount ₹ in lakhs)

Particulars	8 <sup>th</sup> June 2006 to 30 <sup>th</sup> June 2007	For the 9 months period ended 31 March	For the year ended 31 March	For the year ended 31 March	For the 6 months period ended 30 September
		2008	2009	2010	2010
Profit / loss after tax as per audited profit and loss account*	-	-	-	(75.04)	(45.50)
<b>Adjustments on account of:</b>					
Depreciation (see note 1 below)	(0.02)	(0.81)	(0.12)	0.06	-
Expenditure during construction period (see note 2 below)	(34.28)	(20.37)	(49.02)	-	-
Prior period adjustment (see note 3 below)	-	-	-	49.65	-
Deferred Tax (see note 4 below)	(0.10)	(0.02)	(0.10)	0.21	-
<b>Net adjusted profit / loss after tax</b>	<b>(34.40)</b>	<b>(21.20)</b>	<b>(49.24)</b>	<b>(25.12)</b>	<b>(45.50)</b>

\* The financial statements for the year ended 31 March 2010 were prepared by the management of the Company to comply with the requirements of the Part IX of Schedule VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. These revised financial statements were audited to comply with the requirements of Part IX of Schedule VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

### **1. Depreciation**

Company in its audited financial statements for the period from 8 June 2006 to 30 June 2007, for the 9 months period ended 31 March 2008 and for the financial year ended 31 March 2009 used to depreciate individual items of fixed assets costing less than ₹ 5,000 over its useful life. In the preparation of Restated Summary Statement, the Company has made adjustment by charging depreciation in full in the year of acquisition of such items.

### **2. Expenditure incurred during construction period**

Company in its audited financial statements for the period from 8 June 2006 to 30 June 2007, for the 9 months period ended 31 March 2008 and for the financial year ended 31 March 2009 used to capitalise all expenditure, during the construction phase under the head "Miscellaneous expenditure". Accordingly, the Company had not prepared the Profit & Loss Account for the period from June 8, 2006 to June 30, 2007, for the 9 months period ended March 31, 2008 and for the financial year ended March 31, 2009. Institute of Chartered Accountants of India (ICAI) had withdrawn its Guidance Note on Treatment of Expenditure During Construction Period by an announcement on 19 August 2008, effective 1 April 2008. Consequently, in preparation of the Restated Summary Statements, the Company has charged off such expenditure not directly related to the construction of the plant to profit and loss account under respective heads in preparation of the Restated Summary Statements. Further, expenditure during construction directly related to the construction period has been included in the restated balance sheet as "Expenditure during construction period pending allocation".

### **3. Prior period items**

The Guidance note on treatment of expenditure during construction period issued by Institute of Chartered Accountant of India (ICAI) was withdrawn on 19 August 2008, effective 1 April 2008. However, the Company continued to capitalise expenditure not directly attributable to the construction of the plant under the head "Expenditure during construction period pending allocation". In the year ended 31 March 2010, such expenditure have been recognised in the profit and loss account as prior period items. In preparation of the Restated Summary Statements, the Company has charged off such expenditure to the profit and loss account and the effect of this has been appropriately adjusted in the respective years.

### **4. Tax impact of above adjustments**

Represents the deferred tax impact on above restatement adjustments.

### **5. Reclassification of capital advances**

The Company in its audited financial statements has grouped the capital advances paid to contractors under the head "Loans and advances". Further, the capital advances were disclosed net of retention money and liability towards bills pending payment not adjustable against such capital advances payable to such contractors. Such capital advances have been regrouped under the head "Capital work in progress including capital advances" in the Restated Summary Statements. Further, such retention money and liability towards bills pending payments wrongly netted off against such advances have been regrouped to "Current liabilities" in the Restated Summary Statements.

**ANNEXURE - V**

## **SIGNIFICANT ACCOUNTING POLICIES**

### **A. Background**

The restated summary statement of assets and liabilities of Bio Ethanol Agro Industries Limited [Formerly Bio Ethanol India Limited] ('the Company') as at 30 June 2007, 31 March 2008, 31 March 2009, 31 March 2010 and 30 September 2010 and the related restated summary statement of profits and losses and cash flows for years/period ended on that date (hereinafter collectively referred to as "Restated Summary Statements") relate to Bio Ethanol Agro Industries Limited [Formerly Bio Ethanol India Limited] ("the

Company”) and have been prepared specifically for inclusion in the offer document to be filed by the Company with the Securities and Exchange Board of India (“SEBI”) in connection with its proposed Initial Public Offering.

These Restated Summary Statements have been prepared to comply in all material respects with the requirements of paragraph 3, part II of Schedule II to the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the “Regulations”).

The financial statements for the year ended 31 March 2010 were prepared by the management of the Company to comply with the requirements of the Part IX of the Schedule VIII to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

## **B. Statement of significant accounting policies adopted by the Company in the preparation of interim financial statements for the six months period ended 30 September 2010**

### **1. Basis of preparation**

The interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles in India and comply with the Accounting Standards (AS), prescribed by the Companies (Accounting Standards) Rules, 2006 and other pronouncements of Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, to the extent applicable. The interim financial statements are presented in Indian rupees.

### **2. Use of estimates**

The preparation of the restated summary statement in conformity with GAAP in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the restated summary statement and reported amount of revenue and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

### **3. Fixed assets and depreciation**

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes freight, taxes, and duties and any other incidental expenses directly attributable of bringing the assets to working condition for their intended use. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

Depreciation on fixed assets is provided using the written down value method at the rates specified in the Schedule XIV to the Companies Act, 1956 as in the opinion of management these rates reflect the estimate of the useful life of a asset.

Depreciation is charged on a proportionate basis from the date of installation of the asset till the date assets are sold or disposed off. Individual assets costing ₹ 5,000 or less are depreciated in full in the year of acquisition.

### **4. Retirement benefits**



Gratuity and long term compensated absence, which are defined benefits, are accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. All actuarial gain / loss arising during the year / period are recognised immediately in profit and loss account.

Contributions payable to the recognised provident fund, which are defined contribution schemes, are charged to the profit and loss account.

#### **5. Foreign currency transactions and balances**

Foreign currency transactions are recorded at the rate of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year / period are recognised in the profit and loss account for the year / period.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The resultant exchange differences are recognised in the profit and loss account. Non monetary items which are carried at historic cost denominated in foreign currency are reported using the exchange rate on the date of the transaction.

#### **6. Revenue recognition**

- a. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and revenue can be measured accordingly.
- b. Income from interest on deposits is recognised on the time proportionate method based on underlying interest rates.

#### **7. Income-tax expense**

Income tax expense comprises current tax, deferred tax charge or credit.

##### *Current tax*

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

##### *Deferred tax*

Deferred tax charge or benefit reflects the tax effects of timing differences between accounting income and taxable income, which originate during the year but reverse after the tax holiday period. The deferred tax charge or benefit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably / virtually certain to be realised.

The break-up of the deferred tax assets and liabilities as at the balance sheet date has been arrived at after setting-off deferred tax assets and liabilities where the Company has a legally enforceable right and an intention to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

##### *Fringe benefit tax*

Consequent to the introduction of Fringe Benefit Tax ("FBT") effective 1 April 2005, the Company provides for and discloses the FBT in accordance with the provisions of Section 115 WC of the Income Tax Act, 1961 and guidance note on FBT issued by the ICAI. FBT was abolished with effect from 1 April 2009.

#### **8. Earnings/ (loss) per share**

The basic earnings per share ("EPS") is computed by dividing the net profit / loss after tax for the year by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, net profit / loss after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

## 9. Provisions and contingent liabilities

The Company creates a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

## 10. Impairment of assets

The Company assess at each balance sheet date whether there is any indication that an asset may be impaired. If any such indications exist the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account of that accounting period. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to maximum depreciated historical cost.

## ANNEXURE VI

### STATEMENT OF ACCOUNTING RATIOS

(Amount ₹ in lakhs)

Particulars	As at 30th June 2007	As at 31 <sup>st</sup> Mar2008	As at 31 <sup>st</sup> Mar 2009	As at 31 <sup>st</sup> Mar 2010	As At 30 <sup>th</sup> Sept 2010
Net worth, as restated (A)	214.52	500.32	654.78	629.66	1054.09
(Excluding share application money pending allotment)					
Restated Profit after Tax (B)	(34.40)	(21.20)	(49.24)	(25.12)	(45.50)
Weighted average number of equity shares outstanding during the year / period					
- For Basic earnings per share (C)	4,52,361	31,12,099	60,16,827	75,96,200	9,672,486
- For Diluted earnings per share (D)	4,52,361	31,12,099	60,16,827	76,43,323	9,698,756
Earnings Per Share ₹ 10 each					
- Basic Earnings per share (₹) (E = B/C)	(7.61)	(0.68)	(0.82)	(0.33)	(0.47)
- Diluted Earnings per share (₹) (F = B/D)*	(7.61)	(0.68)	(0.82)	(0.33)	(0.47)
Return on Net Worth (%) (G = B/A)	(16.04)	(4.24)	(7.52)	(3.99)	(4.32)
Number of Shares outstanding at the end	24,89,200	55,59,200	75,96,200	75,96,200	1,22,95,500

of the year / period (H)					
Net Assets Value per share of ₹ 10 each (I = A/H) (refer Note 1(c))	8.62	9.00	8.62	8.29	8.57

\* As the Company has incurred loss, the effect of share application money pending allotment is anti-dilutive.

Notes:

1. The above ratios are calculated as under:

a) Earnings per share = Net profit after tax, as restated / Weighted average number of shares as at year or period end

b) Return of Net worth (%) = Net profit after tax, as restated / Net worth as restated as at year or period end

c) Net asset value (₹) = Net worth as restated / Number of equity shares as at year or period end

2. The figures disclosed above are based on the restated financial information of Bio Ethanol Agro Industries Limited.

3. Earning per shares (EPS) calculation are done in accordance with Accounting Standard 20 "Earnings per share" prescribed by the Companies (Accounting Standards) Rules , 2006.

4. The EPS and return on net worth for the six months period ended 30 September 2010 are not comparable with period from 8 June 2006 to 30 June 2007; 9 months period ended 31 March 2008 and financial year ended 31 March 2009 and financial year ended 31 March 2010.

#### ANNEXURE VII

##### DETAILS OF OTHER INCOME, AS RESTATED

(Amount ₹ in lakhs)

Particulars	Recurring / Non-recurring	Related / Not related to Business activity	As at 30 <sup>th</sup> June 2007	As at 31 <sup>st</sup> March 2008	As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2010	As At 30 <sup>th</sup> September 2010
Interest income on fixed deposits	Non recurring	Non related	-	0.52	0.27	0.99	0.03
Interest income on inter-corporate loan	Non recurring	Non related	-	-	-	-	1.42
<b>Total</b>			-	<b>0.52</b>	<b>0.27</b>	<b>0.99</b>	<b>1.45</b>

**Note:**

1. The figures disclosed above are based on the restated financial information of Bio Ethanol Agro Industries Limited.

2. The above statement should be read with the accompanying Annexures and notes related thereto, notes to restated summary statements and significant accounting policies as appearing in Annexure IV and V respectively.

#### ANNEXURE VIIIA

##### STATEMENT OF SECURED LOANS, AS RESTATED

(Amount ₹ in lakhs)

Particulars	As at 30 June 2007	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 30 September 2010
Term loans from Bank of Baroda (Refer note 3)	-	-	5.00	950.00	1813.51

Working Capital loans (Refer note 4)	-	-	-	-	-
<b>Total</b>	-	-	<b>5.00</b>	<b>950.00</b>	<b>1813.51</b>

Note:

1. The figures disclosed above are based on the restated financial information of Bio Ethanol Agro Industries Limited.

2. The above statement should be read with the accompanying annexures and notes related thereto, notes to restated summary statements and significant accounting policies as appearing in Annexures IV and V respectively.

3. The details of total outstanding loans along with the terms and conditions, including interest rates and repayment details have been given in Annexure VIIIB

4. The Company is yet to utilize the working capital loan facility availed from Bank of Baroda

#### ANNEXURE - VIII B

#### STATEMENT OF SECURED LOANS, AS RESTATED

(Amount ₹ in Lakhs)

Sr. No	Bank	Amount Sanctioned	Amount outstanding as at 30 September 2010	Rate of Interest	Repayment Terms	Security offered
<b>Term Loans</b>						
1.	Bank of Baroda	2665.00	1813.51	BPLR+ 0.25%	-Repayable in 28 quarterly installments -27 installments of ₹ 95.18 lakhs and 28th (last) installment of ₹ 95.14 lakhs commencing after a period of 2 years from the date of first disbursement i.e. 25 November 2009.	Term loan is secured by way of hypothecation of all raw materials, stock-in-process, finished goods and all the book debts, moveable plant and machinery, vehicles, crafts, consumables stores and spares, both present and future. The term loan is also secured by all of the Companies' freehold lands admeasuring 35.11 acres situated at Annadevarapeta Village, Tallapudi Mandal, West Godavari. Further, the title deeds relating to these lands have been deposited with the bank.
<b>Total (A)</b>			<b>1813.51</b>			
<b>Working Capital</b>						
1.	Bank of Baroda	250.00	-	BPLR+ 0.25%	Cash credit has been granted for the period of 12 months	Cash credit is secured by way of hypothecation of all raw materials, stock-in-process, finished goods and all the book debts, moveable plant and machinery, vehicles,

						crafts, consumables stores and spares, both present and future. The cash credit is also secured by all of the Companies' freehold land admeasuring 35.11 acres situated at Annadevarapeta Village, Tallapudi Mandal, West Godavari. Further, the title deeds relating to these lands have been deposited with the bank.
<b>Total (B)</b>			-			
<b>Total (A+B)</b>			1813.51			

#### ANNEXURE - IX

#### STATEMENT OF LOANS AND ADVANCES, AS RESTATED

(₹ in Lakhs)

Particulars	As at 30 June	As at 31 March			As at 30 September
	2007	2008	2009	2010	2010
Advances recoverable in cash or in kind or for value to be received	-	1.47	2.19	10.00	13.21
Inter-corporate loans (see note 3 below)	-	-	-	-	85.00
Balance with excise and service tax authorities	-	0.13	0.08	41.55	155.43
Share application money paid pending allotment*	-	-	-	24.85	-
Interest receivable	-	-	0.07	0.05	1.45
Deposits	0.32	0.83	2.31	59.30	2.81
<b>Total</b>	<b>0.32</b>	<b>2.43</b>	<b>4.65</b>	<b>135.75</b>	<b>257.90</b>

\*Since refunded

#### Note:

1. The figures disclosed above are based on the restated financial information of Bio Ethanol Agro Industries Limited.
2. The above statement should be read with the accompanying annexures and notes related thereto, notes to restated summary statements and significant accounting policies as appearing in Annexures IV and V respectively.
3. Inter-corporate loan of ₹ 85.00 lakhs has been granted to Stampede Holdings Private Limited.

#### ANNEXURE X

#### STATEMENT OF CAPITALIZATION

(Amount ₹ in lakhs)

Particulars	Pre -Issue As at 30 September 2010	Post Issue*
<b>Borrowings:</b>		
Short term debt	-	
Long term debt	1,813.51	
<b>Total debt (A)</b>	<b>1,813.51</b>	
<b>Shareholders' funds:</b>		

Share capital	1,229.55	
Share application money pending allotment	32.50	
Reserves	-	
Debit balance in profit and loss account	(175.46)	
<b>Total shareholders' funds (B)</b>	<b>1086.59</b>	
<b>Long term debt / equity ratio (A/B)</b>	<b>1.67</b>	

\* Post issue details can be provided only on the conclusion of the book building process.

**Note:**

1. The figures disclosed above are based on the restated financial information of Bio Ethanol Agro Industries Limited.

2. The above statement should be read with the accompanying annexures and notes related thereto, notes to restated summary statements and significant accounting policies as appearing in Annexures IV and V respectively.

**ANNEXURE - XI**

**STATEMENT OF RELATED PARTY TRANSACTION**

**A. List of Related Parties as on 30 September 2010**

**Key management personnel represented on the board**

Venkata S. Meenavalli - Chairman and share holder holding 57.11% of share capital.  
A. Veerabhadra Rao - Executive Director

**Enterprises on which key management personnel have significant influence (significant interest entities)**

- Stampede Holdings Private Limited
- Green Fire Agri Commodities Private Limited
- Brilliant Securities Limited (till 8 November 2010)
- Green Fire Agro Tech Private Limited

**Other related parties**

**Related party**

**Relationship**

- |                                      |  |
|--------------------------------------|--|
| - Northgate Technologies Limited*    | - Enterprise in which Chairman is a director and holds 13.53% along with relatives |
| - Social Media India Limited*        | - 100% subsidiary of Northgate Technologies Limited                                |
| - Axill Europe Limited*              | - 100% subsidiary of Northgate Technologies Limited                                |
| - Globe7 HK Limited*                 | - 100% subsidiary of Northgate Technologies Limited                                |
| - Globe7 UK Limited*                 | - 100% subsidiary of Northgate Technologies Limited                                |
| - Northgate Investments Pte Limited* | - 100% subsidiary of Northgate Technologies Limited                                |
| - Globe7 Pte Limited*                | - 100% subsidiary of Northgate Technologies Limited                                |
| - Globe7 Americas Inc.*              | - 100% subsidiary of Northgate Technologies Limited                                |

\* The Company does not have any transactions with these parties.

**Directors on Board of the Company**

- D.V.S.S. Lakshminaryana (from 17 February 2010)
- P. Parthasarathi (from 31 March 2010)
- T. Naresh Kumar (from 31 March 2010)
- D. Prakash Rao (from 31 March 2010)
- G. Linga Murthy (from 31 March 2010)

**B. Details of related party transactions and balances are as follows:**

(Amount ₹ in lakhs)

Name of the Party/transaction	8 June 2006 to 30 June 2007	For 9 months period ended 31 March 2008	For the year ended 31 March 2009	For the year ended 31 March 2010	For the 6 months period ended 30 September 2010
Brilliant Securities Limited					
Deposits made	-	-	-	100.00	-
Deposits refunded	-	-	-	43.00	57.00
Balance outstanding receivable	-	-	-	57.00	-
Stampede Holdings Private Limited					
Inter corporate loan granted	-	-	-	-	85.00
Interest income on inter corporate loan	-	-	-	-	1.42
Balance outstanding	-	-	-	-	86.42
Green Fire Agri Commodities Private Limited					
Share application money paid	-	-	-	24.85	-
Share application money refunded	-	-	-	-	24.85
Purchase of raw material	-	-	-	-	3.76
Balance outstanding receivable	-	-	-	24.85	-
Balance outstanding payable	-	-	-	-	3.76

**Managerial remuneration:**

Nature of Transaction	8 June 2006 to 30 June 2007	For 9 months period ended 31 March 2008	For the year ended 31 March 2009	For the year ended 31 March 2010	For the 6 months period ended 30 September 2010
A. Veerabhadra Rao					
Salary, wages and bonus	4.77	9.00	12.00	12.00	6.00
Perquisites	-	0.73	0.93	0.81	0.59

1. The figures disclosed above are based on the restated financial information of Bio Ethanol Agro Industries Limited.
2. Above disclosures are made in accordance with Accounting Standard (AS) 18 "Related Party Disclosures" prescribed by the Companies (Accounting Standards) Rules, 2006.

**ANNEXURE XII**

**STATEMENT OF TAX SHELTERS**

(₹ in Lakhs)

Particulars	As at 30 June 2007	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 30 September 2010
Profits/(loss) before current and restated taxes as per books, as restated	(34.17)	(20.81)	(48.77)	(25.18)	(45.36)

(A)					
Income tax rates (including surcharge and education cess) applicable (B)	30.90%	30.90%	30.90%	30.90%	30.90%
Tax at Notional Rate (C)	-	-	-	-	-
<b>Permanent differences</b>					
Expenditure during construction period	(34.28)	(20.37)	(49.02)	-	-
<b>Total permanent differences (D)</b>	<b>(34.28)</b>	<b>(20.37)</b>	<b>(49.02)</b>	<b>-</b>	<b>-</b>
<b>Timing differences</b>					
Differences between book depreciation and tax depreciation	(0.33)	(0.05)	(0.31)	(0.65)	(1.07)
Provision for gratuity	-	-	-	1.46	2.01
Provision for leave encashment	-	-	-	0.56	0.06
<b>Total timing differences (E)</b>	<b>(0.33)</b>	<b>(0.05)</b>	<b>(0.31)</b>	<b>1.37</b>	<b>1.00</b>
<b>Net Adjustments (F=D+E)</b>	<b>(34.61)</b>	<b>(20.42)</b>	<b>(49.33)</b>	<b>1.37</b>	<b>1.00</b>
Tax impact of adjustments (G=F*B)	-	-	-	-	-
Taxable income from other sources (H)	-	0.52	0.27	0.99	1.45
Tax impact on above (I=H*B)	-	0.16	0.08	0.31	0.45
Tax provision based on taxable income as per tax laws (J=C+G+I)	-	0.16	0.08	0.31	0.45
Fringe benefit tax (K)	0.13	0.21	0.29	0.05	0.00
Tax expenses (L=J+K)	0.13	0.37	0.37	0.36	0.45
Deferred tax impact on timing differences (M=E*B)	(0.10)	(0.02)	(0.10)	0.42	0.31
Total tax expenses / (credit) (N=L-M)	0.23	0.39	0.47	(0.06)	0.14

\* Nil on account of losses incurred by the Company



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our audited financial statements (as restated) for the period from 8 June 2006 (the date of incorporation of the Company) to 30 June 2007, nine months period ended 31 March 2008, financial year ended 31 March 2009, financial year ended 31 March 2010 and interim financial statements for the six months period ended 30 September 2010, including the schedules, annexure and notes thereto and the reports thereon, which appear in the section titled "Financial Statements of the Company" beginning on page no. 109 of this Draft Red Herring Prospectus. You are also advised to read the section titled "Risk Factors" beginning on page no. iii of this Draft Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and restated as described in Auditors' Report of B S R and Associates, Chartered Accountants, dated March 2, 2011.

Our fiscal year ends on March 31 each year, so all references to a particular year are to the twelve-month period ended on March 31 of that year.

Our Company was incorporated on June 8, 2006 and accordingly the first financials were audited for the period ended June 30, 2007. The next period financials were audited for the 9 months period ended March 31, 2008. Thus, our financial results for the period June 8, 2006 (inception) to June 30, 2007 and July 1, 2007 to March 31, 2008 are not directly comparable to our financial results for subsequent fiscal years. Similarly, financial results for the six months period ended September 30, 2010 are not directly comparable with the historical financial periods.

### Industry Overview

#### Extra Neutral Alcohol (ENA) (Alcohol)

Indian alcoholic beverages market is valued at ₹ 340 bn and it is the third largest alcoholic market across the globe. Currently, there are about 325 distilleries operating in the country with the total production capacity of 3,540 mn litres. The Alcoholic Beverage Industry in India can be broadly classified into 4 types: beer, wine, IMFL (Indian Made Foreign Liquor) and country liquor.

During the financial years from 20005 to 2009, the production of IMFL grew at a CAGR of 11.1%. The primary use of grain-based neutral alcohol is for producing IMFL in India. Thus, the growth of the IMFL industry in India which is expected to grow at a CAGR of 10% by FY12 will boost the demand for the grain-based alcohol industry.

In terms of the demographic profile, India is one of the youngest nations in the world with the median age of 25.9 years. More than 40% of the population is in the range of 15-40 years. The growing youth population coupled with increasing per capita income and increasing exposure to western influences are boosting the alcohol consumption in country. Further, the growing social acceptability and popularity of the alcoholic beverages among the female population is also boosting the alcohol demand. This will in turn boost the demand for grain based alcohol as it is used for producing premier alcohol in India.

#### Ethanol

India's economy has developed at a rapid pace and its demand for expensive crude oil has intensified with the growing number of people owning vehicles in the country. During the period of FY 00-FY10 the sales of the Indian automobile industry grew at a CAGR of 10%. CARE Research expects the India automobile industry to grow at a CAGR of 9% in the next five years. This will boost the demand for crude oil further.

India meets about 70% of its energy requirements through imports. Thus, to reduce its dependence on imports, the country is emphasising on the consumption of bio fuels which will drive demand for the ethanol industry. Further, the government's policy and commitment to give a cleaner environment and reduce greenhouse gas emission levels will also scale up the demand for ethanol in India.

*(Source: CARE Research Report on 'Indian Ethanol Industry' – September, 2010)*

### **Our business overview**

Our Company is formed primarily to carry on the business as manufactures, producers, processors, fabricators, traders in all kinds of ethanol. We propose to manufacture 60 KLPD of Extra Neutral Alcohol; 44 TPD of Distiller's Dried Grains with Solubles (DDGS); 4 KLPD of Technical Alcohol (or Rectified Spirit); and 30 MTPD of CO<sub>2</sub>. In addition, we propose two captive power generation plant with installed capacity of 1.5 MW. The project has been appraised by Bank of Baroda and will be implemented in two phases (Phase-I and Phase-II). Phase-I of project, is expected to get commissioned from April, 2011 wherein we will be manufacturing 30 KLPD of Extra Neutral Alcohol; 22 TPD of Distiller's Dried Grains with Solubles and 2 KLPD of Rectified Spirit.

Our project will be multi-grain distillation plant wherein variety of feedstock viz. maize, jowar, sweet sorghum, broken rice, bajra, wheat, starch etc. can be used for production of Extra Neutral Alcohol (Potable); Ethanol (Alternative Fuel); and Rectified Spirit.

### **Factors affecting the results of operations**

Our results of operations could potentially be affected by the following factors:

- Our ability to source maize and other raw materials at competitive rates from the suppliers;
- General economic and business conditions in India;
- Our ability to manage our growth effectively;
- Our ability to finance our business growth and obtain financing on favorable terms;
- Our ability to compete effectively, particularly in new markets and businesses;
- Our ability to meet our capital expenditure requirements;
- Our dependence on key personnel and ability to recruit/retain them;
- Government approvals;
- Changes in government policies and regulatory actions that apply to or affect our business;
- Changes in the Indian and international interest rates;
- Changes in political and social conditions in India; and
- Performance of the financial markets, both Indian and global

### **Overview of our results of operations**

#### ***Income***

#### **Income from operations**

Our Company was incorporated on June 8, 2006. We have recently set-up a facility for production of 30 KLPD of ENA under Phase-I, for which trial runs and commencement of commercial production is expected in the months of March 2011 and April 2011 respectively. Under Phase-II, we propose to expand our capacity to 60 KLPD of ENA. In addition to ENA, we will be producing 4 KLPD of Technical Alcohol (or Rectified Spirit), 30 MTPD of CO<sub>2</sub>, 44 TPD of Distiller's Dried Grains with Solubles (DDGS) and two captive power plants each of 0.75 MW. Therefore, the total alcohol production would be 64 KLPD (60ENA+4TA). As a result, our Company does not have any income from operations as of September 30, 2010.

#### **Other income**

Other income includes interest income on fixed deposits and interest income on inter-corporate loan.

### *Expenditure*

Our total expenditure is accounted for under the following heads:

#### **Personnel costs**

Personnel costs include salaries, wages and bonus, contribution to provident and other funds and staff welfare expenses.

#### **Administrative and other expenses**

Administrative and other expenses include expenditure incurred on travelling & conveyance, repairs & maintenance, printing and stationery, legal & professional charges, rates & taxes, communication expenses, rent, insurance and other miscellaneous expenses.

#### **Finance charges**

Finance charges include interest paid on term loan availed from Bank of Baroda and other bank charges.

#### **Depreciation**

This includes depreciation on bore-wells, office equipments, furniture & fixtures, computers and vehicles.

#### **Provision for taxation**

Income tax expense comprises current tax, fringe benefit tax and deferred tax charge or credit.

### *Analysis on results of financial operations*

(₹ in lakhs)

Particulars	8 <sup>th</sup> June 2006 to 30 <sup>th</sup> June 2007	For the 9 month period ended 31 <sup>st</sup> March 2008	For the year ended 31 <sup>st</sup> March 2009	For the year ended 31 <sup>st</sup> March 2010	For 6 months period ended 30 <sup>th</sup> September 2010
<b>INCOME:</b>					
Other Income	-	0.52	0.27	0.99	1.45
<b>Total</b>	<b>-</b>	<b>0.52</b>	<b>0.27</b>	<b>0.99</b>	<b>1.45</b>
<b>EXPENDITURE:</b>					
Personnel Costs	5.10	3.40	9.46	12.92	11.90
Administrative and other expenses	28.39	16.13	34.49	7.65	34.11
Finance Charges	0.42	0.41	4.11	4.73	0.07
Depreciation	0.26	1.39	0.98	0.87	0.73
<b>Total</b>	<b>34.17</b>	<b>21.33</b>	<b>49.04</b>	<b>26.17</b>	<b>46.81</b>
<b>Profit before tax</b>	<b>(34.17)</b>	<b>(20.81)</b>	<b>(48.77)</b>	<b>(25.18)</b>	<b>(45.36)</b>
<b>Less: Provision for tax</b>					
a) Current tax	-	0.16	0.08	0.31	0.45
b) Deferred tax expense/ (benefit)	0.10	0.02	0.10	(0.42)	(0.31)
c) Fringe benefit tax expense	0.13	0.21	0.29	0.05	-
<b>Profit after tax, as restated</b>	<b>(34.40)</b>	<b>(21.20)</b>	<b>(49.24)</b>	<b>(25.12)</b>	<b>(45.50)</b>
Add: Balance in profit and loss account brought forward, as restated	-	(34.40)	(55.60)	(104.84)	(129.96)
<b>Balance carried forward to balance sheet, as restated</b>	<b>(34.40)</b>	<b>(55.60)</b>	<b>(104.84)</b>	<b>(129.96)</b>	<b>(175.46)</b>

## **Comparison of Fiscal 2009-10 with Fiscal 2008-09**

### **Other Income**

Other income increased to ₹ 0.99 lakhs in FY 2009-10 from ₹ 0.27 lakhs in FY 2008-09 due to increase in interest income on fixed deposits.

### **Personnel Costs**

Personnel costs increased to ₹ 12.92 lakhs in FY 2009-10 from ₹ 9.46 lakhs in FY 2008-09, representing an increase of 36.6%. The increase in personnel costs was due to addition of new employees.

### **Administrative and other expenses**

Administrative and other expenses decreased to ₹ 7.65 lakhs in FY 2009-10 from ₹ 34.49 lakhs in FY 2008-09. During FY 2008-09, our Company incurred an amount of ₹ 22.06 lakhs as service charges paid. No service charges were incurred in FY 2009-10. Further, our Company incurred an amount of ₹ 5.20 lakhs in FY 2008-09 towards rates and taxes as compared to ₹ 0.20 lakhs incurred in FY 2009-10.

### **Finance charges**

Finance charges increase marginally to ₹ 4.73 lakhs in FY 2009-10 from ₹ 4.11 lakhs in FY 2008-09.

### **Depreciation**

Depreciation expense decreased marginally to ₹ 0.87 lakhs in FY 2009-10 from ₹ 0.98 lakhs in FY 2008-09.

### **Secured Loan**

Secured loans outstanding as on March 31, 2010 were ₹ 950 lakhs, compared to ₹ 5 lakhs as on March 31, 2009. The increase is due to the fresh borrowings taken from Bank of Baroda during the year.

### **Fixed Assets**

Fixed Assets including capital work-in-progress and expenditure during construction period were ₹ 1983.81 lakhs as at March 31, 2010 as against ₹ 631.30 lakhs as at March 31, 2009. The increase is due to receipt of capital goods and expenditure allocable to the capital assets to the extent of ₹ 1352.51 lakhs net of depreciation of ₹ 0.87 lakhs.

## **Twelve months period ended March 31, 2009**

### **Income**

Our Company earned other income of ₹ 0.27 lakhs during FY 2008-09

### **Expenditure**

Our Company's total expenditure was ₹ 49.04 lakhs during FY 2008-09. It mainly comprises of an expenditure of ₹ 9.46 lakhs towards personnel costs, ₹ 34.49 lakhs towards administrative & other expenses, ₹ 4.11 lakhs towards finance charges and ₹ 0.98 lakhs towards depreciation.

### **Secured Loan**

Our Company had taken a term loan of ₹ 5 lakhs from Bank of Baroda as on March 31, 2009.

### **Fixed Assets**

Fixed Assets including capital work-in-progress and expenditure during construction period were ₹ 633.93 lakhs as at March 31, 2009.

## **Nine months period ended March 31, 2008**

### **Income**

Our Company earned other income of ₹ 0.52 lakhs during nine months period ended March 31, 2008.

### **Expenditure**

Our Company's total expenditure was ₹ 21.33 lakhs during nine months period ended March 31, 2008. It mainly comprises of an expenditure of ₹ 3.40 lakhs towards personnel costs, ₹ 16.13 lakhs towards administrative & other expenses, ₹ 0.41 lakhs towards finance charges and ₹ 1.39 lakhs towards depreciation.

### **Secured Loan**

Our Company had not taken any borrowings as on March 31, 2008.

### **Fixed Assets**

Fixed Assets including capital work-in-progress and expenditure during construction period were ₹ 356.33 lakhs as at March 31, 2008.

### **Other matters**

#### ***Unusual or infrequent events or transactions***

There have been no events, other than as described in this Draft Red Herring Prospectus, which may be called "unusual" or "infrequent".

#### ***Significant economic changes that materially affected or are likely to affect income from continuing operations***

Except as described in this Draft Red Herring Prospectus in general, "Risk Factors" on page no. iii and this section in particular, to the best of our knowledge and belief, there are no significant economic changes that materially affected Company's operations or are likely to affect income from continuing operations.

#### ***Known trends or Uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations***

There are no known trends or uncertainties that have had or are expected to have a material adverse impact on income except as described in the section titled "Risk Factors" on page no. iii and in "Management Discussion and Analysis of Financial Condition and Results of Operations" appearing on page no. 125 of this Draft Red Herring Prospectus, to the best of our Company's knowledge.

#### ***Future changes in relationship between costs and revenues***

Other than as described in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages iii and 125 respectively of this Draft Red Herring Prospectus and elsewhere in this Draft Red Herring Prospectus, there are to the best of our knowledge, no known factors which would have a material adverse impact on the relationship between costs and income of our Company.

#### ***Increases in net sales or revenue and introduction of new products or services or increased sales prices***

Our Company has not earned any revenue till the date of filing of this Draft Red Herring Prospectus.

#### ***Total turnover of each major industry segment in which the Company operated***

Our Company shall operate in only one Industry Segment i.e. the Breweries and Distilleries Industry.

#### ***Status of any publicly announced New Products or Business Segment***

We have not publicly announced any new product. We propose to produce products such as Grain based Extra Neutral Alcohol (ENA), Rectified Spirit (RS) -Technical Alcohol and Ethanol. We plan to recover DDGS (Distiller's Dried Grains with Solubles) and CO<sub>2</sub> by-products during manufacture of ENA that can be used for commercial applications.

***Seasonality of business***

Our Company's business is not seasonal in nature.

***Dependence on a single or few suppliers or customers***

We believe that our Company would not be dependent on a single or few suppliers or customers.

***Competitive conditions***

We face competition from existing players in our industry.

***Details of material developments after the date of last balance sheet***

No circumstances have arisen since the date of last financial statement until the date of filing of this Draft Red Herring Prospectus with SEBI, which materially and adversely affect or are likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months except the following that:

1. The name of our Company has changed from "Bio Ethanol India Limited" to "Bio Ethanol Agro Industries Limited" and an amended Certificate of Incorporation dated October 22, 2010 was issued by Registrar of Companies, Hyderabad.
2. On October 22, 2010, our Company has allotted 29,22,000 Equity Shares of face value of ₹ 10/- each of the Company at par for cash.
3. On November 10, 2010, our Company has allotted 10,44,500 Equity Shares of face value of ₹ 10/- each of the Company at par for cash.
4. On November 26, 2010, our Company has allotted 42,24,800 Equity Shares of face value of ₹ 10/- each of the Company at par for cash.
5. On December 22, 2010, our Company has allotted 17,50,000 Equity Shares of face value of ₹ 10/- each of the Company at par for cash.
6. On January 05, 2011, our Company has increased its authorized share capital from ₹ 3200 Lacs to ₹ 4000 Lacs.

## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

*Except as stated in this section, there are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices against our Company, our Directors, our Promoters and Promoter Group or joint ventures or entities with which our Promoters were associated in the past. There are no defaults including non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits issued by our Company, defaults in creation of full security as per the terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company except as stated below. There has been no disciplinary action taken by SEBI or any stock exchange against our Company, our Directors, our Promoters, Promoter Group or entities with which our Promoters were associated in the past.*

*Neither our Company nor our Promoters or Promoter Group or Directors have been declared as willful defaulters by the RBI, or any other authority and there are no violations of securities laws committed by them in the past or pending against them or any person or entity connected with them. Further, except as disclosed in this section, there are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against any company whose outcome could have a material adverse effect on the position of our Company, our Promoters, Promoter Group or any person or entity connected with them.*

*Further there are no show-cause notices/claims served on our Company, our Promoters, our Directors or Promoter Group from any statutory authority/revenue authority that would have a material adverse affect on our business.*

#### **I. OUTSTANDING LITIGATIONS INVOLVING OUR COMPANY AND OUR PROMOTERS/DIRECTORS:**

We certify that there are no:

- Pending litigations against our Company.
- Outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of our Company including prosecutions under the Companies Act, 1956 (1 of 1956).
- Cases of pending litigations, defaults etc., in respect of Companies/firms/ventures with which the Promoters or Directors were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.
- Disciplinary action/ investigation has been taken by Securities and Exchange Board of India(SEBI)/ Stock Exchanges against our Company, our Directors, Promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370(1B) of the Companies Act, 1956.
- Cases against our Company or our Promoters or our Directors for economic offences in which penalties were imposed on Promoters or on Directors or on our Company.

#### **Compounding application by our Company and our Directors**

Our Company was required to appoint a full time Company Secretary in terms of Section 383A of the Companies Act, 1956. We alongwith our Directors have made an application suo-moto on February 22, 2011 under section 621A of the Companies Act, 1956 with Registrar of Companies, Andhra Pradesh, for compounding of offence u/s 383A of the Companies Act, for non-appointment of Company Secretary.

## **II. OUTSTANDING LITIGATIONS INVOLVING PROMOTER GROUP COMPANIES**

Except as stated below, there are no outstanding litigation, disputes, non-payment of statutory dues, overdue to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the Promoter Group Companies.

### **Legal proceedings by and against the Promoter Group Companies:**

#### **A) BY THE GROUP COMPANIES:**

##### **1) M/s Social Media India Limited vs. Saroos Ad. Communications Private Limited**

M/s Social Media India Limited has on August 29, 2008, filed a civil case against Saroos Ad. Communications Private Limited under Section 26 R/W Order 7 Rule 1 & 2 of Civil Procedure Code, 1908, before the Hon'ble Court of the Chief Judge, City Civil Courts, Hyderabad seeking to direct the Defendant to pay a sum of ₹ 104.19 Lakhs with interest @ 18% p.a. from the date of suit till realization with the total cost of the suit. The case is presently pending before Hon'ble Court of the Chief Judge, City Civil Courts, Hyderabad. The next date of hearing is March 17, 2011.

##### **2) M/s Social Media India Limited vs. M/s Shreya Broadcasting Private Limited**

M/s Social Media India Limited has on August 30, 2009, filed a claim petition against M/s Shreya Broadcasting Private Limited under Section 23 of Arbitration and Conciliation Act, 1996, before the Hon'ble Arbitrator Justice for recovery of an amount of ₹ 75 Lakhs (Principal) and ₹ 22.22 Lakhs (Interest on ₹ 75 Lakhs) with further interest for violation of the terms of the Agreement dated February 17, 2008. M/s Social Media India Ltd. paid the principal amount of ₹ 75 Lakhs to M/s Shreya Broadcasting Private Limited to appoint M/s Social Media India Ltd. as exclusive media sales agency to market, promote, sell, advertising space and also the airtime on the television channel TV5 throughout India except the state of Andhra Pradesh for a period of 3 years. An advertisement agency agreement has been executed by the parties on February 17, 2008 and pursuant to which Social Media India Limited, a step down subsidiary of Northgate Technologies Limited, has been given exclusive rights to market Channel TV5 to the clients and advertisers across India, except in the state of Andhra Pradesh. An amount of ₹ 25 Lacs was paid as security deposit to Shreya Broadcasting Private Limited. The initial term of the agreement was three years from the date of execution and ending on February 16, 2011. As per Clause 7 of the Agreement, the parties have agreed to pay Social Media 20% of the gross advertising solutions generated for TV5 as remuneration towards marketing and advertising solutions and sales services. In May, 2008 Shreya Broadcasting Private Limited has asked an additional amount of ₹ 50 Lakhs which was paid by Social Media India Limited. The Board of Social Media India Limited asked for explanation with respect to the additional payment which was beyond the terms of agreement. Then Social Media India Limited asked for refund of ₹ 50 Lakhs from Shreya Broadcasting Private Limited. Shreya Broadcasting Private Limited did not refund the amount hence Social Media India Limited cancelled the agreement on July 15, 2008 and filed a claim petition for refund of ₹ 75 Lakhs with interest. The matter is presently pending before Hon'ble Arbitrator Justice. The next date of hearing is March 5, 2011.

#### **B) AGAINST THE GROUP COMPANIES:**

##### **1) M/s Social Media India Limited vs. M/s Shreya Broadcasting Private Limited:**

M/s Shreya Broadcasting Private Ltd. has on February 16, 2010, filed a claim petition against M/s Social Media India Ltd., represented by its Assistant administrative Officer and Authorized Signatory Sri T.



Srinivasa Rao under Section 23 of the Arbitration and Conciliation Act, 1996, before the Hon'ble Arbitrator seeking direction against Social Media India Limited to pay Shreya Broadcasting Private Limited an amount of ₹ 383.50 Lakhs along with an interest @18% p.a. from the date of award till realization and with the total cost of the proceedings. At present, the matter is pending before Hon'ble Arbitrator Justice. The next date of hearing is March 5, 2011.

## **2) M/s Kalaighar Television Private Limited v/s M/s Social Media India Limited**

M/s Kalaighar Television Private Limited filed a money recovery suit against M/s Social Media India Limited for recovery of an amount of ₹ 8.75 lakhs with future interest before the Hon'ble Arbitrator. M/s Kalaighar Television Private Limited and M/s Social Media India Limited entered into an agreement dated December 17, 2007, and August 30, 2008, and an amendment agreement dated March 21, 2009, ('Agreements') for sale of Free Commercial Time (FCT) on TV channels, "Kalaighar Isaiaruvi" and "Kalaighar Sirippoli", belonging to M/s Kalaighar Television Private Limited. As per the terms of the Agreements M/s Social Media India Limited was liable to pay a sum of ₹ 91.67 lakhs and ₹ 58.33 lakhs per month to M/s Kalaighar Television Private Limited towards minimum guaranteed amount. M/s Kalaighar Television Private Limited claimed a sum of ₹ 774.17 lakhs in total towards arrears of monthly minimum guaranteed amount and has filed a claim petition for a sum of ₹ 8.75 lakhs (Principal amount of ₹ 7.42 lakhs with interest at @ 18% p.a. on the principal amount from October 1, 2009 till the date of commencement of arbitration proceedings) against M/s Social Media India Limited after deducting the security deposit amount of ₹ 700 lakhs paid by M/s Social Media India Limited to M/s Kalaighar Television Private Limited under the said Agreements. The next date of hearing is March 12, 2011.

## **MATERIAL DEVELOPMENTS**

No circumstances have arisen since the date of last financial statement until the date of filing of this Draft Red Herring Prospectus with SEBI, which materially and adversely affect or are likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months except the following that:

1. The name of our Company has changed from "Bio Ethanol India Limited" to "Bio Ethanol Agro Industries Limited" and an amended Certificate of Incorporation dated October 22, 2010 was issued by Registrar of Companies, Hyderabad.
2. On October 22, 2010, our Company has allotted 29,22,000 Equity Shares of face value of ₹ 10/- each of the Company at par for cash.
3. On November 10, 2010, our Company has allotted 10,44,500 Equity Shares of face value of ₹ 10/- each of the Company at par for cash.
4. On November 26, 2010, our Company has allotted 42,24,800 Equity Shares of face value of ₹ 10/- each of the Company at par for cash.
5. On December 22, 2010, our Company has allotted 17,50,000 Equity Shares of face value of ₹ 10/- each of the Company at par for cash.
6. On January 05, 2011, our Company has increased its authorized share capital from ₹ 3200 Lacs to ₹ 4000 Lacs.

## GOVERNMENT APPROVALS / LICENSING ARRANGEMENTS

*In view of the approvals listed below, we can undertake this Issue and our present business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake this Issue and our present business activities. It must however, be distinctly understood that in granting the below approval, the Government and the other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statement or any commitments made or opinion expressed. Unless otherwise stated, these approvals are all 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:

1. The Board of Directors has pursuant to a resolution adopted at its meeting held on December 06, 2010, authorized the Issue, subject to the approval of the shareholders of the Company under Section 81(1A) of the Companies Act and such other authorities as may be necessary.
2. The shareholders of the Company have pursuant to a resolution under Section 81(1A) of the Companies Act approved at its Extra Ordinary General Meeting held on January 05, 2011 authorized the Issue.
3. Our Company has obtained in-principle listing approvals dated [•] and [•] from BSE and NSE respectively.

### II. Company specific approvals

Our Company has obtained following licenses and approvals from various government departments for our business operations:

S. No.	Nature of License / Approval	Registration / License No. / Reference number with Date of Issue	Issuing Authority	Validity
1.	Certificate of Incorporation	U23201AP2006PLC050274; dated June 08, 2006	Registrar of Companies, Hyderabad	One Time
2.	Fresh Certificate of Incorporation consequent upon change of name	U23201AP2006PLC050274; dated October 22, 2010	Registrar of Companies, Hyderabad	One Time
3.	Certificate for commencement of business	U23201AP2006PLC050274; dated September 01, 2006	Registrar of Companies, Hyderabad	One Time
4.	Permission u/s 25 of Water (Prevention & Control of Pollution) Act, 1974	291/PCB/CFE/RO-ELR/HO/2007; dated August 04, 2007	Andhra Pradesh Pollution Control Board	One time license and valid until cancelled

5.	Permission u/s 21 of Air (Prevention & Control of Pollution) Act, 1974	291/PCB/CFE/RO-ELR/HO/2007; dated August 04, 2007	Andhra Pradesh Pollution Control Board	One time license and valid until cancelled
6.	Environmental clearance permission for manufacturing of 60 KLPD of Rectified Spirit/ENA/Ethanol and to generate 2 MW of Electricity	J-11011/194/2007-IA II (I); dated July 11, 2007	Andhra Pradesh Pollution Control Board	One time license and valid until cancelled
7.	Permanent Account Number (PAN)	AADCB0038P; Dated June 08, 2006	Income Tax Department	One time
8.	Import Export Code (IEC)	<ul style="list-style-type: none"> <li>F. No. 26/04/130/000108/AM11/50; dated July 08, 2010</li> <li>IEC No: 2610001061</li> </ul>	Office of Jt. Director General of Foreign Trade. Govt. of India Ministry of Commerce	One time license and valid until cancelled
9.	Fire - Provisional No Objection Certificate	603/MSB/WG/2010; dated May 15, 2010	Fire Service Dept. Govt. of A.P.	The final occupancy certificate shall be procured before commencing commercial production
10.	Employee Provident Fund (EPF)	AP/RJY/62774/Enf/Elu/RJY/SRO/826; dated June 07, 2010	Provident Fund Commissioner	One time and valid until cancelled
11.	Boilers License	<ul style="list-style-type: none"> <li>Lr.No.B1/16441/2010; dated September 02, 2010</li> <li>Permitted to entrust the erection work of Boiler (maker's No. LBBT-203) to M/s Sri Vijaya Engineering Works, Rajahmundry, East Godavari District</li> </ul>	Inspector of Boilers	On completion of erection work, the Inspecting Officer of Boilers will inspect the Boiler and issue the

				necessary certificate.
12.	Professional Tax Registration	28334496217; dated November 27, 2010	Commercial Taxes Department, Hyderabad	One time
13.	Professional Tax Enrollment	Enr. No. 356; dated October 13, 2008	Commercial Taxes Department, Hyderabad	One time
14.	Industrial Water Supply- CDCC-SLSWCC-permission	G.O. Ms. No. 119; dated October 27, 2010	Government of Andhra Pradesh	One time permission and valid until cancelled
15.	Registration Certificate under A.P. Shops and Establishment Act, 1988	<ul style="list-style-type: none"> <li>3031/Kovvur; dated 15 April 2010</li> <li>Renewed on January 20, 2011</li> </ul>	Assistant Labour Officer	December 31, 2011
16.	Certificate of conversion of Agricultural land into Non Agricultural purpose	No. 583/2008 (K); dated May 03, 2008	Revenue Divisional Officer, Kovvur	One time
17.	Certificate of conversion of Agricultural land into Non Agricultural purpose	No. 898/2008 (K); dated June 30, 2008	Revenue Divisional Officer, Kovvur	One time
18.	Certificate of Extension of HT supply	N.SE/O/ER/DE.T/ADE.C/AAE.C/AAE.C/HT/ No.814/05 dated 31.05.2008	Superintending Engineer, Operation Circle, Eluru	One time
19.	Certificate for approval of factory	Lr. No. D. Dis/D/2ELR/10920/2008; dated November 3, 2008	Commissioner of Industries, Hyderabad	One time
20.	Certificate from Central Excise	AADC0038PXM001; dated February 18, 2009	Assistant Commissioner Central Excise, Hyderabad	One time
21.	IEM Certificate	No.: 5917/SIA/IMO/2006; dated November 20, 2006	Ministry of Commerce, New	One time

			Delhi	
22.	No objection Certificate	Dated December 08, 2006	Gram Panchayat, Annadevarapeta	One time
23.	Sanction Letter for laying pipeline along the roads	N/ 1633/D2/2007; dated August 17, 2007	Executive Engineer (R&B), Godavari division	One time
24.	Industrial Approval for manufacture of Rectified Spirit, Extra Neutral Alcohol, Ethanol (un-denatured ethyl alcohol of an alcoholic strength by Vol. of 96% or more)	SIA No. 5648/SIA/IMO/2006; dated: November 03, 2006	Ministry of Commerce and Industry, Secretariat for Industrial Assistance, Government of India	One time license
25.	Value Added Tax (VAT) registration	No. 28948434119; dated June 01, 2008	Commercial Tax Officer, Nidadavolu Circle, Eluru Division	One time
26.	Central Sales Tax (CST) / Tax Identification Number (TIN)	No. 28948434119; dated 01 June 2008	Commercial Tax Officer, Nidadavolu Circle, Eluru Division	One time
27.	TAN certificate	No. VPNB00808D; dated November 30, 2010	Income Tax Department	One time
28.	Consent and Authorization for Operations	APPCB/VSP/ELR/291/HO/CFO/2010-2473; dated December 23, 2010	A.P. Pollution Control Board	One time
29.	Letter of Intent - Establishment and working of distillery for manufacture of spirits	<ul style="list-style-type: none"> <li>Letter No. 37158/Ex.III.1/2007-4; dated November 30, 2007</li> <li>Cr.No. B1/690/2010/DDB</li> </ul>	Commissioner of Prohibition and Excise	Expired on September 30, 2010 and the necessary extension application has been filed on September 29, 2010.
30.	Purchase of agro based raw material from Mandi	<ul style="list-style-type: none"> <li>No: 13/2011-2016; dated January 31, 2011</li> </ul>	Agriculture Market Committee -	One time

			Gopalapuram	
--	--	--	-------------	--

Except as stated above, our Company does not require any additional approval/licenses from any government authorities (whether central, state or local) for undertaking its business.


**Pending applications/permissions/no objection certificates under Phase-II:**

- (a) Provisional and final no objection certificates from Fire Service Department, Government of Andhra Pradesh;
- (b) Permission for erection and final permission from Boilers Department, Government of Andhra Pradesh;
- (c) Consent and authorization of operations from Andhra Pradesh Pollution Control Board.

The applications for obtaining these approvals will be made at an appropriate time to respective authorities at various stages of project implementation.

**Approvals applied for but pending:** Except as mentioned below, there are no other registration applications pending with any government authorities (whether central, state or local).

1. Our Company has made application, dated 29 September 2010, for extension of the validity period of the Letter of Intent (establishment and working of distillery for manufacture of spirits) issued by Commissioner of Prohibition and Excise.
2. Trademark Applications: As on date, following trademark applications are pending with the Trademark Registry, Chennai.

S. No.	Trademark Name	Application No.	Class	Date of filling
1.	BAIL	2032263, 2032265, 2032267, and 2032269	01, 04, 05, and 33	October 04, 2010
2.	BIO ETHANOL AGRO	2032264, 2032266, 2032268, and 2032270	01, 04, 05 and 33	October 04, 2010
3.		2093974, 2093975, 2093976 and 2093977	01, 04, 05 and 33	February 03, 2011

## SECTION VII – OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The Issue of Equity Shares by the Company has been authorized by the resolution of the Board of Directors passed at their meeting held on December 6, 2010 subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act, 1956. The shareholders approved the issue at the Extraordinary General Meeting of the Company held on January 5, 2011.

### Prohibition by SEBI

Our Company, its Promoters, the Directors and the Promoter Group, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or any other regulatory or governmental authority.

The companies with which our Promoters, Directors or persons in control of our Company are or were associated as promoter, directors or persons in control, as well as our Promoter Group Companies have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or RBI or any other regulatory or governmental authority.

Neither our Company nor our Directors, our Promoters, their relatives, our Promoter Group are detained as willful defaulters by RBI/Government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

Our Directors are not in any manner associated with the securities market and there has been no action taken by SEBI against the Directors or any entity with which our Directors are involved as promoters or Directors except that Mr. Venkata S. Meenavalli and Mr. G. Linga Murthy are Director on the board of Stampede Holdings Limited and Mr. A. Veerabhadra Rao is Director on the board of Brilliant Securities Limited.

### Eligibility for the Issue

Our Company is an unlisted company not complying with the conditions specified in Regulation 26(1) of the SEBI (ICDR) Regulations and is, therefore, required to meet the conditions detailed in Regulation 26(2) of the SEBI (ICDR) Regulations.

Our Company is eligible for the Issue in accordance with Regulation 26(2) (a) (ii) and 26 (b) (i) of the SEBI ICDR Regulations wherein:

Regulation 26(2) (a)(ii) states:

*At least fifteen per cent of the cost of the project is contributed by scheduled commercial banks or public financial institutions, of which not less than ten per cent shall come from the appraisers and the issuer undertakes to allot at least ten per cent of the net offer to public to qualified institutional buyers and to refund full subscription monies if it fails to make the allotment to the qualified institutional buyers.*

Regulation 26(2) (b)(i) states:

*The minimum post-issue face value capital of the issuer is ten crore rupees;*

Accordingly:

- Our project has been appraised by Bank of Baroda and the project is having about 25.14% participation from the Appraiser i.e. Bank of Baroda by way of term loan;
- The minimum post-issue face value capital of our Company shall be ₹ 1000 lakhs; and
- In addition to this, at least 10% of the Issue shall be allotted to QIBs, failing which the full subscription monies shall be refunded.

Further, in accordance with Regulation 26(4) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, our Company shall ensure that number of prospective allottees to whom the Equity Shares will be allotted in the Issue shall not be less than 1000.

#### **SEBI Disclaimer clause**

AS REQUIRED, A COPY OF THIS 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, ALMONDZ GLOBAL SECURITIES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA (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 THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, ALMONDZ GLOBAL SECURITIES LIMITED IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ALMONDZ GLOBAL SECURITIES LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 2, 2011 WHICH READS AS FOLLOWS:

- "1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER,

WE CONFIRM THAT:

- (A) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE, AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED / ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION



AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
5. WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL 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 THE BOARD TILL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.
6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS' CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATIONS HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (c) AND (d) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE.
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT

ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.

10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. NOT APPLICABLE- AS THE ISSUE SIZE IS MORE THAN ₹ 1000 LAKHS, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT ONLY.
11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
  - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND
  - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.
15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY."

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 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 OFFER DOCUMENT.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, HYDERABAD, ANDHRA PRADESH IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956.

**Disclaimer from the Issuer Company and the Book Running Lead Manager**

Our Company, our Directors and the Book Running Lead Manager 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 its instance and that anyone placing reliance on any other source of information would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Book Running Lead Manager, Almondz Global Securities Limited and our Company dated February 17, 2011 and the Underwriting agreement to be entered into between the Underwriters and our Company.

All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at collection centres or elsewhere.

Neither the Company nor BRLM or Syndicate Member or SCSB shall be liable to the Bidders for any failure in uploading the bids due to faults in any software/ hardware system or otherwise.

### **Caution**

Investors that bid in this Issue will be required to confirm and deemed to have represented to the Company, Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares. The Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

### **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, HUF, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to NRIs on non-repatriable basis and FIIs and sub-account registered with SEBI other than a sub-account which is a foreign corporate or foreign individual. This Draft Red Herring Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes into is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Hyderabad, Andhra Pradesh only.

No action has been or will be taken to permit a public offering in any jurisdiction where permission would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus has been filed with RoC as per the provisions of the Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in 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 the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the

“Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act). Accordingly, the Equity Shares will be offered and sold only outside the United States to non-US persons in offshore transactions in compliance with Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

**Disclaimer clause of Bombay Stock Exchange Limited (BSE, the Designated Stock Exchange)**

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. The disclaimer clause as intimated to the Company by the BSE, post-scrutiny of the Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

**Disclaimer clause of the National Stock Exchange of India Limited (NSE)**

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. The disclaimer clause as intimated to the Company by the NSE, post-scrutiny of the Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

**Disclaimer clause of [●] for IPO Grading**

As required, we have appointed [●] as the grading agency. The Disclaimer Clause as intimated by [●] shall be included in the Red Herring Prospectus prior to RoC filing.

**Disclaimer clause of Bank of Baroda, the appraising agency**

The objective of Appraisal Report prepared by Bank of Baroda on the project of M/s Bio Ethanol India Limited is to provide information on the company, its promoters and proposed project to potential lenders/ investors/ any stakeholders to facilitate the evaluation of the proposal. Each recipient of the study report must independently determine its interest in participating in any means of financing.

The Appraisal Report has been prepared solely for the benefit of persons to whom it is distributed. Consequently, it shall not be shown, given to be copied by or discussed, in whole or in part, with any other person without the prior written approval of Bank of Baroda.

The information contained in the Appraisal Report has been provided by the company, its promoters or collated from publicly available sources or other sources that Bank of Baroda deem reliable. However, no representation, warranty or undertaking, express or implied, is made and no responsibility of any kind, whatsoever, is accepted by Bank of Baroda with respect to the accuracy or completeness of the Appraisal Report and/ or the information contained in it or any further information applied in connection with the matters described in it. Any statements contained herein characterizing the financing the project; the market potential and the project economics are statements of opinions and should not be construed to be representations or warranties. Bank of Baroda disclaims all responsibility for decision based on the contents of the Appraisal Report.

**Disclaimer clause of CARE Research Report**

The report is prepared by CARE Research, a division of Credit Analysis & REsearch Limited [CARE]. CARE Research has taken utmost care to ensure accuracy and objectivity while developing the report based on information available in public domain. However, neither the accuracy nor completeness of information contained in the report is guaranteed. CARE Research operates independently of ratings division and the report does not contain any confidential information obtained by ratings division, which they may have obtained in the regular course of operations. The opinion expressed in the report cannot be compared to the rating assigned to the company within the industry by the ratings division. The opinion expressed is also not a recommendation to buy, sell or hold an instrument.

CARE Research is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in the report and especially states that CARE (including all

divisions) has no financial liability whatsoever to the user of the product. The report is for the information of the intended recipients only and no part of the report may be published or reproduced in any form or manner without prior written permission of CARE Research.

### **Filing**

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Securities & Exchange Board of India, SEBI Southern Regional Office, D'Monte Building, 3<sup>rd</sup> Floor, No. 32, D'Monte Colony, TTK Road, Alwarpet, Chennai-600018 and with the Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC situated at Registrar of Companies, Sultan Bazar, 2<sup>nd</sup> Floor, CPWD Building, Kendriya Sadan, Hyderabad-500195.

### **Listing**

The initial listing applications have been made to Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company. Bombay Stock Exchange Limited (BSE) will be the Designated Stock Exchange.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Draft Red Herring Prospectus and if such money is not repaid within eight days after the day from which the Issuer becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from the expiry of 8 days, be jointly and severally liable to repay the money with interest prescribed under Section 73 of the Companies Act 1956.

The Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within twelve working days of the Bid / Issue Closing Date.

### **Consents**

Consents in writing of Directors, the Company Secretary & Compliance Officer, the Statutory Auditors, Banker to the Company, Book Running Lead Manager to the Issue, Registrars to the Issue, and Legal Advisors, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, as required under Sections 60 of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of a copy of the Red Herring Prospectus, for registration with the Registrar of Companies, Hyderabad, Andhra Pradesh.

M/s. B S R and Associates, Chartered Accountants, Statutory Auditors, have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Draft Red Herring Prospectus and also tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the Registrar of Companies, Hyderabad, Andhra Pradesh.

### **Expert opinion**

No opinion of any expert has been obtained by the Company, except that of Tempus Law Associates, Legal Advisors to the Issue.

**Public issue expenses\***

The expenses for this Issue includes Issue management fees, underwriting & selling commission, registrars' fee, grading fee, printing and distribution of issue stationery, advertisement and marketing expenses, legal counsel fees and listing fees payable to the stock exchanges, among others. The total expenses for this Issue are estimated to be ₹ [●] lakhs, details of which are as under:

(₹ in lakhs)

Sr. No.	Activity	Amount	% of Total Issue size	% of Issue Expenses
1	Issue Management Fees, Underwriting & Selling Commission (including commission to SCSB/Syndicate/sub-syndicate for ASBA applications) & Brokerage	[●]	[●]	[●]
2	Registrars fees	[●]	[●]	[●]
3	Fees for Legal Counsel to the Issue	[●]	[●]	[●]
4	Fees payable to Grading Agency for grading the Issue	[●]	[●]	[●]
5	Fees to the Bankers to the Issue	[●]	[●]	[●]
6	Printing and Distribution of Issue Stationery	[●]	[●]	[●]
7	Advertising and Marketing expenses	[●]	[●]	[●]
8	Other expenses (stamp duty, initial listing fees, depository fees, charges for using the book building software of the exchanges and other related expenses)	[●]	[●]	[●]
	<b>Total</b>	[●]	[●]	[●]

\* Will be incorporated after finalization of Issue Price

**Fees payable to the BRLM, underwriting, brokerage and selling commission**

The total fees payable to the BRLM including brokerage and selling commission for the Issue will be as per the engagement letter(s) dated January 10, 2011 is available for inspection at the Corporate Office of our Company.

**Fees payable to the Registrar to the Issue**

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between the Company and the Registrar dated January 10, 2011, copy of which is available for inspection at the Registered Office of the Company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

**Previous public or rights issues**

Our Company has not made any public or rights issue during the last five years.

**Previous issues of shares otherwise than for cash**

The Company has not issued shares for consideration other than for Cash, except as stated in the title "Capital Structure" on page no. 14 of this Draft Red Herring Prospectus.

**Commission and brokerage paid on previous issues**

Since this is the initial public issue of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of Equity Shares of the Company since its inception.

**Details of capital issue made during last three years in regard to the Issuer Company and other listed companies under the same management within the meaning of section 370(1)(b) of the Companies Act, 1956.**

There have been no capital issues during last 3 years by our Company and other listed companies under the same management within the meaning of Section 370(1)(B) of the Act at present or during the last three years except issue of 1,40,00,000 equity shares issued to QIBs under Chapter VIII of SEBI (ICDR) Regulations, 2009 by Northgate Technologies Limited during October, 2010.

**Option to subscribe**

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in Dematerialized form only.

**Promise vis-à-vis performance**

Our Company has not made any Issue in the past.

**Outstanding debentures, bonds, redeemable preference shares or other instruments**

As on the date of filing of this Draft Red Herring Prospectus with SEBI, our Company does not have any outstanding debentures, bonds, redeemable preference shares or other instruments.

**Stock market data for equity shares of the Company**

As this is the Initial Public Issue of our Company, the Equity Shares are not listed on any stock exchange.

**Mechanism for redressal of investor grievances**

We have appointed Bigshare Services Private Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with Compliance Officer of our Company. All grievances relating to the present issue may be addressed to the Registrars to the Issue, with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and Bidder/Bank branch where the application was submitted. Our Company will monitor the work of the Registrars to the Issue to ensure that the grievances are settled expeditiously and satisfactorily.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the Bid-cum-ASBA Form was submitted by the ASBA Bidders.

**Disposal of investor grievances**

Bigshare Services Private Limited, the Registrars to the Issue, or the SCSBs in case of ASBA Bidders, will handle investor grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to our Company. Our Company would also be coordinating with Registrar to the Issue in attending to the grievances of the investors. Our Company assures that the Board of Directors, in respect of the complaints, if any, to be received, shall adhere to the following schedules:

Sr. No.	Nature of Complaint	Time Taken
1.	Non-receipt of refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address notification	Within 7 days of receipt of Information
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details

We have appointed Mr. Gouse Shaik as Compliance Officer who would directly deal with SEBI with respect to implementation /compliance of various laws, regulations and other directives issued by SEBI and matters related to investor Complaints. The investor may contact the Compliance Officer in case of any

pre issue/post issue related problems. The Compliance Officer can be contacted at the following address:

Mr. Gouse Shaik

**Company Secretary & Compliance Officer**

Bio Ethanol Agro Industries Limited

Plot No.1, 2<sup>nd</sup> Floor, JR Towers,

Road No.2, Banjara Hills, Hyderabad-500034

**Tel:** (040) 2354 7775

**Fax :** (040) 2354 0763

**E-mail:** [cs@bioethanolindia.com](mailto:cs@bioethanolindia.com)

**Changes in Auditors**

Except as mentioned below, there has been no other change in the Auditors of the Company during the last three years:

S.No.	Name of the Auditor	Date of Appointment / Resignation	Reason for Change
1.	M/s G.P. Rao & Co, Chartered Accountants	30 September 2010	Retired in the Annual General Meeting and not opted for re-appointment
2.	M/s B S R and Associates, Chartered Accountants	30 September 2010	Appointment

**Capitalization of reserves or profits (during the last five years)**

The Company has not capitalized its profits or reserves during the last five years.

**Revaluation of assets (during the last five years)**

There has been no revaluation of the assets of our Company during the last five years.



## SECTION VIII: ISSUE RELATED INFORMATION

### TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Company's Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, Bid-cum-Application Form, the revision form, Bid-cum-ASBA Form, Abridged Prospectus, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, FIPB, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### **Ranking of Equity Shares**

The Equity Shares being issued shall be subject to the provisions of the Companies Act, 1956, Memorandum and Articles of Association of our Company 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. For further details, please see the section titled "Main Provisions of Articles of Association of the Company" beginning from page no. 190 of this Draft Red Herring Prospectus.

#### **Mode of payment of Dividend**

Our Company shall pay dividend, if any, to its shareholders as per the provisions of the Companies Act, 1956.

#### **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 / Red Herring Prospectus / Prospectus at a Issue Price of ₹ [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares, subject to applicable laws.

#### **Rights of the Equity Shareholders**

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation subject to any statutory and other preferential claims being satisfied;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, 1956 the terms of the listing agreements with the Stock Exchanges and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of Articles of Association of our Company dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to the section "Main Provisions of Articles of Association of the Company" beginning on page no. 190 of this Draft Red Herring Prospectus.

**Market lot and trading lot**

In terms of Section 68B of the Companies Act, 1956 the Equity Shares of the Company shall be allotted only in dematerialised form. As per existing SEBI (ICDR) Regulations, the trading of Equity Shares of our Company shall be in dematerialised form only. Since trading of Equity Shares of the Company is compulsorily in dematerialized mode, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of [●] Equity Share subject to a Minimum Allotment of [●] Equity Shares.

**Joint Holders**

Subject to provisions contained in our Articles, where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint tenants with benefits of survivorship.

**Nomination facility to the investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same benefits to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or with the Registrar or Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If an investor needs to change the nomination, they are requested to inform their respective Depository Participant.

**Issue Period**

Bidders may submit their Bids only in the Bid/Issue Period. The Bid/Issue Opening Date is [●] and the Bid/Issue Closing Date is [●].

**Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount, including devolvement of Underwriters, within 60 days from the Bid Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Company become liable to pay the amount (i.e., 60 days from the Bid Closing Date), our Company shall pay interest prescribed under Section 73 of the Companies Act.

In accordance with Regulation 26(4) of the SEBI (ICDR) Regulations, our Company shall ensure that the number of prospective allottees to whom the Equity Share will be allotted will not be less than 1000.

#### **Application by NRIs, FIIs, Sub-Accounts and FVCIs**

It is to be distinctly understood that there is no reservation for NRIs, FIIs, Sub-Accounts and FVCIs. As per existing regulations, OCBs cannot participate in this Issue.

#### **Arrangements for disposal of odd lots**

There are no arrangements for disposal of odd lots.

#### **Restriction on Transfer of Shares**

Except for the lock-in of the pre-Issue capital of our Company and the Promoter's contribution as provided the section titled "Capital Structure" on page no. 14 of this Draft Red Herring Prospectus and otherwise as provided in our Articles, there are no restrictions on transfer and transmission of shares / debentures and on their consolidation and splitting. Please see section "Main Provisions of Articles of Association of the Company" on page no. 190 of the Draft Red Herring Prospectus.

#### **Withdrawal of the issue**

In accordance with the SEBI Regulations, our Company, in consultation with Book Running Lead Manager, reserves the right not to proceed with this Issue at anytime after the Bid /Issue Opening Date, without assigning the reasons therefore. However, if our Company withdraws the Issue after the Bid Closing Date, we will give the reason thereof within two days of the Bid /Issue Closing Date by way of a public notice which shall be published within two days of the Bid /Issue Closing Date in the same newspapers where the pre-Issue advertisement was published. Further, the Stock Exchanges shall be informed promptly in this regard and the Book Running Lead Manager, through the Registrar to the Issue, shall notify the SCSBs to unblock the Bank Accounts of the ASBA Bidders within one day from the date of receipt of such notification. In the event of withdrawal of the Issue and subsequently, plans of an IPO by our Company, a Draft Red Herring Prospectus will be submitted again for observations of SEBI.

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

In terms of the SEBI Regulations, QIBs Bidding in the QIB Portion shall not be allowed to withdraw their Bids after the Bid Closing Date.

#### **Option to receive Equity Shares in Dematerialised Form**

Investors should note that allotment of Equity Shares to all successful Bidders will only be in 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.

#### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Hyderabad, Andhra Pradesh.

## ISSUE PROCEDURE

*This section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to the 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 or instruct the relevant SCSB to block the full Bid Amount along with the Bid cum Application Form or ASBA Form, as the case may be. ASBA Bidders intending to subscribe to the Issue shall submit a complete ASBA Form to the designated branch of SCSB or to the Syndicate/Sub-syndicate member.*

### Book Building Procedure

This Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue shall be available for allocation to Qualified Institutional Buyers ("QIBs"), but atleast 10% of the Issue size shall be mandatorily allotted to QIBs on a proportionate basis failing which the full subscription monies shall be refunded. Out of the QIB portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Under subscription, if any, in any of the categories would be allowed to be met with spill over from any of the other categories, at the discretion of our Company in consultation with the BRLM, subject to minimum 10% of the Issue Size i.e. [•] Equity Shares shall be mandatorily allotted to QIBs failing which the entire subscription monies shall be refunded.

Bidders are required to submit their Bids through the Syndicate Member only. In case of QIB Bidders, our Company in consultation with BRLM may reject Bid procured by any or all members of the syndicate at the time of acceptance of Bid-cum-Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

**Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.**

### Bid-cum-Application / ASBA Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids (in terms of number of Equity Shares and respective bid prices) 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 the 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.

Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the ROC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application

Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

Bidders can also submit their Bids through the ASBA by submitting Bid-cum-ASBA Forms, either in physical or electronic mode, to the SCSB with whom the ASBA Account is maintained or to Syndicate/sub-syndicate member. An ASBA Bidder shall use the ASBA 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 ASBA Form at the relevant Designated Branch of SCSB or Syndicate/sub-syndicate member. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Form either through the internet banking facility available with the SCSB/Syndicate/sub-syndicate member, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Bids. The SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the ASBA Form. Upon completing and submitting the ASBA Form to the SCSB/ Syndicate/sub-syndicate member, the ASBA Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the ASBA Form, as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application/ Bid-cum-ASBA Form
Indian Nationals or NRIs applying on a non-repatriation basis	White
NRIs or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
ASBA Bidders bidding through a physical Form	White

#### Who can bid?

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
2. Indian nationals resident in India who are majors, in single or joint names (not more than three) or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
3. HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
4. Companies and corporate bodies registered under the applicable laws in India and authorized to invest in Equity shares;
5. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
6. Mutual funds registered with SEBI;
7. Indian financial institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
8. FIIs and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;

9. Sub-accounts of FIIs registered with SEBI which are foreign corporate or foreign individuals only under the Non-Institutional Bidders category.
10. Venture capital funds registered with SEBI;
11. Foreign venture capital funds registered with SEBI;
12. State Industrial Development Corporations;
13. Insurance companies registered with the Insurance Regulatory and Development Authority;
14. As permitted by the applicable laws, Provident funds with minimum corpus of ₹ 2500 Lakhs and who are authorized under their constitution to hold and invest in Equity Shares;
15. Pension funds with minimum corpus of ₹ 2500 Lakhs and who are authorized under their constitution to hold and invest in Equity Shares;
16. Multilateral and bilateral development financial institutions;
17. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable local laws;
18. Scientific and/or industrial research organizations in India authorized under their constitution to invest in equity shares;
19. National Investment Fund set up by resolution F. No. 2/3/2005-DD-11 dated November 23, 2005 of Government of India, published in the Gazette of India; and
20. Insurance funds set up and managed by army, navy or air force of the Union of India

**As per existing regulations, OCBs are prohibited from investing in this Issue.**

**Note:** The BRLM and Syndicate Member shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations, if any. However, associates and affiliates of the BRLM and Syndicate Member are entitled to bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allotment will be on a proportionate basis.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.**

#### **Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than [•] Equity Shares, allocation shall be made to Mutual Funds on 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.

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 for which the Bid has been made.

*As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:*

No Mutual Fund scheme shall invest more than 10% of its net asset value in 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. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares. The Bids made by Asset Management Companies or custodians of Mutual Fund shall clearly indicate the name of the concerned schemes for which the application is being made.

### **Bids by Eligible NRIs**

Eligible NRI Bidders to comply with the following:

- a) Individual NRI Bidders can obtain the Bid-cum-Application Forms from Registered Office of our Company, members of the Syndicate or the Registrar to the Issue.
- b) Eligible NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. 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 in colour). All instruments accompanying bids shall be payable in Mumbai only.

### **Bids by FIIs**

#### **As per the current regulations, the following restrictions are applicable for investments by FIIs:**

No single FII can hold more than 10% of post-issue paid-up capital of our Company (i.e., 10% of [•] Equity Shares). In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts (other than a sub-account which is a foreign corporate or foreign individual bidding under the QIB Portion), the investment on behalf of each such sub-account shall not exceed 10% of total issued equity capital or 5% of our total issued equity capital in case such sub-accounts is a foreign corporate or a foreign individual. Under the current foreign investment policy applicable to us foreign equity participation upto 100% is permissible under the automatic route.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub-accounts may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

### **Bids by SEBI registered VCF and FVCI**

The SEBI (Venture Capital Funds) Regulations, 1996, and the SEBI (Foreign Venture Capital Investors) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the investment by any VCF or FVCI should not exceed the prescribed investment limit as the case may be.

Accordingly, the holding by any individual VCFs in one company should not exceed 25% of the corpus of the said VCF. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer of a venture capital undertaking.

According to Regulation 37(b) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, the equity shares held by a venture capital fund or foreign venture capital investor would be exempt from the lock-in requirements only if the equity shares have been held for a period of at least one year prior to the date of the filing of the Draft Red Herring Prospectus with the

SEBI.

#### **Bids by insurance companies**

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

#### **Bids by provident funds / pension funds**

In case of Bids made by provident fund with the minimum corpus of ₹ 2500 Lakhs (subject to applicable law) and pension fund with the minimum corpus of ₹ 2500 Lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

#### **Bids and revision of Bids by non-residents including Eligible NRIs, FIIs and Foreign Venture capital Funds registered with SEBI on a repatriation basis must be made:**

1. On the prescribed Bid-cum-Application Form or Revision Form, as applicable (blue in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details);
3. Eligible NRIs for a Bid Amount of up to ₹ 2,00,000 would be considered under the Retail Bidders portion for the purposes of allocation and Bids for a Bid amount of more than ₹ 2,00,000 would be considered under the Non-Institutional Bidders portion for the purposes of allocation; Other Non-Resident Bidders must bid for a minimum of such number of Equity Shares and in multiples of [•] Equity Shares thereafter that the Bid amount exceeds ₹ 2,00,000; for further details see "Maximum and Minimum Bid Size" at page no. 157 of this Draft Red Herring Prospectus.
4. In the names of individuals, or in the names of FIIs or in the names of Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

**It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.**

**The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modifications or changes in the 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.**

#### **Bids under Power of Attorney**



In case of bids made pursuant to 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 and Article of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

In case of Bids made pursuant to Power of Attorney by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made pursuant to Power of Attorney by National Investment Fund or Insurance funds 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 and fund set and managed by army, navy or air force of the Union of India, a certified copy of the relevant resolution or authority, as the case may be must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made pursuant to Power of Attorney by ASBA Bidders, a certified copy of the power of attorney must be lodged along with the ASBA Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions as the Company and the BRLM may deem fit.

The 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/CANs/ allocation advice, the Demographic details given on the Bid-cum-Application form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic details as given on the Bid-cum-Application Form instead of those obtained from the Depositories.

### **Maximum and Minimum Bid size**

**For Retail Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares and it must be ensured that the Bid Amount payable by the Bidder does not exceed ₹ 2,00,000. *Bidders may note that the total Bid amount will be used to determine if a Bid is in the retail category or not, and not just the amount payable on Application.* In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid amount does not exceed ₹ 2,00,000. In case the Bid amount is over ₹ 2,00,000 due to revision of the Bid or revision of the Price Band or on exercise of option to Bid at Cut-off price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to Bid at Cut-off price is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

**For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares in multiples of [•] Equity Shares such that the Bid Amount payable by the Bidder exceeds ₹ 2,00,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI (ICDR) Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing. The identity of QIBs bidding in the Issue in 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, for being 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 Bids or revision of the Price Band, the same would be considered for allocation under the Retail Portion in respect of the Bids by Non-Institutional Bidders who are otherwise eligible for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in the Draft Red Herring Prospectus.**

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.

#### **Information for the Bidders**

- a. Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- b. Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band after registering the Red Herring Prospectus with RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated. 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 SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- c. The members of the syndicate shall accept bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the syndicate agreement.
- d. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors. Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of the Red Herring Prospectus along with the Bid-cum-Application Form can obtain the same from the Registered Office of our Company or from the BRLM, or from a member of the Syndicate.
- e. Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLM or Syndicate Member or their authorized agent(s) to register their Bids.
- f. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate, otherwise they will be rejected.
- g. The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
- h. In case the Price Band is revised, the Bidding/ Issue Period may be extended, if required, by an

additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days. The revised Price Band and Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, and by publishing in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the Book Running Lead Manager and at the terminals of the members of the Syndicate.

- i. We, in consultation with the BRLM, can finalise the Issue Price within the Price Band, without the prior approval of, or intimation to the Bidders.

### **Information specific to ASBA Bidders**

- a. ASBA Bidders who would like to obtain the Red Herring Prospectus and/or the ASBA Form can obtain the same from the Designated Branches of SCSBs/ Syndicate/sub-syndicate member. ASBA Bidders can also obtain a copy of the Red Herring Prospectus and/or the ASBA Form in electronic form on the websites of the SCSBs or Syndicate Member.
- b. The Bids should be submitted to the SCSBs or to Syndicate/sub-syndicate member on the prescribed ASBA Form if applied in physical mode. SCSBs or Syndicate/sub-syndicate member 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.
- c. The SCSBs/Syndicate/sub-syndicate member shall accept Bids only during the Bidding Period.
- d. The Book Running Lead Manager shall ensure that adequate arrangements are made to circulate copies of the Red Herring Prospectus and ASBA Form to the SCSBs. The SCSBs/Syndicate Member will then make available such copies to investors intending to apply in this Issue through the ASBA process. Additionally, the Book Running Lead Manager shall ensure that the SCSBs are provided with soft copies of the abridged prospectus as well as the ASBA Form and that the same are made available on the websites of the SCSBs.

### **Method and Process of bidding**

1. During the Bidding period, Bidders should approach members of the Syndicate or their authorised agents to register their Bids. ASBA Bidders should approach the SCSBs and/or Designated Branches or Syndicate/sub-syndicate member to register their Bids.
2. The Price Band has been fixed at ₹ [•] to ₹ [•] per Equity Share. The Bidders can bid at any price within the Price Band, in multiples of ₹ 1 (One). Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page no. 160 of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
3. The Bidder cannot bid on another Bid-cum-Application Form or ASBA Form after Bids on one Bid-cum-Application Form or ASBA Form have been submitted to any member of the Syndicate or SCSB as the case may be. Submission of a second Bid-cum-Application Form / ASBA Form to either the same or to another member of the Syndicate or an ASBA Form to any SCSB 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 of time prior to the allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "Build up of the Book and Revision of Bids" on page no. 171 of this Draft Red Herring Prospectus.

4. The members of the Syndicate or SCSB will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form or ASBA Form.
5. In case Syndicate or sub-syndicate member procure ASBA Forms from Bidders, these ASBA Forms shall be submitted to SCSBs by them. Syndicate / Sub-syndicate member would be required to upload the Bid and other relevant details of such ASBA Forms in the bidding platform provided by the Stock Exchanges and forward the same to the respective SCSBs. SCSBs shall carry out further action for such ASBA Forms such as signature verification, blocking of funds, etc. and forward these Forms to the Registrars to the Issue.
6. During the Bidding Period, the Bidders may approach the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.
7. 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.
8. Along with the Bid-cum-Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Collection Account" on page no. 173 of this Draft Red Herring Prospectus. For payment by ASBA Bidders, please refer to "Payment mechanism for ASBA Bidders" appearing on page no. 174 of this Draft Red Herring Prospectus.
9. For the Bidders who apply through the ASBA process, SCSBs shall block the Bid Amount in an ASBA Account. Upon submission of an ASBA Form with the SCSB/Syndicate/sub-syndicate member, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block an amount equivalent to the Bid Amount and authorized the Designated Branch to block the Bid Amount in the ASBA Account.
10. The Bid Amount shall remain blocked in the ASBA Account until finalization of the 'Basis of Allocation' or withdrawal/failure of the Issue or withdrawal/rejection of the ASBA Bid, as the case may be. In the event the ASBA Account does not have a sufficient credit balance for the Bid Amount, the Bid shall be rejected by the SCSB and no funds shall be blocked in that ASBA Account.
11. The ASBA Form should not be accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amount in the ASBA Account.
12. After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid-cum-Application Form until the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Accounts, in accordance with the SEBI (ICDR) Regulations, into the Public Issue Account. The balance amount, if any, against any Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

#### **Bids at different price levels and revision of Bids**

1. The Price Band has been fixed at ₹ [•] to ₹ [•] per Equity Share of ₹ 10/- each, ₹ [•] being the lower end of the Price Band and ₹ [•] being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (One).

2. Our Company, in consultation with the BRLM, can revise the Price Band during the Bid/Issue Period in accordance with the SEBI (ICDR) Regulations, 2009, in which case the Bidding Period shall be extended further for a period of additional three working days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the Floor of the Price-band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the Floor Price disclosed in this Draft Red Herring Prospectus.
3. Any revision in the Price Band and the revised Bid /Issue Period, if applicable, will be widely disseminated by informing the stock exchanges and the SCSBs and by issuing a public notice in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated and also indicating the change on the relevant website of the BRLM, Company and the terminals of the members of the Syndicate.
4. The Company, in consultation with the BRLM, can finalise the Issue Price within the Price Band, in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding ₹ 2,00,000 may bid at "Cut-off". However, bidding at "Cut-off" is not permitted for QIB or Non-Institutional Bidders who bid for and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
6. Retail Individual Bidders who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who bid at the Cut-off Price, such Bidders shall receive the refund of the excess amounts from the respective Refund Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-Off Price could either (i) revise their Bid or (ii) make additional payment based on the 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 member 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 by Retail Individual Bidder will be considered for allocation under the Non-Institutional portion in terms of the Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders is deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Refund Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall be within the range of ₹ 5,000 to ₹ 7,000. The Company in consultation with the BRLM shall accordingly stipulate the minimum application size (in terms of number of shares) falling within the aforesaid range.
10. 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 during the Bidding/Issue Period using the printed Revision Form, which is a part of the Bid-cum-Application Form and ASBA Form.
11. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form.

For example, if a Bidder has Bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

12. The Bidder can make revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
13. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
14. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus.
15. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

## General Instructions

### Do's:

- (a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of this Draft Red Herring Prospectus;
- (b) Read all the instructions carefully and complete the Bid-cum-Application Form (white or blue in colour) as the case may be;
- (c) Ensure that the details about Depository Participant and Beneficiary Account are correct and the Beneficiary Account is activated, as allotment of Equity Shares will be in the dematerialised form only.
- (d) Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of the Syndicate Member;
- (e) Investors must ensure that the name given in the Bid-cum-Application form is exactly the same as the name in which the Depository account is held. In case the Bid-cum-Application Form is submitted in Joint names, it should be ensured that the Depository account is also held in the same Joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.
- (f) Ensure that you have been given a TRS for all your Bid options;
- (g) Submit revised bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- (h) Ensure that the Bid is within the Price Band.
- (i) Each Bidder should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act.
- (j) Ensure that demographic details are updated true and correct in all respects.

### Don'ts:

- a. Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b. Do not Bid for lower than minimum Bid size;
- c. Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- d. Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- e. Do not pay Bid amount in cash, money order, postal order or by stockinvest;

- f. Do not Bid at cut off price (for QIB Bidders and Non-Institutional Bidders)
- g. Do not bid where bid amount exceeds ₹ 2,00,000 (for Retail Individual Bidders)
- h. Do not fill up the Bid-cum-Application Form for an amount that exceeds the Issue size and / or investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws / regulations or maximum amount permissible under the applicable regulations.
- i. Do not send Bid-cum-Application Form by post; instead submit the same to a member of the Syndicate only.
- j. Do not provide your GIR number instead of your PAN as bid is liable to be rejected on those ground.
- k. Do not submit the Bid without the Full Bid Amount through the Bid-cum-Application Form.

### **Instructions specific to ASBA Bidders**

#### **Do's:**

- a. Ensure that you use the Bid-cum-ASBA Form specified for the purposes of ASBA process.
- b. Read all the instructions carefully and complete the Bid-cum-ASBA Form.
- c. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be allotted in dematerialised form only.
- d. Ensure that your Bid is submitted with Syndicate/sub-syndicate member or at a Designated Branch of an SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or BRLM to the Issue.
- e. Ensure that the Bid-cum-ASBA Form is signed by the account holder in case the applicant is not the account holder.
- f. Ensure that you have mentioned the correct bank account number in the Bid-cum-ASBA Form.
- g. Ensure that you have funds equal to the Bid Amount mentioned in the Bid-cum-ASBA Form available in your bank account maintained with the SCSB before submitting the Bid-cum-ASBA Form to the respective Designated Branch of the SCSB.
- h. Ensure that you have correctly checked the authorisation box in the Bid-cum-ASBA Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the Bid-cum-ASBA Form in your ASBA Account maintained with a branch of the concerned SCSB.
- i. Ensure that you receive an acknowledgement from the Syndicate/sub-syndicate member or the Designated Branch of the concerned SCSB for the submission of your Bid-cum-ASBA Form.
- j. Ensure that you have mentioned your Permanent Account Number ("PAN") allotted under the I.T. Act.
- k. Ensure that the name(s) given in the Bid-cum-ASBA Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Bid 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-ASBA Form.
- l. Ensure that the Demographic Details are updated, true and correct, in all respects

#### **Don'ts:**

- a. Do not Bid or revise Bid price to less than the floor price or more than the cap price.
- b. Do not Bid for lower than the minimum Bid size.
- c. Do not Bid through another ASBA or non Bid-cum-ASBA Form after you have submitted a Bid to a Designated Branch of the SCSB/ Syndicate/sub-syndicate member.
- d. Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.
- e. Do not send your physical Bid-cum-ASBA Form by post; instead submit the same to a Designated Branch of the SCSB/Syndicate/sub-syndicate member only.

- f. Do not fill up the Bid-cum-ASBA Form such that the bid amount against the number of Equity Shares Bid for exceeds the investment limit under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of the Red Herring Prospectus.
- g. Do not submit the GIR number instead of the PAN Number.
- h. Do not instruct your respective banks to release the funds blocked in the bank account under the ASBA process.

#### **Instructions for completing the Bid-cum-Application / ASBA Form**

- (a) Bids must be made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians and non-residents applying on a non-repatriation basis; blue colour for the Eligible NRIs and FIIs applying on a repatriation basis).
- (b) The Bids must be in single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (c) Bids must be completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form.
- (d) The 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.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [•] Equity Shares such that the Bid Amount exceeds ₹ 2,00,000 and in multiples of [•] Equity Shares. Bids cannot be made for more than the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.
- (g) Bids through ASBA must be:
  - a. made only in the prescribed ASBA Form (if submitted in physical mode) or the electronic mode.
  - b. made in single name or in joint names (not more than three, and in the same order as their details appear with the Depository Participant).
  - c. completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained in the Red Herring Prospectus and in the ASBA Form.
  - d. for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter subject to a maximum of [•] Equity Shares. Bid by an ASBA Bidder falling under the Retail Individual Bidder category cannot exceed ₹ 2,00,000.
- (h) ASBA Bidders should correctly mention the ASBA Account number and ensure that funds equal to the Bid Amount are available in the ASBA Account before submitting the ASBA Form to the Syndicate or sub-syndicate member or the Designated Branch otherwise the concerned SCSB shall reject the Bid.
- (i) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Form should be signed by the ASBA Account holder, in accordance with the instructions provided in the ASBA Form.
- (j) Bidders should correctly mention their name, DP ID and Client ID and such other details as required



in the Bid-cum-Application Form, or the ASBA Form, as the case may be. For the purpose of evaluating the validity of Bids, the Demographic Details of Bidders shall be derived from the DP ID and Client ID mentioned in the Bid cum Application Form, or the ASBA Form, as the case may be.

- (k) For ASBA Bidders, the Bids in physical mode should be submitted to the SCSBs/Syndicate/sub-syndicate member on the prescribed ASBA Form. SCSBs/Syndicate/sub-syndicate member 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.
- (l) ASBA Forms should bear the stamp of the Syndicate Member and/or Designated Branch. ASBA Forms which do not bear the stamp will be rejected.

### **Application in the Issue**

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialized form only.

### **Bidder's Depository Account Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or giving credit through ECS, Direct Credit, RTGS or NEFT and occupation (hereinafter referred to as "Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form or ASBA Form.

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR PAN, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM OR ASBA FORM. INVESTORS MUST ENSURE THAT THE DP ID, CLIENT ID AND PAN GIVEN IN THE BID-CUM-APPLICATION FORM OR ASBA FORM IS EXACTLY THE SAME AS THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE DEPOSITORY DATABASE. IN CASE THE BID-CUM-APPLICATION FORM OR ASBA FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM OR ASBA FORM.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/ Allocation Advice and printing of Bank particulars on the refund order or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid-cum-Application Form or ASBA Form would not be used for any other purposes by the Registrars to the Issue.

**Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.**

By signing the Bid-cum-Application Form, Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic details as available on its records.

Refund Orders/ Allocation Advice/ CANs would be mailed to the Bidder as per the Demographic Details

received from the Depositories. Bidders may note that delivery of refund orders/ allocation advice/ CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidders other than ASBA Bidders in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the BRLM/Syndicate Member shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in this Draft Red Herring Prospectus, bidders may note that refunds may get delayed if bank particulars obtained from the depository participants are incorrect.

In case no corresponding record is available with the Depositories that matches three parameters, namely, PAN of the sole/First Bidder, the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected. Our Company in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form or ASBA Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form or ASBA Form instead of those obtained from the depositories.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form or ASBA Form. The Company and/or the Book Running Lead Manager will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

## **OTHER INSTRUCTIONS**

### **Joint Bids in the case of Individuals**

Individuals may make bid in single or joint names (not more than three). In the case of joint Bids, all refunds will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). 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.

Further, ASBA Bids may be made in single or joint names (not more than three). In case of joint Bids by ASBA Bidders, all communications will be addressed to the first Bidder and will be dispatched to his/her address.

### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or first bidder is one and the same.

In this regard, illustrations of certain procedures, which may be followed by the Registrar to the Issue to detect multiple applications, are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file, which would serve as a multiple master.

2. In this master, a check will be carried out for the same PAN. In cases where the PAN numbers are different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants' address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applicants in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the addresses will be taken to check for common names. The application with same name and same address will be treated as multiple applications.
5. The applications will be scrutinised for their DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual 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.

The Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories. A check will be carried out for the same PAN. In cases where the PAN is same, such bids will be treated as multiple applications.

An ASBA Bidder should submit only one Bid. Two or more Bids will be deemed to be multiple bids if the sole or first Bidder is the same.

#### **Permanent Account Number (PAN)**

Except for Bids (i) on behalf of the GoI or State Government and the officials appointed by the courts, and (ii) (subject to the SEBI circular dated April 3, 2008) from residents of the state of Sikkim, 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.

#### **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.”**

## **Submission of Bid-cum-Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by Account Payee cheques or drafts shall be submitted to the Members of the Syndicate at the time of submitting the Bid-cum-Application Form.

No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the Members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

## **Electronic Registration of Bids by Bidders, other than ASBA Bidders**

- (a) The members of the Syndicate and SCSBs will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted. The Members of the Syndicate, our Company, and the Registrar to the Issue are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the SCSBs, (ii) the Bids uploaded by the SCSBs, (iii) the Bids accepted but not uploaded by the SCSBs or (iv) with respect to ASBA Bids accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account. The members of the Syndicate and the SCSBs shall be responsible for any error in the Bid details uploaded by them.
- (b) The members of the Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one Working Day from the Issue Closing Date.
- (c) In case of apparent data entry error by either the members of the Syndicate or the collecting bank in entering the Bid cum Application Form number in their respective schedules other things remaining unchanged, the Bid cum Application Form may be considered as valid and such exceptions may be recorded in minutes of the meeting submitted to Stock Exchange(s). In the event of mistake in capturing the Bid cum Application Form number by either the member of the Syndicate or collecting bank leading to rejection of the Bid cum Application Form, the Registrar may identify based on the Bid cum Application Form, the entity responsible for the error.
- (d) The Stock Exchanges will offer an electronic facility for registering Bids for the Issue. This facility will be available with members of the Syndicate and their authorised agents and the SCSBs during the Issue Period. The members of the Syndicate and the Designated Branches 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 Process on a regular basis. On the Issue Closing Date, the members of the Syndicate and the Designated Branches shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the members of the Syndicate on a regular basis. Bidders are cautioned that a high inflow of high volumes on the last day of the Offer Period may lead to some Bids received on the last day not being uploaded and such Bids will not be considered for allocation.
- (e) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand and price would be made available at the bidding centres during the Issue Period.

At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the Bidder(s): Bidders should ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the 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, QIB, NRI, FII, Mutual Fund etc.;
  - PAN (of First Bidder in case of more than one Bidder);
  - Numbers of Equity Shares bid for;
  - Bid price;
  - Bid-cum-Application Form number;
  - Cheque details;
  - Depository Participant Identification Number and Client Identification Number of the demat Account of the Bidder.
- (f) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the members of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (g) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (h) The BRLM/ member of the Syndicate have the right to accept the Bid or reject it in case of QIBs; 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 should not be rejected except on the technical grounds listed on page no. 176 of this Draft Red Herring Prospectus.
- (i) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.
- (j) It is also to be distinctly understood that the approval given by BSE and/or NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the 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 BSE and NSE.
- (k) It is to be noted that Syndicate Members shall be responsible for any error in the Bid details uploaded by them. In case of apparent data entry error by either Syndicate Member or collecting bank in entering the application number in their respective schedules other things remaining unchanged, the Bid may be considered as valid and such exceptions may be recorded in minutes of the meeting submitted to Stock Exchange(s). In the event of mistake in capturing the application number by either the Syndicate Member or collecting bank leading to rejection of Bid, the Registrar may identify based on the Bid form, the entity responsible for the error. Valid records in electronic file will be those for which money is received.
- (l) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between BSE or NSE and members of the

Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.

### Electronic registration of Bids by SCSBs

- a) In case of Bid-cum-ASBA Forms, whether in physical or electronic mode, the Designated Branch of the SCSBs will register the Bids using the online facilities of the Stock Exchanges. SCSB shall not upload any ASBA Application Form in the electronic bidding system of the Stock Exchange(s) unless
- it has received the ASBA in a physical or electronic form; and
  - it has blocked the application money in the bank account specified in the ASBA or has systems to ensure that Electronic ASBAs are accepted in the system only after blocking of application money in the relevant bank account opened with it.
- b) The Stock Exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bid/Issue Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are cautioned that high inflow of bids typically received on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that are not uploaded may not be considered for allocation.
- c) At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:
- Name of the Bidder(s);
  - ASBA Form Number;
  - Permanent Account Number (of First Bidder in case of more than one Bidder);
  - Number of Equity Shares Bid for;
  - Bid Amount;
  - Depository Participant Identification Number;
  - Bank Account number;
  - Bidder's Beneficiary Account Number; and
  - Client Identification No. of the Bidder's beneficiary account.

In case of electronic ASBA, the ASBA Bidder shall himself fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the above mentioned details in the electronic bidding system provided by the Stock Exchange(s).

- d) A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. **It is the ASBA Bidder's responsibility to obtain the TRS from the Designated Branches of the SCSBs.** The registration of the Bid by the Designated Branch of the SCSB does not guarantee that the Equity Shares bid for shall be allocated to the ASBA Bidders.
- e) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- f) It is to be distinctly understood that the permission given by the Stock Exchanges 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 or the Designated Branches of the SCSBs are cleared or approved by the Stock Exchanges; 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, our management or any scheme or project of our Company.
- g) The SCSB may reject the ASBA Bid upon receipt of Bid-cum-ASBA Form, if the ASBA Account

maintained with the SCSB as mentioned in the Bid-cum-ASBA Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, our Company would have a right to reject the Bids only on technical grounds.

- h) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or NSE and the Designated Branches of the SCSBs, the decision of the Registrar, in consultation with the BRLM, the Company and the Designated Stock Exchange, based on the physical records of the Bid-cum-ASBA Forms shall be final and binding on all concerned.

#### **Build up of the Book and Revision of Bids, other than ASBA process**

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
- (b) The book gets build up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired numbers of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Bid Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (f) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she has placed the original Bid. Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In case of discrepancy of data between BSE or NSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.
- (i) QIBs shall not be allowed to withdraw their bids after the BID/Issue Closing Date.

## **Build up of the Book and Revision of Bids under ASBA process**

- a. Bids registered through the Designated Branches of the SCSBs shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.
- b. The SCSBs shall provide to the Registrar aggregate information about the numbers of Bid-cum-ASBA Forms uploaded, total number of Equity Shares and total amount blocked against the uploaded Bid-cum-ASBA Form and other information pertaining to 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. In the event of any error or discrepancy, the Registrar to the Issue shall inform the SCSB of the same. The SCSB shall be responsible to provide the rectified data within the time stipulated by the Registrar to the Issue. Further the decision of the Registrar to the Issue in consultation with the BRLM, our Company, and the Designated Stock Exchange, in this regard shall be final and binding.
- c. During the Bid Period, any ASBA Bidder who has registered his/ her interest in the Equity Shares at the Floor Price is free to revise his/ her Bid using the ASBA Revision Form, which is a part of the Bid-cum-ASBA Form. However, the SCSB will not accept incomplete or inaccurate Revision Forms.
- d. The ASBA Bidder can make this revision any number of times during the Bid Period. However, for any revision(s) in the Bid, the ASBA Bidders will have to use the services of the same Designated Branch of the SCSB with whom he/she or it holds the bank account. ASBA Bidders are advised to retain copies of the ASBA Revision Form and the revised Bid must be made only in such ASBA Revision Form or copies thereof.
- e. Any revision of the Bid shall be accompanied by an instruction to block the incremental amount on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be unblocked by the SCSB.
- f. When an ASBA Bidder revises his/her or its Bid, he/she or it shall surrender the earlier TRS and get a revised TRS from the SCSBs. **It is the responsibility of the ASBA Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- g. Only Bids that are uploaded on the online IPO system of the BSE and NSE shall be considered for allocation/allotment.

## **PAYMENT INSTRUCTIONS**

### **Escrow Mechanism for Bidders other than ASBA Bidders**

1. Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of this Draft Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of our Company 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 Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue and to the Refund Account as per the terms of the Escrow Agreement. Payment of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.
2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between our Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.



## Terms of Payment and Payment into the Escrow Collection Account

Each Bidder, shall provide the applicable Bid Amount, with the submission of the Bid-cum-Application Form by drawing a cheque, demand draft in favour of the Escrow Account of the Escrow Collection Bank(s) as per the below terms:

- (a) The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds whose bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue and the SCSBs will also transfer the funds represented by allocation of Equity Shares from the respective ASBA Accounts to the Public Issue Account. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds.
- (b) Each category of Bidders (i.e. QIBs, Non-Institutional Bidders and Retail Individual Bidders) would be required to pay their Full Bid Amount at the time of the submission of the Bid-cum-Application Form by way of a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. (For details please see the section titled "Issue Procedure - Payment Instructions" beginning on page no. 172 of this Draft Red Herring Prospectus. The Bid Amount payable by each category of Bidders is mentioned in the section titled "Basic Terms of the Issue" beginning on page no. 39 of this Draft Red Herring Prospectus. Bid-cum-Application Forms accompanied by cash shall not be accepted. The maximum Bid Price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.
- (c) Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such ASBA Bidder(s) within 9 working days and to Non-ASBA Bidders within 10 working days from the Bid Closing Date/Issue Closing Date, failing which our Company shall pay interest @ 15% per annum for any delay beyond the periods mentioned above.
- (d) The Bidders shall, at the time of submission of the Bid-cum-Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account of our Company and submit the same to the member of the Syndicate.
- (e) The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:
  - (i) In case of resident QIB Bidders- **"Escrow Account -BEAIL- Public Issue - QIB - R"**
  - (ii) In case of Resident Retail and Non-Institutional Bidders- **"Escrow Account - BEAIL - Public Issue - R"**
  - (iii) In case of Non-Resident QIB Bidders- **"Escrow Account - BEAIL - Public Issue-QIB - NR"**
  - (iv) In case of Non -Resident Retail and Non-Institutional Bidders - **"Escrow Account - BEAIL - Public Issue - NR"**
- (f) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary Account of a Non-Resident Bidder

bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

- (g) In case of Bids by NRIs applying on non repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO account of a Non-resident Bidder bidding on non repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account or an NRO account.
- (h) In case of Bids by FIIs, FVCIs registered with SEBI the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (i) 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 adjusting towards the balance payable on equity shares allocated, will be refunded to the Bidder from the refund amount.
- (j) The monies deposited in the Escrow Account of our Company will be held for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of our Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
- (k) On the Designated Date and no later than 10 working days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
- (l) Payments should be made by cheque, or demand drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid-cum-Application Form is submitted. Outstation cheque/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.
- (m) 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 instrument submitted along with the Bid-cum-Application Form.

#### **Payment mechanism for ASBA Bidders**

The ASBA Bidders shall specify the ASBA Account number in the ASBA Form and the relevant SCSB shall block an amount equivalent to the application money in the ASBA Account specified in the ASBA Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the ASBA Bid or receipt of instructions from the Registrar to the Issue to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Form or for unsuccessful ASBA Forms, the Registrar to the Issue shall give instructions to the SCSB to unblock the application money in the relevant bank account within 9 working days of the Issue Closing Date. The Bid Amount shall remain blocked in the ASBA Account until approval of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/ failure of the Issue or until rejection of the ASBA Bid, as the case may be.

**Payment by Stock-invest**

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the stock-invest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stock-invest would not be accepted in this Issue.

**Announcement of Pre-Issue Advertisement**

Our Company, either on the date of filing the Draft Red Herring Prospectus with SEBI or on the next day shall make a public announcement in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one Telugu newspaper with wide circulation at Hyderabad, disclosing to the public the fact of filing of the Draft Red Herring Prospectus, with SEBI and inviting the public to give their comments to SEBI in respect of disclosures made in the Draft Red Herring Prospectus.

Subject to the provisions of Section 66 of the Companies Act, 1956, our Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-issue advertisement in an English national newspaper with wide circulation, a Hindi national newspaper with wide circulation and one Telugu newspaper in the form prescribed under the SEBI (ICDR) Regulations.

**Advertisement regarding Issue Price and Prospectus**

An advertisement will be issued by our Company in one English national daily newspaper with wide circulation, one Hindi national daily newspaper and one Telugu newspaper with wide circulation, after filing of the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the advertisement shall indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the Prospectus will be included in such advertisement.

**Right to Reject Bids**

In case of QIB Bidders, the Company in consultation with the BRLM may reject a Bid placed by a Qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject Bids only on technical grounds.

**Right to reject 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 ASBA account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company would have a right to reject the ASBA Bids only on technical grounds.

Further, in case any DP ID, Client ID or PAN mentioned in the Bid-cum-ASBA Form does not match with one available in the depository's database, such ASBA Bid shall be rejected by the Registrar to the Issue.

**Withdrawal of Bids**

In case an ASBA investor wants to withdraw his/her ASBA during the bidding period, he/she shall submit his withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA from the electronic bidding system of the Stock Exchanges and unblocking of funds in the relevant bank account.

In case an ASBA Investor (except in case of a QIB bidding through ASBA process) wants to withdraw his/her ASBA after the Bid/ Issue Closing Date, he/she shall submit the withdrawal request to the Registrar before finalization of Basis of Allotment. The Registrar shall delete the withdrawn Bid from the

bid file. The instruction for unblocking of funds in the relevant bank account, in such withdrawals, shall be forwarded by the Registrars to the Issue to the SCSB on finalization of the Basis of Allotment.

### **Grounds for technical rejections**

Bidders are advised to note that Bids are liable to be rejected, inter alia, on the following technical grounds:

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of Partnership firms, the shares may be registered in the name of individual partners and no such partnership firm shall be entitled to apply;
4. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
5. PAN not stated;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids for number of Equity Shares, which are not in multiples of [•];
10. Category not ticked;
11. Multiple bids as defined in this Draft Red Herring Prospectus;
12. In case of Bid under power of attorney by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Bids accompanied by Stock invest/money order/ postal order/ cash;
14. Signature of sole and/or joint Bidders missing;
15. Bid-cum-Application Form or ASBA Form does not have the stamp of the BRLM or the Syndicate Member;
16. Bid-cum-Application Form or ASBA Form does not have Bidder's depository account details;
17. Bid-cum-Application Forms or ASBA Form are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form or ASBA Form and the Draft Red Herring Prospectus and as per the instructions in the Draft Red Herring Prospectus and the Bid-cum-Application Form and ASBA Form;
18. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
19. In case no corresponding record is available with the Depositories that matches three parameters, namely, PAN, the depository participant's identity (DP ID) and the beneficiary's account number;
20. Bids by OCBs;
21. Bids by US persons;
22. Bids by QIBs not submitted through BRLM or members of the syndicate;
23. Bids by NRIs not disclosing their residential status;
24. If GIR number is mentioned instead of PAN number;
25. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
26. With respect to ASBA Bids, inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Form at the time of blocking such Bid Amount in the ASBA Account;
27. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
28. Bids by any person resident outside India, if not in compliance with applicable foreign and Indian laws, or by any persons who are not eligible to acquire Equity Shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals;

29. Bids at cut-off price by Non-Institutional and QIB Bidders;
30. Bids or revision thereof by QIBs and Non-Institutional Bidders where the Bid Amount is in excess of ₹ 2,00,000, uploaded after 4.00 p.m. or any such time as prescribed by Stock Exchanges on the Bid/Issue Closing Date;
31. Bids in respect of which the Bid-cum-Application Form or ASBA Form does not reach the Registrar to the Issue prior to the finalisation of the basis of allotment;
32. Authorisation for blocking funds in the ASBA Account not ticked or provided;
33. Bids not uploaded in the books; and on the terminals of the Stock Exchanges.

#### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the BRLM shall analyze the demand generated at various price levels. The Registrar to the Issue shall aggregate the demand generated under the ASBA and provide the same to the BRLM.
- (b) Our Company, in consultation with the BRLM shall finalise the “Issue Price” and the number of Equity Shares to be allotted in each category to Bidders.
- (c) Upto 50% of the Issue shall be available for allocation to Qualified Institutional Buyers (“QIBs”), but atleast 10% of the Issue size shall be mandatorily allotted to QIBs on a proportionate basis failing which the full subscription monies shall be refunded. Out of the QIB portion, 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- (d) Under subscription, if any, in any of the categories would be allowed to be met with spill over from any of the other categories, at the discretion of our Company in consultation with the BRLM, subject to minimum 10% of the Issue Size i.e. [•] Equity Shares shall be mandatorily allotted to QIBs failing which the entire subscription monies shall be refunded. If the aggregate demand by Mutual Funds is less than [•] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders.
- (e) Allocation to Eligible NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions registered with SEBI applying on repatriation basis will be subject to the applicable laws, rules, regulations, guidelines and approvals.
- (f) The BRLM, in consultation with our Company shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders.
- (g) Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue in accordance with SEBI (ICDR) Regulations. Provided, if our Company withdraws the Issue after the Bid/Issue Closing Date, the reason thereof shall be provided within two days of the Bid/Issue Closing Date by way of a public notice in the same newspapers in which the pre-issue advertisement had appeared. The Stock Exchanges shall also be informed promptly.
- (h) In terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, QIB Bidders shall not be allowed to withdraw their bid after the bid / issue closing date.
- (i) The allotment details shall be put on the website of the Registrar to the Issue.

- (j) Bids received from ASBA Bidders will be considered at par with Bids received from other Retail Individual Bidders and Non-institutional Bidders. No preference shall be given to ASBA bidders vis-à-vis other QIBs, Retail Individual Bidders and Non-Institutional Bidders or vice-versa. The 'Basis of Allocation' to such valid ASBA and other QIBs, Retail Individual Bidders and Non-Institutional Bidders will be that applicable to QIBs, Retail Individual Bidders and Non-Institutional Bidders

#### **Signing of Underwriting Agreement and ROC Filing**

- (a) Our Company, the BRLM, and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

#### **Filing of the Red Herring Prospectus and the Prospectus with ROC**

The Company will file a copy of the Red Herring Prospectus and the Prospectus with the Registrar of Companies, Hyderabad, Andhra Pradesh in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956.

#### **Issuance of Confirmation of Allocation Note**

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. Investor should note that our Company shall ensure that the demat credit of the Equity Shares pursuant to allotment shall be made on the same date to all investors in this Issue;
- (b) The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder;
- (c) Such Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrars to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder.
- (d) The Issuance of CAN is subject to "Notice to QIBs: Allotment Reconciliation and Revised CANs" as set forth below in this Draft Red Herring Prospectus.

#### **With respect to ASBA bidders:**

1. Upon approval of the 'Basis of Allocation' by the Designated Stock Exchange, the Registrar to the Issue shall send a list of the ASBA Bidders who have been allocated Equity Shares in the Issue to the Controlling Branches along with:
  - (i) The number of Equity Shares to be allotted against each successful ASBA Form;
  - (ii) The amount to be transferred from the ASBA Account to the Public Issue Account, for each successful ASBA Form;

- (iii) The date by which the funds referred to in sub-para (ii) above, shall be transferred to the Public Issue Account; and
- (iv) The details of rejected ASBA Forms, if any, along with reasons for rejection and details of withdrawn (except in case of QIB bidding through an ASBA Form) or unsuccessful ASBA Forms, if any, to enable SCSBs to unblock the respective ASBA Accounts.
- ASBA Bidders should note that our Company shall ensure that the instructions by our Company for demat credit of the Equity Shares to all investors in this Issue shall be given on the same date; and
2. The ASBA Bidders shall directly receive the CANs from the Registrar to the Issue. The dispatch of a CAN to an ASBA Bidder shall be deemed a valid, binding and irrevocable contract with the ASBA Bidder.

#### **Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared, by the Registrar, on the basis of, Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI (ICDR) Regulations, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in-Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **Designated Date and Allotment of Equity Shares**

1. Our Company will ensure that (i) Allotment of Equity Shares; and (ii) credit to the successful Bidders' depository account will be completed within 10 (ten) Working Days of the Bid/Issue Closing Date.
2. **As per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

#### **Basis of Allocation**

##### **A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the valid Bids in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid bids.

- If the valid Bids in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of one 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 category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non- Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the valid Bids in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the valid Bids in this category is greater than [•] Equity Shares at or above the Issue Price; allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of one Equity Shares thereafter. For the method of proportionate basis of allotment refer below.

#### **C. For QIB Bidders**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIBs will be made at the issue price.
- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of up to [•] Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled “Illustration of Allotment to QIBs” appearing below. If the valid Bids by Mutual Funds are for less than [•] Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders.
- The allotment shall be undertaken in the following manner –
  - (a) In the first instance, allocation to mutual funds for upto 5% of the QIB portion shall be determined as follows-
    - In the event that bids from mutual funds exceed 5% of the QIB portion, allocation to mutual funds shall be done on a proportionate basis upto 5% of the QIB portion.
    - In the event that the aggregate demand from mutual funds is less than 5% of QIB portion, then all mutual funds shall get full allotment to the extent of valid bids received above the issue price.
    - Equity Shares remaining unsubscribed, if any, not allocated to mutual funds shall be available to all QIB Bidders as set out in as (b) below;
  - (b) In the second instance, allocation to all QIBs shall be determined as follows –
    - In the event that the over subscription in the QIB portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis



for upto 95% of the QIB portion.

- 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.
- Under-subscription below 5% of the QIB portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Under subscription, if any, in any of the categories would be allowed to be met with spill over from any of the other categories, at the discretion of our Company in consultation with the BRLM, subject to minimum 10% of the Issue Size i.e. [●] Equity Shares shall be mandatorily allotted to QIBs failing which the entire subscription monies shall be refunded.

#### **Procedure and Time Schedule for Allotment**

The Issue will be conducted through a “100% book building process” pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on [●] and expire on [●]. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM, will determine the Issue Price, and, in consultation with the BRLM, the basis of allotment and entitlement to allotment are finalised based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI and the Registrar of Companies and will be made available to investors. SEBI (ICDR) Regulations require our Company to complete the allotment and credit to successful bidders within 12 working days of the expiration of the Bidding Period. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

#### **Unblocking of ASBA Account**

Once the Basis of Allotment is approved by the Designated Stock Exchange, the Registrar shall provide the following details to the Controlling Branch of each SCSB, along with instructions to unblock the relevant bank accounts and transfer the requisite money to the Public Issue Account within the timelines specified in the ASBA process:

- (i) Number of shares to be allotted against each valid ASBA
- (ii) Amount to be transferred from the relevant bank account to the Public Issue account, for each valid ASBA
- (iii) The date by which the funds referred to in sub-para (ii) above, shall be transferred to the ASBA Public Issue account
- (iv) The details of rejected ASBAs, if any, along with reasons for rejection and details of withdrawn/ unsuccessful ASBAs, 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.

#### **Method of Proportionate Basis of Allocation**

In the event of the issue being over-subscribed, our Company shall finalise the basis of allotment to Retail Individual Bidders and Non-Institutional Bidders in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrars to the issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

Bidders will be categorized according to the number of Equity Shares applied for by them and the allotment shall be made on a proportionate basis as explained below:-

- (a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) 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 over-subscription ratio.
- (c) If the proportionate allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (d) 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 category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
- (e) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

#### Illustration of Allotment to QIBs and Mutual Funds ("MF")

##### A. Issue details

Sr. No.	Particulars	Issue details
1	Issue size	10 Lakhs Equity Shares
2	Allocation to QIB (Upto 50% of the Issue)	5 Lakhs Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	0.25 Lakhs Equity Shares
	b. Balance for all QIBs including Mutual Funds	4.75 Lakhs Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	25 Lakhs Equity Shares

##### B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of shares bid for (in Lakhs)
1	A1	2.5
2	A2	1.0
3	A3	6.5
4	A4	2.5
5	A5	2.5
6	MF1	2.0
7	MF2	2.0

8	MF3	4.0
9	MF4	1.0
10	MF5	1.0
	<b>TOTAL</b>	<b>25</b>

# A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

### C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in Lakhs)

Type of QIB bidders	Shares bid For (in Lakhs)	Allocation of 0.25 Lakhs Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 4.75 Lakhs Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	2.5	0	0.48	0
A2	1.0	0	0.192	0
A3	6.5	0	1.248	0
A4	2.5	0	0.480	0
A5	2.5	0	0.480	0
MF1	2.0	0.050	0.374	0.424
MF2	2.0	0.050	0.374	0.424
MF3	4.0	0.100	0.748	0.848
MF4	1.0	0.025	0.187	0.212
MF5	1.0	0.025	0.187	0.212
	<b>25.0</b>	<b>0.250</b>	<b>4.750</b>	<b>2.120</b>

#### Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in the section titled "Basic Terms of the Issue" beginning on page no. 39 of this Draft Red Herring Prospectus.
2. Out of 5 Lakhs Equity Shares allocated to QIBs, 0.250 Lakhs (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 lakh shares in the QIB Portion.
3. The balance 4.75 Lakhs Equity Shares [i.e. 5.00 - 0.25 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 25 Lakhs Equity Shares (including 5 Mutual Fund applicants who applied for 10 Lakhs Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 4.75 Lakhs Equity Shares to QIBs proportionately" in the above illustration are arrived as under:

i. For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 4.75/24.75

ii. For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 4.75/24.75

The numerator and denominator for arriving at allocation of 4.75 Lakhs Equity Shares to the 10 QIBs are reduced by 0.25 Lakhs shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

### Equity Shares in Dematerialised 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 dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among the Company, the Depositories and the Registrar,

1. An Agreement dated [•] among NSDL, our Company and Registrar to the Issue.
2. An Agreement dated [•] among CDSL, our Company and Registrar to the Issue.

All Bidders can seek allotment only in Dematerialized mode. Bids from any Bidder without the following 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 either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
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 Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account details of the Bidder(s) with the Depository.
5. Non Transferable allotment advice or refund orders will be directly sent to the Bidders by the registrar to the Issue.
6. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
7. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
8. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
9. The trading of Equity Shares of the Company would only be in dematerialized form for all investors in the demat segment of the respective Stock exchanges.

#### **Disposal of Applications and Applications Money and Interest in case of delay**

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 after the Allotment.

In case of Bidders who receive refunds through ECS, or RTGS or Direct Credit or NEFT, the refund instructions will be given to the clearing system and a suitable communication shall be sent to such Bidders within 12 working days from the Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

We undertake that all steps will be taken for completion of necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within 12 working days of the Bid/Issue Closing Date.

The Company shall dispatch refund orders, as per the procedure mentioned under section “Dispatch of Refund Orders” on page no. 186 of this Draft Red Herring Prospectus, at the sole or First Bidder’s sole risk.

**The Company will provide adequate funds required for dispatch of refund orders or for credit of refunds, as the case may be, to the Registrar to the Issue.**

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI (ICDR) Regulations, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 10 working days of the Bid/Issue Closing Date;
- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 Working Days of the Issue Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unblocking of the ASBA Bidder’s ASBA Account shall be made within nine working days from the Issue Closing Date; and
- Our Company shall pay interest at 15% per annum for any delay beyond the 12 Working Days from the Bid/Issue Closing Date as mentioned above, if allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 12 Working Days prescribed above. If such money is not repaid within eight days from the day our Company becomes liable to repay, our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the applicable law.

Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue as per the mode disclosed under “Dispatch of Refund Order” appearing on page no. 186 of this Draft Red Herring Prospectus.

Save and except refunds effected through the electronic mode i.e. ECS, Direct Credit or RTGS, refunds will be made by cheques, pay-orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders

#### **Letters of Allotment or Refund Orders**

The Registrars to the Issue shall give instructions for credit to the beneficiary account with depository participants within 12 working days from the Issue Closing date. Applicants having bank accounts at any of the 68 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, our Company shall dispatch refund orders, if any, of value upto ₹ 1,500 by “Under Certificate of Posting”, and will dispatch refund orders above ₹ 1,500, if any, by registered post only at the sole or first Bidder’s sole risk within 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 through “Under Certificate of Posting” within 12 working days of closure of Issue, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Offer Closing

Date.

## DISPATCH OF REFUND ORDERS

The payment of refund, if any, would be done through various modes in the following order of preference

1. ECS - Payment of refund would be done through ECS for applicants having an account at any of the following 68 centers - Ahmedabad, Bangalore, Bhubneshwar, Kolkatta, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvanthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakhpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR Code as appearing on a cheque leaf from the Depositories. The payment of refunds is mandatory through this mode for applicants having a bank account at any of the above mentioned 68 centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS or NEFT. Refunds through ECS may also be done at other locations based on operational efficiency and in terms of demographic details obtained by the Registrar from the Depository Participant.
2. Direct Credit - Applicants having bank accounts with the Refund Banker, shall be eligible to receive funds through direct credit. Charges, if any, levied by the Refund Banker for the same would be borne by the Company.
3. RTGS - Applicants having a bank account at any of the above-mentioned 68 centers, have also the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC Code in the Bid-cum-Application form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the refund banks for the same would be borne by the Company. Charges, if any, levied by the applicants' bank receiving the credit would be borne by the applicant.
4. NEFT - Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the IFSC, which can be linked to a MICR, if any, available to that particular bank branch. IFSC will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.
5. Refund Orders - For all other applicants, including those who have not updated their bank particulars

with the MICR code, the refund orders will be dispatched under certificate of posting for value up to ₹ 1,500 and through Speed Post/ Registered Post for refund orders of ₹ 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

**Please note that only applicants having a bank account at any of the 68 centres where clearing houses for ECS are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur are eligible to receive refunds through the modes detailed in 1, 2, 3 & 4 hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine digit MICR code, the refund orders would be dispatched “Under Certificate of Posting” for refund orders of value upto ₹ 1,500 and through Speed Post / Registered Post for refund orders of ₹ 1,500 and above.**

#### **UNDERTAKING BY THE COMPANY**

Our Company undertake as follows:

- (a) that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) 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 12 Working Days of the Bid/ Issue Closing Date;
- (c) 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 12 working days of the Bid/Issue Closing Date;
- (d) that our Company shall apply in advance for the listing of Equity Shares;
- (e) that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed under the heading “Dispatch of Refund Orders” on page no. 186 of this Draft Red Herring Prospectus shall be made available to the Registrar to the Issue by our Company;
- (f) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 working days of closure of Issue, giving details of the bank where refunds shall be credited alongwith the amount and expected date of electronic credit of refund;
- (g) that the refund orders or allotment advice to the Eligible NRIs or FIIs shall be dispatched within specified time; and
- (h) that no further Issue of Equity Shares shall be made until the Equity Shares Issued through this Draft Red Herring Prospectus are listed or until the Bid Money is refunded on account of non-listing, under-subscription etc.
- (i) that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

#### **UTILISATION OF ISSUE PROCEEDS**

Our Board of Directors of the Company certifies that:

- (a) all monies received out of the Issue shall be credited / transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act, 1956;
- (b) details of all monies utilized out of the Issue referred above shall be disclosed under an appropriate separate head in its balance sheet indicating the purpose for which such monies have been utilized;

- (c) details of all unutilized monies out of the Issue, if any, shall be disclosed under the appropriate separate head in its balance sheet indicating the form in which such unutilised monies have been invested;
- (d) 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 proceeds of the Issue;
- (e) Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Book Running Lead Manager undertakes that the complaints or comments received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.

## **COMMUNICATIONS**

All future communications in connection with Bids by Bidders (other than ASBA bidders) made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors (other than ASBA bidders) can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in respective beneficiary accounts, refund orders etc.

For ASBA Bidders, in relation to all future communication in connection with ASBA Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first ASBA Bidder, ASBA Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Form, name and address of the Designated Branch where the ASBA Bid was submitted and bank account number of the ASBA Account, with a copy to the relevant SCSB. The Registrar to the Issue shall obtain the required information from the relevant SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or wilful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held.

ASBA Bidders can contact the Compliance Officer, the Designated Branch where the ASBA Form was submitted, or the Registrar to the Issue in case of any pre or post-Issue related problems such as non receipt of credit of allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

The Book Running Lead Manager undertakes that the complaints or comments received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.

## **Restrictions on Foreign Ownership of Indian Securities**

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government of India, unless specifically restricted, foreign investment is freely permitted in all sectors of 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.



**Subscription by Non-Residents**

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act). Accordingly, the Equity Shares will be offered and sold only outside the United States to non-US persons in offshore transactions in compliance with Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

**As per the current regulations, OCBs cannot participate in this Issue.**

The above information is given for the benefit of the Bidders. The Company, the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen 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. However we shall update this Draft Red herring Prospectus and keep the public informed of any material changes in matters concerning our business and operations till the listing and commencement of trading of the Equity Shares.

## **SECTION IX: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY**

Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or Debentures and / or on their consolidation / splitting are detailed below. Please note that each provisions herein below is numbered as per the corresponding article number in the Articles of Association and capitalized / defined terms herein have the same meaning given to them in the Articles of Association.

### **CAPITAL AND INCREASE AND REDUCTION IN CAPITAL**

3. The Authorized Share Capital of the Company shall be as mentioned in the Clause V of the Memorandum of Association of the company" and with the rights privileges and conditions attached thereto with power to vary, modify or abrogate of such rights, privileges, and conditions as may be provided in the Regulations of the Company for the time being. The Company has power to increase and reduce the Capital and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified and special rights, privileges and conditions as may be determined by or in accordance with the Regulations of the Company or vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Regulations of the Company.
4.
  - a) The Directors shall in making the allotments duly observe the provisions of the Act.
  - b) The amount payable on application on each share shall not be less than 5 percent of the nominal amount of the share.
  - c) Nothing herein contained shall prevent the Directors from issuing fully paid-up share either on payment of the entire nominal value thereof in cash or in satisfaction of any outstanding debt or obligation of the Company.
5. The Company in General Meeting may, from time to time, increase the Authorized Capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the Resolution shall prescribe and, in particular, such shares may be issued with a Preferential or qualified right of the voting at General Meeting of the Company in conformity with Section 97 of the Act.
6. Except so far as otherwise provided by the conditions of issue or by these presents any capital by the creation of new share shall be considered as part of the existing capital and shall be subject to the provision herein contained with reference of the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission voting and otherwise.
7. Subject to the provisions of Sections 78, 80, 100 to 105 of the Act, the Company in General Meeting may, from time to time, by Special Resolution, reduce its capital and any Capital Redemption Reserve Account or shares premium Account, in any manner for the time being authorized by law and in particular, capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.
8. Subject to the provision of Sections 94 of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its shares. Subjects as aforesaid the Company in General Meeting may cancel shares, which 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.

9. The Company in General Meeting may convert any fully paid-up shares, into stock and may at any time reconvert any stock into fully paid-up shares of any denomination. The provisions of Clauses 37,38 of the Table "A" to Schedule 1 of the Act shall apply when shares are converted into stock as aforesaid.

## **SHARES AND CERTIFICATES**

10. The Company shall cause to keep a Register and index of Members in accordance with Section 150 and 151 of the Act.
11. The shares in the capital shall be numbered progressively according to their several denominations and except in the manner herein before mentioned no shares be subdivided. Every forfeited or surrendered shall continue to bear the number by which the same originally distinguished.
12. The Board shall observe the restrictions as to allotment of shares to the public contained in section 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in section 75 of the Act.
13. a) Where it is proposed to increase the subscribed capital of the Company by allotment of further shares then such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company in proportion, as nearly as made circumstances admit, to the capital paid-up on those shares at the date. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than 30 days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. 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 may dispose of them in such manner as they think most beneficial to the Company.
- b) Notwithstanding anything contained in the preceding clause, the Company may:
- (i) by a special resolution, or
  - (ii) by an ordinary resolution and with the consent of the Central Government. Issue further shares to any persons and such person or persons may or may not include the persons whom at the holder's of the equity shares of the Company
- c) Not with standing anything contained in clause,(b) above, but subject however to section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to debentures issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.
- (d) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

- 1. to convert such debentures or loans into shares in the Company; or
- 2. To subscribe for shares in the Company (whether such option is conferred in these articles or otherwise)

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (i) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with rules, if any, made by that Government in this behalf and

- (ii) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in general meeting before the issue of the debentures or raising of the loans.
- (e) The offer afore said 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 -

Nothing in this sub clause shall be deemed -

- (i) to extend the time within which the offer should be accepted, or
  - (ii) to authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
14. Subject to the provision 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 Directors who may issue, allot or otherwise dispose of the same of any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in general meeting.
  15. In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 14 and 15 the Company in General Meeting may, subject to the provisions of section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either, subject, to compliance with the provisions of Sections 78 and 79 of the Act, at a premium or at par or at a discount as such General Meeting shall determine and with full power to given any person (whether a Member or not ) the option to call for or be allotted shares of any class of the Company either subject to the compliance with the provisions of section 78 and 79 Act at a premium or at par at a discount, such option being exercisable at such consideration as may be directed by such General Meeting. The Company, General Meeting may make any other provision whatsoever for the issue, allotment or disposal of any shares.
  16. Any application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall, for the purpose of these articles, be a Member.
  17. The money, if any, which the Board shall, on the allotment of any shares being made by them, require of, direct to be paid by way of deposit, call or otherwise accepts any shares allotted by them, shall immediately on the inscription of the become a debt to and recoverable by the Company from the allotted thereof, and shall be paid by him accordingly.

18. Every Members or his heirs, executors or administrators shall pay to the Company the portion of the Capital represented by his shares which may, for the time being remain unpaid thereon, in such amounts, at such times, and in such manner as the Board shall, from time to time, in accordance with these Articles of fix for the payment thereof.
19. Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Director 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 with in three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every Certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and 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 delivery to all such holder.
20. If any certificate be worn out, defaced mutilated or torn or if there be on 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 lost or destroyed then up on proof thereof to the satisfaction of the company and on execution of such indemnity as the company may deem adequate, being given, an a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificates under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Directors shall prescribe. Provided that no fees 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 regulation or requirements of any Stock Exchange or the Rules made under the Act tor the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf. The provisions of this article shall mutates mutandis apply to debentures of the Company.

21. If any share stands in the names of two or more persons, the first- named in the Register of Members shall as regards receipt of dividends or bonus or service of notices and all or any other matter connected with the Company except voting at meeting and the transfer of the shares, be deemed the sole holder thereof but the joint holders of a share shall be several as well as jointly liable for the payment of all installment and calls due in respect of such share, and for all incidents thereof according to these Articles.
22. Except as ordered by a court of competent jurisdiction or as by law required, the Company shall not be bound to recognize any equitable, contingent, further of particle interest in any share, or except only as is by these article otherwise expressly provided any right in respect of a share other than an absolute right thereof in accordance with these Articles, in the person, form time to time registered as the holder thereof; but the Board shall be at liberty at their sole discretion to registered as the holder thereof; but the Board shall be at liberty at their sole discretion to registered any share in the joint names of any two or more persons or the survivor or survivors of them.
23. None of the funds of the Company shall be applied in the purchase of any financial assistance for or in connection with the purchase or subscription of any shares in the Company save as provided by section 77 of the Act.

## UNDERWRITING AND BROKERAGE

24. The Company shall pay commission on the issue of shares, debentures or debentures stock underwritten at such rates as permissible under the Act and regulation of Government from time to time.
25. The Company shall pay brokerage on the issue of shares of debentures subject to ceiling fixed by the Act and regulation of Government in this behalf.

## CALLS

26. The Board may from time to time, subject to the terms on which shares may have been issued and subject to the conditions of allotment and a resolution passed at meeting of the Board , and not by circular resolution, make such a call as it thinks fit upon the Members in respect of all money unpaid on the shares held by them respectively, and each call so made on him to the person or person and at the times and places appointed by the Board. A call may be payable by installments.
27. Thirty day's notice in writing of any call shall be given by the Company specifying the time and place of payment and the person to whom such call shall be made.
28. A call shall be deemed to have been made at the time when the resolution authorizing such call was passed at a meeting of the Board.
29. The Joint -holders of a share shall be jointly and severally liable to pay all calls in respect thereof
30. The Board may, from time to time at its discretion extend the time fixed for the payment of any call, and may extend such time as to all or any of the Members whom, from residence at a distance or other cause, the Board may deem fairly entitled to such extension but no Member shall be entitled to such extension save as a matter of grace and favour.
31. If any Member fails to pay any call due from him on the day appointed for payment thereof or any such extension thereof to time of actual payment thereof to the time of actual payment as such rate as shall from time be fixed by the Board not exceeding 18 percent per annum, but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such Member.
32. Any sum, which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made and of which due notice has been given and payable on the date of which by the terms of issue the same became payable and in case of non-payment all the relevant provision of the Articles as to payment of interest and expenses, forfeiture or otherwise, shall apply as if such sum had become payable by virtue of a call duly made and notified.
33. On the trial or hearing of any action or suit brought by the Company against any Member of his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of Member in respect of whose shares the money is sought to be recovered appears on the Register of Members as the holder at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the resolution making the call is duly recorded in minutes books; and that notice of such call was duly given to be necessary to prove the appointment of the Director who made such call, not that the meeting at which any call was made was duly concerned or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive of the debit.

34. Neither the receipt by the Company of a portion of any money which shall from time to time due from any Member to 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 hereinafter provided.
35. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The directors may at any time repay the amount so advanced. The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable. The provisions of these articles shall mutates mutandis apply to the calls on debentures of the Company.

#### **LIEN**

36. The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sales there or for all money (whether presently payable or not) called or payable at a fixed time in respect of such shares and on equitable interest in any shares shall be created except upon the footing and condition that this Articles will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien if any on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause". That fully paid shares shall be free from all lien and that in the case of partly paid shares the Issuer's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares.
37. For the purpose of enforcing such lien the Board may sell the share subject thereto in such manner as it shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such share and may authorize one of its Members to execute a transfer thereof on behalf of and in the name of such Member. No shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such members or his representatives and default shall have been made by him or them in payment fulfillment or discharge of such debts, liabilities or engagements for fourteen days after such notice.
38. The net proceeds of any such sale shall be received by the Company and applied 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 person entitled to the shares immediately prior to the same.
39. If any Member fails to pay any call or installment of a call on or before the day appointed for the payment of same or any such extension thereof as aforesaid, the Board may at any time thereafter during such time as the call or installment remains unpaid given notice to him requiring him to pay the same together with any interest that may have accrued by reason of such non-payment.

40. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and to which such call or installment and such interest thereon at such rate not exceeding 15 percent per annum as the Board shall determine from the date on which such call or installment ought to have been paid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed the shares in respect of which the call was made or installment in payable will be liable to be forfeited.
41. If the requirement of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board of that effect.
42. When any share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name is stood immediately prior to the forfeiture with the date thereof shall forthwith be made in the register thereof the forfeiture shall be in any such entry as aforesaid.
43. Any share so forfeited shall be deemed to be the property of the Company, and may be sold, reallocated or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.
44. Any Member whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares but shall, notwithstanding the forfeiture shall be liable to pay and shall forthwith pay Company on demand all calls, installments and interest in respect of such shares at the time of the forfeiture together with interest thereof from the time to the payment at such rate not exceeding 18 percent per annum as the Board may enforce the payment thereof if it thinks fit.
45. The forfeiture of share 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 and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.
46. A declaration in writing that the declarant is Director or secretary of the Company that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration shall be conclusive evidence of the act therein stated as against all persons claiming to be entitled to the share.
47. Upon any sale after forfeiture or for enforcing lien in purported exercise of the powers herein before given, the Board may appoint some person to execute an instrument of transfer of share sold and cause the purchaser's name to be entered in the Register of Members in respect of the shares sold and the purchaser shall not be bound to see to the regularity of the application of the purchase money, and after his name has been entered in the Register in respect of such shares the validity of the sale shall not be impeached by any person and the remedy of the person aggrieved by the sale shall be in damages only against the Company exclusively.
48. Upon any sale re-allotment or other disposal under the provisions of the preceding Articles, the certificate originally issued in respect shares shall stand cancelled and become null and void and of no effect, and the Board shall be entitled to issue a new certificate in respect of the said shares to the person or person entitled thereto.
49. The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of annual the forfeiture thereof upon such conditions as it thinks fit



50. The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transmission of any share.
51. The instrument of transfer of any share shall be in writing in the prescribed form under the Company (Central Government) General Rules and Forms, 1956.
52. Every such instrument of transfer shall be executed both by the transferor and the transferee and attested and the transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register of Members in respect thereof.
53. The Board shall have power on giving not less than seven days previous notice by advertisement in a newspaper circulating in the district in which the Register office is situated to close the Register of Members or Register debenture holders at such time to time and for such period or periods not exceeding thirty days at any time and not exceeding in the aggregate forty days in each year, as it may seem expedient.
54. a) The instrument of Transfer shall be in Form 7B of Company Act 1956 and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and Registration thereof.
- b) No fee shall be charged for the following:
  - i. for Registration of Transfers, sub-division and consolidation, certificates and for letters of allotment and for split, consolidation renewal and purchase transfer receipt into denomination corresponding to the market units of trading.
  - ii. For sub-division of reconcilable letters of right.
  - iii. For issue of new certificates in replacement of those which are old, defaced or worn-out or when the pages on the reverse for recording transfers have been fully utilized.
  - iv. For registration of any power of Attorney, Probate, letters of administration, or death certificates or for similar other documents.
- c) The Company shall issue certificates within one month of the date of lodgment for Transfer.
- d) 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 and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares / debentures in whatever lot shall not be refused.
55. Where in the case of partly shares an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provision of Section 110 of the Act.
56. In the case of the death of any one or more of the persons named in the Register of Members as the joint-holders of any share, the survivors shall be the only persons recognized by the Company as

having any title to or interest in the share, but nothing herein contained shall be taken to release the estate of deceased joint-holder from any liability on shares held by him jointly with any other person.

57. a) The executors or administrators of holders of Succession Certificate or the legal representative of a deceased Member (not being one of two or more joint-holders) shall be the only persons recognized by the Company as having any title to the shares registered in the name such Member and the company shall not bound to recognize such executors or administrators or holders of Succession Certificate or the legal representatives unless such executors or administrators or succession certificate as the case may be from a duly constituted Court in the Union of India; provided that in any case where the Board in this absolute discretion thinks the Union of India; provided that in any case where the Board in this absolute discretion thinks fit it may dispense with production of probate of probate of letters of a Administration or Succession Certificate and upon of India; provided that in any case where the Board in its absolute discretion thinks necessary and under Articles 60 register the name of a deceased Member, as a Member
- b) Nothing contained in the foregoing articles shall apply t transfer of security effected by the transferor both of whom are entered as beneficial owners in the records of the depository.
- c) In the case of transfer of shares or other marketable securities where the company has not issued any certificates and where such shares or securities are being held in an electronic and fungible from, the provision of the Depositories Act, 1956 shall apply
58. No share shall in any circumstances be transferred to any infant, insolvent or person of unsound mind.
59. Subjects to provision of Articles 57 to 58, any person becoming entitled to shares in consequence of the death lunacy bankruptcy of any lawful means other than by a transfer in accordance with the Articles, may, upon producing such evidence that he sustains the character in respects of which he proposed to act under this article or of his title, as the Board thinks sufficient, either get himself registered as the holder of the shares or elect to have some person nominated by him and approved by the Board register as such holder, provided, nevertheless, that is such person shall elect to have his nominee registered, he shall rectify the election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained and until he does so, he shall not be freed from any liability in respect of the shares.
60. A person entitled to a share by transmission shall subject to the right of the Director to retain such dividends or money as hereinafter provided, be entitled to receive and may give discharge for any dividends or other money payable in respect of the shares.
61. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor and his right to transfer the share and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.
62. Before the registration of a transfer, the certificate of the share to be transferred or, of no such certificate is in existence, a letter of allotment of such share, must be delivered to the Company, save as provided in section 108 of the Act, a properly stamped and executed instrument of transfer.
63. The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of share 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 share, notwithstanding that the Company may have had notice

or such equitable right, title or interest notice prohibiting registration of such transfer, and may have entered such notice or referred thereto, in books 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 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 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 through 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 to attend to any such notice, and give effect thereto if the Board shall so think fit. Provided that the registration of a transfer shall not be refused on ground of the transferor being either alone or jointly with other person indebted to the Company shall not be entered 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 through it may be given to it of any equitable right title or interest or be under any liability whatsoever to in some book of the Company but the Company shall nevertheless be at liberty to regard and to attend to any such notice and give effect thereto if the Board shall so think fit.

## **BUY-BACK OF SECURITIES**

Power of the Company to purchase its own securities.

64. Notwithstanding anything contained in these Articles but subjects to the provisions of section 77 A and 77B of the Act the Company may purchase its own securities or other specified securities (hereinafter referred to as Buy-back) out of-
- a) its Free Reserves; or
  - b) the Securities premium Account; or
  - c) the proceeds of any shares, or other specified securities.

In accordance with provision of section 77A and 77B of the Act and rules prescribed the central Government or by securities and Exchange Board of India in this behalf.

## **BORROWING POWERS**

66. Subject to the provision of section 292 and 293 of the Act and of these Articles, the Board may, time to time at its discretion, by a resolution passed at a Meeting of the Board, accept deposits from Members, either in advance of calls or otherwise and generally raise or borrow or secure the payment or of any sum or sums of money for the Company, provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business ) exceed the aggregate of the paid-up Capital of the Company and its free reserves ( not being reserves set apart for any specific purpose ) the Board shall not borrow such moneys without the consent of the Company in General Meeting.
67. The payment or repayment of money borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit, and in particular by a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of debentures stock of the Company charged upon all or any part of the time being, and debentures; debentures-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
68. Any debentures may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions

as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meeting, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of a Special Resolution of the Company in General Meeting.

69. The Board shall cause a proper Register to be kept in accordance with the provisions of the Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company and shall cause the requirements of sections 118,125 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with, so far as the fall to be complied with by the Board
70. The Company shall, if at any time it issued debentures, keep a Register and index of Debentures - holders in accordance with section 152 of the Act.

## **DIVIDENDS**

154. The profits of the Company, subject to any special right relating thereto created or authorized to be created by these Articles and subject to the provisions of these Articles shall be divisible among the Members in proportion to the amount of capital paid-up on the shares held by them respectively.
155. The Company in Annual General Meeting may declare dividends to be paid to Members according to their respective rights but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.
156. No dividend shall be declared or paid otherwise than out of profits of the Financial Year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act or out of profits of the Company for any previous financial year or years arrived at after providing to depreciation in accordance with these provisions and remaining undistributed or out of both, provided that;
  - a) if the Company has not provided for depreciation for any previous financial year or years it shall; before declaring or paying dividend for any financial year, provide for such depreciation out of the profits of that financial year or out of the profits of any other previous financial year or years
  - b) If the Company has incurred any loss in any previous financial year or years the amount provided for depreciation for the year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed financial year arrived at in both cases after providing for depreciation
157. The Board may from time to time pay to the Members such interim dividend as in their judgement the position of the Company justified.
158. Where capital is paid in advance of calls upon the footing that the same shall carry interest, such capital shall not whilst carrying interest confer a right to participate in profits.
159. The Company shall pay dividends in proportion to the amount paid-up on each share where a large amount is paid-up on some shares than on others.
160. The Board may retain the dividends payable upon shares in respect of which any person is, under the Article 60, entitled to become a Member of which any person under that Article is entitled to transfer, until such person shall become a Member in respect of such shares duly transfer the same

161. Any one of several persons who are registered as the joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other monies payable in respect of such share.
162. No member shall be entitled to receive payment of any interest or dividend in respect of his share of shares whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise, however, either alone or jointly with any other person or person, and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company
163. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.
164. Unless otherwise directed, any dividend may be paid by cheque or warrant or by a pay slip or receipt having the force of a cheque or warrant sent through the post to the registered of the member or person entitled to in case of joint- holders to that one of them first named in the Register Members in respect of the joint holding. Every such cheque or warrant shall be not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission, or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any pay slip or receipt or the fraudulent recovery of the dividend by any other means.
165. All dividends on any share not having a legal registered owner entitled to require payment of and competent to give a valid receipt for the same, shall remain in suspense until some competent person be registered as the holder of the share. No unclaimed dividend shall be forfeited before the claim becomes barred by the law by the Board of Directors of the Company to comply with, the provisions of section 205 (A) of the Companies Act, 1956.
166. Any General Meeting declaring a dividend may on the recommendations the Board make a call on the Members of such amount as the meeting fixes, but so that the call on each Member shall not exceed the dividend payable to him, and so that call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the Members, be set off against the calls.
167. a) The Company in General Meeting may, upon the recommendation of the Board, resolve that any monies, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserve Fund or any Capital Redemption Reserve Accounts or in the hands of the Company available (or representing premiums received on the issue of shares and standing to the credit of the share premium account) be capitalized and distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as Capital and all or any part of such capitalized fund be applied thereto as capital and all or any part of such capitalized fund be applied on behalf of such shareholders in paying up in full, either at part or at such premium as the resolution may provide any un issued shares or debentures or debentures- stock of the Company which shall be distributed accordingly or in or towards payments or the uncalled liability on any issued shares or debentures or debentures- stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the capitalized sum. Provided that a share premium account and a capital Redemption Reserve Account may for the purpose of this article, only be applied in the paying up of an issued shares to be issued to Members as fully paid bonus shares.
- b) A General Meeting may resolve that any surplus monies arising from the realization of any capital assets of the Company or any investments representing the same, or any other undistributed profits

of the Company not subjects to share for income tax be distributed among the Members on the footing that the y receive he same as capital

- c) Where the Company declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of the company and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted. Any money transferred to the unpaid dividend account of Company in pursuance of the above which remains unpaid or unclaimed for period of seven years from the date of such transfer shall be transferred by the Company to the fund established under Section 205 C of the Companies Act, 1956.

## **ACCOUNTS**

168. a) The Board shall cause to be kept in accordance with Section 209 of the Act proper books if account with respect to;
- (i) all sums of money received and expended by the Company and the matters in respects of which the receipt and expenditure take place.
  - (ii) all sales and purchases of goods by the Company;
  - (iii) The assets and liabilities of the Company
- b) the books of account shall be kept at such place or places as the Board may determine in accordance with the provisions of Section 209 of the Act and shall be open to inspection by any Direct or during business hours
- c) the Company shall preserve in good order the books of account relating to a period of not less than eight years preceding the current year.
169. The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the account and books of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or books or documents of the Company except as conferred by law or authorized by the Board.
170. The Board shall from time to time, in accordance with Section 210, 211, 212, 215, 216 and 217 of the Act, cause to be prepared and to be laid before the Company in General Meeting such Balance Sheet, Profit and Loss Accounts and Reports are required by these Sections.
171. A copy of every such Profit and Loss Account and Balance Sheet (including and Auditors' Report and every other document required by law to be annexed or attached to the Balance Sheet) shall atleast twenty one days before the meeting which the same are to be laid before the Member be sent to the Members of the Company, to holders of debentures issued by the Company (not being debentures which exfacie are payable to the bearer thereof) to trustees for the holders of debentures and to all other persons entitled to receive notices of General Meetings.
172. Auditors shall be appointed and their rights and duties regulated in accordance with Section 224 to 231 of the Act.
173. Every account of the Company when audited and approved by a General Meeting shall be conclusive except as regards any error discovered therein within three months next after the approval thereof.

Whenever any such error is discovered within that period the account shall forthwith be corrected and henceforth shall be conclusive.

## **WINDING-UP**

183.

- a) If the Company shall be wound-up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid-up or which ought to have been paid-up at the commencement of the winding-up on the shares held by them respectively. And if in winding-up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid-up, at the time of the winding-up the excess shall be distributed amongst the Members in proportion to the Capital paid-up at the commencement of the winding-up or which ought to have been paid-up on the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.
- b) The Liquidator or any winding-up (whether voluntary, under supervision or compulsory) may, with sanction of a Special Resolution but subject to the rights attached to any performance share capital, divide among the contributors in specie any part or the assets of the company and may, with the like sanction, vest any part of the assets of the company in trustees upon such trusts for the benefits of the contributors as the Liquidator with the like sanction, shall think fit.

### **186. Dematerialization of Securities:**

Definitions for the purpose of this article:

“Beneficial Owner” means a person (s) whose name is recorded as such with a depository;

“SEBI” means the Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992;

“Depository” means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the SEBI Act, 1992;

“Deposit Act” means the Depositories Act, 1996 or any statutory modifications or re-enactment thereof;

“Registered Owner” means a Depository whose name is entered as such in the records of the Company;

“Security” means such security, as may be specified by the SEBI from time to time.

#### **a. Dematerialization / Rematerialization of Securities**

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its securities and to offer securities in the dematerialized form pursuant to the Depository Act.

#### **b. Intimation to Depository**

Notwithstanding anything contained in this article, where securities are dealt with in a Depository, the Company shall intimate the details of allotment of securities to depository immediately on allotment of such securities.

#### **c. option for investor**

Every person subscribing to securities offered by the Company shall have the option to receive security certificated or to hold the securities with a depository, such a person who is the beneficial owner of the securities can opt out of depository, if permitted by law, in respect of any security in the manner provided by the Depository Act, and the company shall, in the manner and with in the time prescribed, issue to the beneficial owner the required certificate of securities. If a person opt to hold his security with a depository, the company shall intimate such depository, the details of allotment of the security, and on receipt of information, the depository shall enter in the records, the name of allottee as the beneficial owner of the securities.

d. Securities in Depositories to be in fungible form

All the securities held by a depository shall be dematerialized and shall in fungible form. No certificate shall be issued for the securities held by the depository. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956 shall apply to a depository I respect of the securities held by it on behalf of the beneficial owners.

e. Transfer of Securities

Nothing contained in Section 108 of the Companies Act, 1956 or these articles relating to that shall apply to a transfer of securities affected by a transferor and transferee, both of them are entered as beneficial owners in the records of depository.

f. Allotment of Securities dealt within a Depository

Notwithstanding anything contained in the Act, or these articles, where a depository deals within or the securities, the Company shall intimate the details of allotment of relevant securities to depository immediately on allotment of such securities.

g. Distinctive Numbers of securities held in a Depository

Notwithstanding in the Act, or these articles regarding the necessity of having distinctive numbers for securities issued by the Company shall not apply to securities held with a depository.

h. Register and Index of beneficial owners

The register and index of beneficial owners maintained by a depository under the depositories act shall be deemed to the register and Index of members and other security holders for the purpose of these articles.

i. Right of Depositories and beneficial owners

i. Notwithstanding anything contained in the Provisions of the Companies Act, 1956 and these articles, a depository shall be deemed to the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

ii. Save as otherwise provided in (i) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

iii. Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be member of the Company. The



beneficial owners of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of their securities, which are held by the depository.

## SECTION X: MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by the Company. These contracts and also the documents for inspection referred to hereunder, may be inspected at Registered Office of our Company situated at D.No. 9-33/1. Andhra Bank Street, Tallapudi, West Godavari (Dist.) 534 341 Andhra Pradesh from 11.00 AM to 4.00 PM from the date of this Draft Red Herring Prospectus until the date of closure of the Issue.

### Material Contracts

1. Memorandum of Understanding dated February 17, 2011 signed between our Company and Almondz Global Securities Limited, the Book Running Lead Manager to the Issue.
2. Memorandum of Understanding dated January 10, 2011 signed between our Company and Registrar to the Issue.
3. Copy of the Tri-partite Agreement dated [•] between NSDL, our Company and Registrars to the Issue.
4. Copy of the Tri-partite Agreement dated [•] between CDSL, our Company and Registrars to the Issue.

### Documents for Inspection

1. Memorandum and Articles of Association of Bio Ethanol Agro Industries Limited, as amended from time to time.
2. Copy of resolution passed at EGM dated January 5, 2011 u/s 81(1A) authorizing the Issue of Equity Shares.
3. Copies of letters addressed to BSE and NSE requesting for grant of 'in-principle' approval.
4. Copies of In-Principle approvals received from BSE and NSE dated [•] and [•] respectively.
5. Copies of Annual Reports of the Company for the periods June 8, 2006 to June 30, 2007; 9-months period ended March 31, 2008; FY 2008-09, and FY 2009-10.
6. Copy of Tax Benefits Certificate issued by Statutory Auditors of the Company viz. M/s B S R and Associates, Chartered Accountants, dated March 2, 2011.
7. Restated financial statements for the periods June 8, 2006 to June 30, 2007; 9-months period ended March 31, 2008; FY 2008-09, FY 2009-10 and 6-months period ended September 30, 2010.
8. Resolutions approving the present terms of employment and remuneration between our Company and our Whole time Directors as approved by our Board and our Shareholders.
9. Appraisal Report dated October 4, 2010 of Bank of Baroda.
10. No Objection Certificate and consent from Bank of Baroda, in connection with proposed public issue of our Company.
11. Copies of agreements dated November 18, 2009 entered into with Moji Engineering Systems Limited in respect of Phase-I.
12. Consent letters from Directors, Book Running Lead Manager to the Issue, Registrar to the Issue, Bankers to the Company, Statutory Auditors, Legal Advisors to the Issue and Company Secretary & Compliance Officer to act in their respective capacities and for inclusion of their names in this Draft Red Herring Prospectus.


13. Due Diligence Certificate dated March 2, 2011 issued by Book Running Lead Manager to the Issue.
14. A copy of the SEBI Final observation letter no [•] dated [•] received from SEBI, Chennai in respect of the Initial Public Offering of Bio Ethanol Agro Industries Limited.

## DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. The Company further certifies that all statements in this Draft Red Herring Prospectus are true and correct.

### SIGNED BY ALL THE DIRECTORS OF BIO ETHANOL AGRO INDUSTRIES LIMITED

 <b>Mr. Venkat S. Meenavalli</b> <i>Chairman</i>	 <b>Mr. A. Veerabhadra Rao</b> <i>Executive Director</i>
 <b>Mr. G. Linga Murthy</b> <i>Non Executive and Non-Independent Director</i>	 <b>Mr. D. Prakash Rao</b> <i>Non-Executive and Independent Director</i>
 <b>Mr. P. Parthasarathi</b> <i>Non-Executive and Independent Director</i>	 <b>Mr. T. Naresh Kumar</b> <i>Non-Executive and Independent Director</i>



**Mr. B. Prabhakara Rao**  
**General Manager Finance**

Date: March 2, 2011

Place: Hyderabad, Andhra Pradesh

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

