**Preliminary Placement Document** **Serial No: [●]**
Not for circulation **Date: [●]**

# Godawari Power and Ispat Limited

*(Incorporated in the Republic of India with limited liability under the Companies Act, 1956)*

**GODAWARI POWER AND ISPAT LIMITED (THE "COMPANY") IS ISSUING [●] EQUITY SHARES OF RS.10 EACH AT A PRICE OF RS. [●] PER EQUITY SHARE, INCLUDING A PREMIUM OF RS. [●] PER EQUITY SHARE AND AGGREGATING RS. [●] MILLION OF PROCEEDS TO OUR COMPANY (THE "ISSUE").**

**ISSUE IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000**

**THIS OFFERING AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS AMENDED (THE "SEBI GUIDELINES"). THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH ELIGIBLE INVESTOR, AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS OTHER THAN SUCH ELIGIBLE INVESTORS TO WHOM IT IS PROVIDED.**

Invitations, offers and sales of Equity Shares shall only be made pursuant to the Preliminary Placement Document, Confirmation of Allocation Note and the Application Form. See "Issue Procedure." The distribution of this Preliminary Placement Document or the disclosure of its contents without our prior consent, to any person, other than Qualified Institutional Buyers (QIBs) (as defined in the SEBI Guidelines) and persons retained by Qualified Institutional Buyers to advise them with respect to their purchase of Equity Shares, is unauthorized and prohibited. Each eligible investor, by accepting delivery of this Preliminary Placement Document agrees to observe the foregoing restrictions, and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India, and will not be circulated or distributed to the public in India.

**Investments in equity and equity-related securities involve a degree of risk and prospective investors should not invest any funds in this Issue unless they are prepared to take the risk of losing all or part of their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. Each prospective investor is advised to consult its advisers about the particular consequences to it of an investment in the Equity Shares being issued pursuant to this Preliminary Placement Document.**

The information on our Company's website or any website directly or indirectly linked to such websites does not form part of this Preliminary Placement Document and prospective investors should not rely on such information.

Applications shall be made for the listing of the Equity Shares on the National Stock Exchange of India Limited (the "NSE") and Bombay Stock Exchange Limited (the "BSE" and, together with the NSE, the "Stock Exchanges"). The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Equity Shares.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THE PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON OR (2) REPRODUCE SUCH PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SEBI GUIDELINES OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of the Preliminary Placement Document will be filed with the Stock Exchanges. A copy of the Preliminary Placement Document will also be delivered to the Securities and Exchange Board of India (the "SEBI") for record purposes.

This Preliminary Placement Document has been prepared by our Company solely for providing information in connection with the proposed Issue of the Equity Shares described in this Preliminary Placement Document.

The Equity Shares have not been nor will be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be institutional investors who are accredited investors (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act) pursuant to Section 4(2) of the Securities Act and (b) outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

**"THIS PRELIMINARY PLACEMENT DOCUMENT DOES NOT CONSTITUTE AN OFFER TO ANY PERSON TO PURCHASE EQUITY SHARES OF THE COMPANY ANS IS BEING ISSUED FOR THE SOLE PURPOSE OF INVITING BIDS FOR THE EQUITY SHARES BEING OFFERED PURSUANT TO THIS ISSUE."**

## BOOK RUNNING LEAD MANAGERS ("BRLMs")

| MOTILAL OSWAL | IL&FS INVESTSMART |
|---|---|
| **MOTILAL OSWAL INVESTMENT ADVISORS PRIVATE LIMITED**<br>Registration No. INM000011005<br>113/114, Bajaj Bhawan, 11th Floor,<br>Nariman Point,<br>Mumbai 400 021, India<br>Tel: +91 22 3980 4380 Fax: +91 22 3980 4315<br>Email: gpil@motilaloswal.com<br>Website: www.motilaloswal.com<br>Contact Person: Mr. R.Anand / Mr. Rupesh Khant | **IL&FS INVESTSMART SECURITIES LIMITED**<br>Registration No.: MB/INM000002475<br>The IL&FS Financial Centre, Plot C-22, G Block,<br>Bandra-Kurla Complex, Bandra (East),<br>Mumbai: 400051, India<br>Tel: +91 22 2653 3333 Fax: +91 22 6693 1862<br>Email : gpil.qip@investsmartindia.com<br>Website : www.investsmartindia.com<br>Contact Person/s: Mr. Rohan Saraf |

# NOTICE TO INVESTORS

Our Company accepts responsibility for the information contained in this Preliminary Placement Document and to the best of the knowledge and belief of our Company, having made all reasonable enquiries, confirms that this Preliminary Placement Document contains all information with respect to our Company and the Equity Shares which is material in the context of this Issue. The statements contained in this Preliminary Placement Document relating to our Company and the Equity Shares are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed in this Preliminary Placement Document with regard to our Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company and are based on reasonable assumptions. There are no other facts in relation to our Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements.

The BRLMs have not separately verified the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the BRLMs nor any member, employee, counsel, officer, director, representative, agent or affiliate of the BRLMs makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the BRLMs, as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on the BRLMs nor on any person affiliated with the BRLMs in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company and the merits and risks involved in investing in the Equity Shares. Eligible Investors should not construe anything in this Preliminary Placement Document as legal, business, tax, accounting or investment advice.

No person is authorized to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of our Company or the BRLMs. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

**The Equity Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. None of these authorities has passed on or endorsed the merits of this offering or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offense in other jurisdictions.**

The distribution of this Preliminary Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company or the BRLMs which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, investors must rely on their own examination of our Company and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the BRLMs is making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Chapter XIII-A of the SEBI Guidelines and is not prohibited by the SEBI from buying, selling or dealing in securities. Each purchaser of Equity Shares in this Issue also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares.

This Preliminary Placement Document contains summaries of certain terms of certain documents, but reference is made to the actual documents, copies of which will be made available upon request during the offering period for physical inspection at the registered office of our Company located at Plot No. 428/2, Phase 1, Industrial Area, Siltara - 493 111, Raipur, Chhattisgarh, India, subject to applicable confidentiality restrictions. All such summaries are qualified in their entirety by this reference.

**REPRESENTATIONS BY INVESTORS**

By purchasing any Equity Shares under the Issue, you are deemed to have agreed as follows:

- you are a qualified institutional buyer as defined in Chapter XIII-A of the SEBI Guidelines ("QIB") and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter XIII-A of the SEBI Guidelines;

- if you are allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from allotment, sell the Equity Shares so acquired except only on the floor of the Stock Exchanges;

- you are aware that the Equity Shares have not been and will not be registered under the SEBI regulations or under any other law in force in India. The Preliminary Placement Document has not been verified or affirmed by the SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies. The Preliminary Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of the Company and the Stock Exchanges;

- you are entitled to subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities;

- you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Preliminary Placement Document) and will honour such obligations;

- none of the Bookrunners is making any recommendations to you, advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not be a client of any of the Bookrunners and that none of the Bookrunners has duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue;

- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the allotment of the same shall be on a discretionary basis;

- you have made, or been deemed to have made, as applicable, the representations set forth under "Selling Restrictions";

- you have been provided a serially numbered copy of the Preliminary Placement Document and have read the Preliminary Placement Document in its entirety;

- that in making your investment decision, (i) you have relied on your own examination of the Group and the terms of the Issue, including the merits and risks involved, (ii) you have made your own assessment of the Group, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local 1aws, and (iv) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Company and the Equity Shares;

- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Company and the Bookrunners for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;

- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each managed account;

- you are not a promoter and are not a person related to the promoters, either directly or indirectly and your bid does not directly or indirectly represent the promoter or promoter group of the Company.

- you have no rights under a shareholders agreement or voting agreement with the promoters or persons related to the promoters, no veto rights or right to appoint any nominee director on the Board of Directors of the Company other than the acquired in the capacity of a lender which shall not be deemed to be a person related to the promoter;

- you have no right to withdraw your bid after the Bid Closing Date;

- you are eligible to bid and hold Equity Shares so allotted and together with any Equity Shares held by you prior to the Issue. You further confirm that your holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulation;

- the bids made by you would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended (the "Takeover Code");

- to the best of your knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control as you, the allotment under the present Issue shall not exceed 50 per cent. of the Issue. For the purposes of this statement:

  a. the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act; and

  b. 'control' shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.

- you shall not undertake any trade in the Equity Shares credited to your depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;

- you are aware that applications have been made to the Stock Exchanges for in-principle approval for listing and admission of the Equity Shares to trading on the Stock Exchanges' market for listed securities;

- you are aware and understand that the Bookrunners will have entered into a placement agreement with the Company whereby each of the Bookrunners has, subject to the satisfaction of certain conditions set out therein, undertaken severally, and not jointly or jointly and severally, to use its reasonable endeavours as agents of the Company to seek to procure placees for the Equity Shares;

- that the contents of this Preliminary Placement Document are exclusively the responsibility of the Company and that neither the Bookrunners nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of the Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Bookrunners or the Company or any other person and neither of the Bookrunners nor the

Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- that the only information you are entitled to rely on and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by any of the Bookrunners or the Company and the Bookrunners will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;

- you agree to indemnify and hold the Company and the Bookrunners harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this paragraph. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts;

- that the Company, the Bookrunners and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the Bookrunners on their own behalf and on behalf of the Company and are irrevocable; and

- that you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000 and have not been prohibited by the SEBI from buying, selling or dealing in securities.

## P-NOTES

Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulation, 1995, as amended, foreign institutional investors as defined under SEBI Guidelines, or their sub-accounts (together referred to as "FIIs"), including FII affiliates of the BRLMs were permitted issue, deal in or hold, off-shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against Equity Shares allocated in this Issue (all such off-shore derivative instruments referred to herein as "P-Notes"), for which they may receive compensation from purchasers of such instruments. On October 16, 2007, SEBI had issued a position paper on P-Notes, which was followed by the SEBI announced dated October 25, 2007 whereby SEBI has placed certain restrictions on the issue of P-Notes. As a result, P-Notes can now only be issued to entities which are regulated in their country of jurisdiction. Also, FIIs and their sub-accounts cannot issue any P-Notes with derivatives as the underlying security and the current positions need to be wound up in 18 months. In addition, sub-accounts of FIIs cannot issue any further P-Notes. Lastly, the notional value of P-Notes can not exceed 40% of assets under custody.

P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. The Preliminary Placement Documentdoes not contain any information concerning P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto. Any P-Notes that may be issued are not securities of our Company and do not constitute any obligations of, claim on, or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to our Company. Our Company and its affiliates do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the BRLMs and do not constitute any obligations of, or claim on the BRLMs. Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of any P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

## NOTICE FOR NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under chapter 421-b of the new hampshire revised statutes ("RSA 421-B") with the state of new hampshire nor the fact that a security is effectively registered or a person is licensed in the state of new hampshire constitutes a finding by the secretary of state of new hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the secretary of state has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. it is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

## INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to our business contained in this Preliminary Placement Document consists of estimates based on data reports compiled by professional organizations and analysts, data from other external sources and our knowledge of our markets in which we compete. The statistical information included in this Preliminary Placement Document relating to the iron and steel industry has been reproduced from various trade, industry and government publications and websites. Industry publications and sources wherefrom we have used such data generally state that the information that they contain have been obtained from sources believed to be reliable but the accuracy and completeness of such information cannot be guaranteed. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analyses and estimates, so we rely on internally developed estimates. While we have compiled, extracted and reproduced this data from external sources, including third parties, trade, industry or general publications, however, neither we nor the BRLMs have independently verified this data and neither we nor the BRLMs make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the BRLMs can assure eligible investors as to their accuracy.

## DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the Preliminary Placement Document has been submitted to the Stock Exchanges. Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Preliminary Placement Document
2. warrant that this Company's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or
3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed to mean that the Preliminary Placement Document has been cleared or approved by Stock Exchanges. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

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## DEFINITIONS

### Definitions of Certain Capitalized Terms used in this Preliminary Placement Document

The following list of defined terms is intended for the convenience of the reader only and is not exhaustive.

In this Preliminary Placement Document, all references to "Godawari Power and Ispat Limited", "GPIL", "our Company", "Our Company", "we", "our" and "us" are to Godawari Power and Ispat Limited, a company incorporated under the Companies Act, 1956, with its registered office at Plot No. 428/2, Phase 1, Industrial Area, Siltara - 493 111, Raipur, Chhattisgarh, India.

### General Terms

| Term | Description |
|---|---|
| Articles / Articles of Association | Articles of Association of Godawari Power and Ispat Limited |
| Auditors | The statutory auditors of our Company, M/s. O. P. Singhania & Co., Chartered Accountants |
| Board of Directors, Board, Directors | Board of Directors of Godawari Power and Ispat Limited |
| Civil Code | The Code of Civil Procedure, 1908 of India |
| Committee | Committee of Board of Directors of our Company authorized to take decisions on matters related to this Placement |
| Companies Act | Indian Companies Act, 1956, as amended |
| Designated Stock Exchange | National Stock Exchange of India Limited |
| Directors | Directors of Godawari Power and Ispat Limited, as may be changed from time to time |
| Equity Shares | Equity Shares with full voting rights of Godawari Power and Ispat Limited of face value of Rs.10 each unless otherwise specified in the context thereof |
| Equity Shareholders / Shareholders | Persons holding equity shares of Godawari Power and Ispat Limited, unless otherwise specified in the context thereof |
| Financial Year / Fiscal Year / FY | The twelve months ended March 31 of a particular year |
| Memorandum / Memorandum of Association | The Memorandum of Association of Godawari Power and Ispat Limited |
| Non-Resident Indian(s) | An individual/individuals of Indian nationality or origin residing outside India |
| Rs., Rupees, INR or Indian Rupees | The official currency of India |
| Stock Exchanges | National Stock Exchange of India Limited and Bombay Stock Exchange Limited |

### Issue Related Terms

| Term | Description |
|---|---|
| Banker to the Issue | Axis Bank Limited, 13th floor, Maker Tower-F, Cuffe Parade, Colaba, Mumbai. |
| BRLMs | BRLMs to the Qualified Institutions Placement of Equity Shares of Godawari Power and Ispat Limited, in this case being Motilal Oswal Investment Advisors Private Limited and IL&FS Investsmart SecuritiesLimited. |
| CAN / Confirmation of Allocation Note | The note or advice or intimation of allocation of Equity Shares sent to QIB investors who have been allocated Equity shares at Issue Price |
| Consortium | Consortium of Godawari Power and Ispat Limited, Ind- Agro Synergy Limited, Shri Nakoda Ispat Limited, Vandana Global Limited and Shree Bajrang Power & Ispat Limited formed for the purpose of captive coal mines. |

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|---|---|
| Designated Stock Exchange | The National Stock Exchange of India Limited |
| Escrow Collection Account | Account opened with the Escrow Collection Bank for the Issue and in whose favour the QIB Investor will issue cheques or drafts in respect of the applicable amount. |
| Escrow Collection Bank | The banks, which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened, in this case Axis Bank Limited. |
| Floor price | Price calculated as per SEBI Guidelines – Rs.266.24 per Equity Share on NSE |
| Government (GOI) | Government of India, unless otherwise specified in the context thereof. |
| Issue/Placement | The present issue of Equity Shares to the QIBs |
| Issue Closing Date | The date after which no applications will be accepted from QIBs |
| Issue Opening | The date from which applications will be accepted from QIBs |
| Issue Period | Period between the Issue Opening date and the Issue Closing date inclusive of both days and during which prospective QIB investors can submit their application forms. |
| Issue Price | The final price at which the Equity Shares will be allocated to the QIBs |
| Issue Size | [●] Equity Shares of Rs.10 each to be issued to QIB Investors at the Issue Price of Rs.[●] each |
| Promoters | B. L. Agrawal, H. P. Agrawal, N. P. Agrawal, Suresh Agrawal, Dinesh Agrawal and Siddharth Agrawal |
| Promoter Group | B. L. Agrawal (HUF), N. P. Agrawal (HUF), Suresh Agrawal (HUF), Dinesh Agrawal (HUF), Kanika Agrawal, Rashmi Agrawal, Sarita Agrawal, Ram Richhpal Agrawal (HUF), Godawari Devi Agrawal, Prakar Agrawal, Kumar Agrawal, Madhu Agrawal, Vinay Agrawal, Reena Agrawal, Nancy Agrawal, Abhishek Agrawal, Pranav Agrawal, R. R. Ispat Limited,Hira Industries Ltd, Hira Ferro Alloys Limited, Hira Steels Ltd, Hira Cement Ltd, Chhattisgarh Power & Coal Benificiation Ltd, Tanusha Real Estate Pvt Ltd, Alok Ferro Alloys Ltd, Maruti Clean Coal & Power Ltd, |
| "Qualified Institutional Placement", "QIP", "Placement" or "Issue" | Qualified Institutional Placement of Equity Shares to QIBs pursuant to Chapter XIII-A of SEBI (Disclosure and Investor Protection) Guidelines, 2000 of Godawari Power and Ispat Limited**.** |
| Qualified Institutional Buyers | Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA), Provident Funds with a minimum corpus of Rs 250 million and Pension Funds with a minimum corpus of Rs.250 million. |
| Registered Office of our Company | 428/2, Phase I, Industrial Area, Siltara, Raipur - 493 111, Chhattisgarh, India |
| Registrar | Intime Spectrum Registry Limited |
| SEBI | Securities and Exchange Board of India |
| SEBI Act | Securities and Exchange Board of India Act, 1992, as amended |
| SEBI Guidelines | SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended |
| Takeover Code | SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997, as amended |

**Abbreviations**

| Term | Description |
|---|---|
| AED | United Arab Emirates Dirham |
| AGM | Annual General Meeting |
| AS / Accounting Standards | Accounting Standards as issued by the Institute of Chartered Accountants of India |
| BOLT | BSE’s online trading facility |
| BSE | Bombay Stock Exchange Limited |
| CAGR | Compounded Annual Growth Rate |
| CAN | Confirmation of Allocation Note |

| | |
|---|---|
| CDM | Clean Development Mechanism |
| CDSL | Central Depository Services (India) Limited |
| CERs | Certified Emissions Reductions |
| CSEB | Chhatisgarh State Electricity Board |
| ECB | External Commercial Borrowing |
| EGM | Extra-ordinary General Meeting |
| EPS | Earnings per Share |
| ESOS | Employee Stock Option Scheme |
| EU | European Union |
| FEMA | Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under |
| FI | Financial Institution |
| FII(s) / Foreign Institutional Investors | Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors Regulations, 1995) registered with SEBI under applicable laws in India |
| GAAP | Generally Accepted Accounting Practices |
| GATT | General Agreement on Tariffs and Trade |
| GBP | Great Britain Pound |
| GDP | Gross Domestic Product |
| HUF | Hindu Undivided Family |
| ID Fans | Induced Draught Fan |
| I.T. Act | Income Tax Act, 1961, as amended from time to time |
| IAS | International Accounting Standards |
| ICAI | Institute of Chartered Accountants of India |
| Indian GAAP | Generally Accepted Accounting Principles in India |
| IP | Intellectual Property |
| J&K | Jammu & Kashmir |
| LIBOR | London Interbank Offered Rate |
| NAV | Net Asset Value |
| NR | Non Resident as defined under FEMA |
| NRIs | Non-Resident Indians, as defined under FEMA |
| NSDL | National Securities Depository Limited |
| NSE | National Stock Exchange of India Limited |
| OECD | Organisation for Economic Co-operation and Development |
| OMCs | Oil Marketing Companies |
| PAN | Permanent Account Number |
| PAT | Profit After Tax |
| PBT | Profit before Tax |
| PBDT | Profit Before Depreciation and Tax |
| PBDIT | Profit Before Depreciation Interest and Tax |
| PBIT | Profit before Interest and Tax |
| P/E Ratio | Price to Earnings Ratio |
| RONW | Return on Net Worth |
| RBI | Reserve Bank of India |
| SCRA | Securities Contracts (Regulation) Act, 1956 of India |
| STT | Securities Transaction Tax |
| US or USA | United States of America, its territories and its possessions and the District of Columbia |
| US$ OR US Dollar | The official currency of the United States of America |

**Industry Related Terms**

| Term | Description |
|---|---|
| AFBC | Atmosphetic Fluidised Bed Combustion |
| DRI | Direct Reduced Iron |
| EAF | Electric Arc Furnaces |
| HBI | Hot Briqueted Iron |
| ISP | Integrated Steel Plant |
| Kwh | Kilo watt hour |
| MT | Metric Ton |
| MW | Mega Watt (1000 kilo watts) |
| NMDC | National Mineral Development Corporation |
| PPA | Power Purchase Agreement |
| SECL | South Eastern Coalfields Limited |
| SMS | Steel Melting Shop |
| TPA | Tonnes Per Annum |
| TPD | Tonnes Per Day |
| 1 Metric Ton | 1,000 kilograms |
| 1 unit of power | 1 kilo watt hour/1000 watt hour |

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We prepare our financial statements in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from IAS/IFRS and U.S. GAAP. We do not provide a reconciliation of our financial statements to IAS/IFRS or U.S. GAAP financial statements or a summary of the principal differences between Indian GAAP, IAS/IFRS and U.S. GAAP relevant to our business. See "Risk Factors and This Issue-Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar." All discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding off.

We publish our financial statements in Rupees. This Preliminary Placement Document contains translations of certain Rupee amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Rupee amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Rupees to U. S. dollars have been made on the basis of the noon buying rate in New York City for cable transfers in Rupees, as certified for customs purposes by the Federal Reserve Bank of New York ("Noon Buying Rate") on December 3, 2007 of Rs.39.39 = US$1.00.

In this Placement Document, unless otherwise indicated or the context otherwise requires, all references to "Godawari Power and Ispat Limited," "GPIL," the "Company," "we," "our," "us," or similar terms are to Godawari Power and Ispat Limited, and references to "you" are to the prospective investors in the Equity Shares. References in this Preliminary Placement Documentto "India" are to the Republic of India and the "Government" are to the Governments of India, Central or State, as applicable.

## FORWARD-LOOKING STATEMENTS

All statements contained in this Preliminary Placement Document that are not statements of historical fact constitute "forward-looking statements." All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Preliminary Placement Document regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Preliminary Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. 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 our expectations include, among others:

- Regulatory changes pertaining to the iron & steel industry in India and our ability to respond to the same;
- Monetary and fiscal policies of India;
- Performance of financial markets in India and globally;
- Inflation, deflation and unanticipated fluctuations in interest rates;
- General economic and political changes and changes in laws and regulations that apply to the Indian and global steel industry, including with respect to direct / indirect taxes or environmental regulations;
- Company's ability to successfully implement our strategy, our growth and expansion plans and technological changes;
- The market prices and demand for our products and related raw materials;
- Government and business conditions globally and in India;
- Changes in interest rates, and in exchange rates;
- Changes in raw material and energy prices;
- Our ability to obtain the financing needed and to repay maturing obligations and also to fund our expansion in a timely manner and on satisfactory terms and conditions; and
- The other risk factors discussed in this Preliminary Placement Document, including those set forth under "Risk Factors" on page 15 of this Preliminary Placement Document.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry" and "Business."

Investors can generally identify forward-looking statements by terminology such as "may," "will," "could," "should," "would," "expect," "plan," "propose," "seek," "target," "intend," "anticipate," "aim," "believe," "can," "contemplate," "estimate," "predict," "potential" or "continue" and the negative of such terms or other comparable terminology. Except as required by law, we undertake no obligation to update or revise any forward-looking statements after the date of this Preliminary Placement Documentor to conform these statements to actual results or to changes in our expectations.

The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

## ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. All of our Company's Directors and senior management are residents of India and a substantial portion of the assets of our Company and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon our Company or such persons outside India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, of India on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; and
- where the judgment sustains a claim founded on a breach of any law then in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such Section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44 A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties.

The United Kingdom, Singapore and Hong Kong have been declared by the Central Government to be reciprocating territories for the purposes of Section 44A, but the United States has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within two years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Execution of a judgment or repatriation outside India of any amounts received is subject to the approval of the RBI. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to execute such a judgment or to repatriate outside India any amount recovered. It is uncertain as to whether an Indian court would enforce foreign judgments that would contravene or violate Indian law.

## RISK FACTORS

*Investing in the Equity Shares offered hereby involves a high degree of risk. You should carefully consider the following factors, as well as other information contained in this Preliminary Placement Document (including the financial statements and related notes thereto included elsewhere in this Preliminary Placement Document), before making an investment in the Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, financial condition, results of operation and prospects and cause the market price of the Equity Shares to fall significantly.*

### INTERNAL RISK

1. ***We are involved in legal proceedings which if determined against could affect our financial condition and results of operations.***

   Our company is party to various legal proceedings arising in the ordinary course of business operations. Such proceeding could divert management time and attention and if determined adversely could affect our business and results of our operation.

2. ***Difficulty arising due to Non-availability of raw material***

**Iron ore**

We currently procure our requirement of iron ore partially from NMDC and balance from open market. Though we have a supply agreement with NMDC, we do not have supply agreement with any of the private players in open market. Any disruption in the supply of iron ore requirement or our failure to procure the required additional quantities of iron ore may have an adverse impact on our operations and profitability.

Although we have been allotted Iron Ore mines by Ministry of Mines with total mining area of 216.06 hectares, we are yet to obtain permission from Department of Forest, Ministry of Environment and Forest, Govt of India to carry out mining activities at the Iron Ore mines. For further details refer to page no. 23 of this Preliminary Placement Document.

**Coal:**

We have been granted linkages for our partial requirement of coal by Ministry of Coal through South Eastern Coalfields Limited (SECL) which satisfies our partial coal requirement. Any disruption in the supply of the current coal requirement or our failure to procure the required additional quantities of coal may have an adverse impact on our operations and profitability. To ensure our production levels at enhanced capacities, we have applied for additional coal linkages and the approval of linkages from the Ministry of Coal is awaited. We are currently meeting our balance requirement of coal through e-auction done by Coal India Limited and open market purchases from the traders. Our inability to procure required quantities of coal may adversely impact our operations and financial performance.

3. ***Price fluctuations of raw material and finished products***

In the recent past, there have been wide fluctuations in the prices of critical raw materials such as iron ore and coal both at domestic and international levels. Such fluctuations in prices of raw material and our inability to negotiate at optimum market rates may adversely affect our profitability. Similarly, the prices of finished products are also subject to fluctuations, which could adversely impact our profitability. Please refer the section "Management Discussion and Analysis of Results of Operation" on page 47 of this Preliminary Placement Document for more details.

### *4. Contingent Liabilities, Guarantees and Capital Commitments*

***(Rs. in Millions)***

| Particulars | September 30, 2007 | March 31, 2007 | March 31, 2006 |
|---|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and Not provided for | - | 102.50 | 360.00 |
| Bank Guarantees issued by the company's bankers | 14.87 | 14.87 | 7.87 |
| Corporate Guarantee | 1,420.00 | 1,420.00 | 1,367.00 |
| Disputed Liabilities | 8.97 | 8.97 | 6.55 |
| **Total** | **1,443.84** | **1,546.34** | **1,741.42** |

In the event that any of these contingent liabilities materialize, our financial condition may be adversely affected. For further details, see section titled "Financial Statements" beginning on page 138 of this Preliminary Placment Document.

### *5. Tax benefits that we enjoy may not available to us in future*

We currently enjoy some tax benefits such as Sales tax/VAT exemption till FY 2012 and Income Tax exemption for profit from power division U/s 80IA of Income Tax Act till FY 2013. The unavailability of these tax benefits due to the changes in the government policies or applicable tax regimes would increase our tax obligation and have a material adverse effect on our profits after tax, and cash flows. Such non-availability of tax benefits due to any reason including disallowance by the tax authorities could adversely affect our results of operations and financials.

### *6. We require forest clearance from Department of Forest, Ministry of Environment and Forest Government of India to commence Mining of Iron Ore Operations. Also, we require various clearances from Ministry of Coal and other Government authorities to commence coal mining operations. If we do not receive the requisite approvals or any delay in receipt of such approvals could affect our results of operation.*

We have been allotted Iron Ore mines by Ministry of Mines with total mining area of 216.60 hectares.We require a forest clearance to commence the mining activities, for which we have made an application to the Ministry of Environment and Forest, Govt of India for Boria Tibu Mines & Ari Dongri Mines with the Ministry of Environment and Forest for forest clearance. Any delay in receiving these approvals, could adversely affect our results of operations.

We have also been allotted Coal mines by Ministry of Coal with total reserves of 243 million tonnes in a consortium out of which our share is 63 million tonnes. We have initiated process for getting regulatory approvals and any delay in non receipt of regulatory approvals could have impact on our performance and commencement of mining of coal.

### *7. Non Compliance of Listing Agreement by the Group Companies*

Shares of our Group Company Hira Ferro Alloys Limited ("HFAL") are listed on Delhi Stock Exchange Association Limited ("DSE") and the Madhya Pradesh Stock Exchange ("MPSE"). As on date, trading of shares of HFAL has been suspended and the listing of preferential allotments of equity shares made by HFAL in the years 1994, 1995 and 2005 aggregating to 2,755,000 equity shares are still pending with the DSE & MPSE.

We have made an application to SEBI vide our letter dated 20th February, 2006 for condonation of various lapses observed by DSE in respect of listing and trading of shares of HFAL. We have also filed an application with SEBI for consent vide our letter dated 1st August, 2007 seeking condonation of delay in compliances of Regulations 6 & 8 of the Takeover Code and our applications are currently pending with SEBI for final disposal.

### *8. Our business is dependent upon our manufacturing facilities. The loss or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial conditions and results of operations.*

Our principal manufacturing facilities are subject to operational risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs, continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results.

Although we take precautions to minimise the risk of any significant operational problems at our facilities, our business, financial conditions and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

***9. We supply a major portion of our steel billets production to our subsidiary and associate company.***

We supply a major portion of our steel billets production to our wholly owned subsidiary, R. R. Ispat Limited and our associate company, Hira Steels Limited. During fiscal 2006-07, our Company has generated revenue of Rs.2,034.44 million i.e 39.89% of total revenue from sale of the products to our wholly owned subsidiary and associate company. However, we have not entered into any definitive agreement with our subsidiary and/or associate company for supply of products. If our competitors are capable of providing such materials at a price, which is more competitive than the price offered by us, our subsidiary / associates company may source their material requirements from such competitors. Also, any change in the manufacturing program or market of our subsidiary and/or associate companies, may adversely affect our combined sales and profitability.

***10. We do not have any firm purchase commitments for our products***

We do not have any purchase agreements for supply of the products manufactured by our Company. Also, our Company is initiating backward integration to benefit from captive iron and coal mines, technological advancements in the industry, and abundant availability of iron ore fines at competitive prices by setting up a pelletization plant and allied capacities for beneficiation and crushing of raw materials. To the extent that the materials provided via this integration are not used in-house, the spare materials will have to be sold in the open market. Our Company has no purchase agreements in place for sale of spare products, and in case of our inability to sell the products; our capacity utilization may get affected and could adversely affect our performance and profitability. Further, any delay in the implementation of backward integration process may have an adverse effect on our operations, profitability and cash flows.

***11. Our future operating results are difficult to predict and may fluctuate.***

Our operating results may fluctuate in the future due to a number of factors, some of which are beyond our control. Our results of operations during any fiscal year and from period to period are difficult to predict as our business, results of operations and financial condition may be materially affected by:

- changes in demand for our products in the Indian and global markets;
- a decrease in international and domestic prices for our products;
- fluctuations in prices of raw material and their availability;
- an increase in interest rates at which we can raise debt financing;
- adverse fluctuations in the exchange rate of the Rupee versus major international currencies, including the US dollar will affect our results if we become a regular exporter;
- increasing transportation costs, including freight to key export markets, or non-availability of transportation due to strikes, shortages or for any other reason;
- strikes or work stoppages by our employees;
- equipment failure;
- failure to comply with applicable regulations and standards and to maintain necessary licences and changes to government environmental policies and regulations;
- changes in government policies, including those relating to power distribution, pricing and taxation; and
- accidents, natural disasters, outbreaks of diseases or heavy rains.

Due to these factors, our past performance should not be relied upon to predict our future performance.

***12. The implementation of the project may be subject to certain delays beyond our control.***

In the event that there is a delay in the implementation of our projects for various reasons including, but not limited to, delay in receipt of government approvals, delay in delivery of equipment by suppliers, delay in sanctions/ disbursement of loans from financial institutions etc., may adversely affect our results of operations.

***13. We have not made any definitive arrangement for procurement of the equipment/machinery for our proposed project, which may cause a delay in implementation of the project.***

We plan to purchase machineries from domestic and foreign manufactures / suppliers for our proposed backward integration project. As of now, we have not placed orders for supply of machineries required for pelletization, benefication, and crushing activities. For the equipments the orders for which have been finalized, we are yet to make the advance payment. Any delay in procurement of the necessary equipments may cause a delay in implementation of the project and could adversely affect our results of operations.

***14. We may not be able to secure the requisite amount of financing for, or manage our expansion process and this could adversely affect our business, financial condition and results of operations.***

Our continued growth will depend, among other things, on our ability to secure requisite financing, to manage our expansion process, to make timely capital investments, to control input costs and to maintain sufficient operational control. Our inability to secure the requisite financing or to manage the expansion process could have an adverse effect on our business, financial condition and results of operations.

***15. We are dependent on our management team for our success.***

Our success largely depends on the continued services and performance of our team and other key employees. The need for capable senior management in our industry is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. The loss of the services of our Promoters and other senior members of our management could seriously impair our ability to continue to manage and expand our business efficiently. Further, the loss of any other member of our senior management or other key personnel may adversely affect our business, results of operations and financial condition.

***16. We may face significant competition from a number of sources.***

The Steel market in India is highly competitive with a large number of players. We expect the competition to intensify and increase from a number of sources. We believe that the principal competitive factors in our markets are price, quality and raw material supply. There are many companies in India, which are present across the value chain and hold a commanding position in the industry; such companies pose a threat to our Company. In addition to this many domestic and foreign players have announced new capacities for setting up steel plant which may increase the competition in the steel industry and could have an adverse impact on the performance of the Company.

***17. Some of our Group Companies conducts business similar to that of ours, which may cause a conflict of interest.***

Our Group Companies Hira Ferro Alloys Ltd & Alok Ferro Alloys Ltd also manufacture ferro alloys, as carried on by us. This may create a conflict of interest with respect to business strategies of Our Company.

***18. Our Promoters have created a Pledge on the shares held by them against financing arrangementsmade with banks / financial arrangements.***

Our Promoters have pledged some of their shares with certain Banks / Financial Institutions for securing long-term borrowings. Failure to repay such borrowings may result in those Banks / Financial Institutions enforcing the pledge agreements and this may lead to dilution of our promoter holding in our Company.

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

We have entered into agreements with certain banks and financial institutions for short-term and long-term borrowings. Some of these agreements contain restrictive covenants, including, but not limited to, requirements that we obtain written consent from lenders prior to incurring further debt, creating further encumbrances on our assets, disposing of assets outside the ordinary course of business, effecting any scheme of amalgamation or restructuring, undertaking guarantee obligations, declaring dividends, incurring capital expenditures beyond certain limits. We may also be required to maintain security coverage. There can be no assurance that we will be able to comply with these financial or other covenants or that we will be able to obtain the consents necessary to take the actions we believe are required to operate and grow our business. Certain of our loans may be called at any time by our lenders pursuant to terms of the relevant agreements. Furthermore, a default on some of our loans may also trigger cross-defaults under some of our other loan agreements. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

We cannot assure you that our business will generate sufficient cash to enable us to service our debt or to fund our other liquidity needs. In addition, we may need to refinance all or a portion of our debt on or before maturity. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all.

***20. We do not have any registered trademarks or trade names.***

As on the date of this Preliminary Placement Document, we do not have any registered trademark. We have not made any application for the registration of the logo of our Company to the Trademarks Registry. In the event that we do not obtain or adequately protect the intellectual property rights, our future business may be adversely affected. In addition, it may be possible for third parties to obtain conflicting intellectual property rights that could be necessary for, or useful to, marketing or use of our products and the lack of such rights could limit our ability to continue to sell or develop our products or prevent us from marketing our products.

***21. If we are not able to obtain, renew or maintain the permits and approvals required to operate our businesses, this may have a material adverse effect on our businesses.***

The success of our business strategy, growth and optimisation of existing operations in the various sectors in which we operate is contingent upon, among other factors, receipt/renewal of all required licences, permits and authorisations, including environmental permits and health and safety permits. In the future, we may be required to renew such permits and approvals or to obtain new permits and approvals. While we believe that we will be able to obtain such permits and approvals and have not experienced any difficulty in renewing and maintaining these permits and approvals in the past, as and when required, there can be no assurance that the relevant authorities will issue any such permits or approvals in the timeframe anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits, regulatory approvals and intellectual property and technology licences may interrupt our operations and may have a material adverse effect on our results of operations, financial condition and prospects.

***22. If we fail to comply with environmental, employee-related or health and safety laws and regulations or any other local laws or regulations, it may adversely affect our business and results of operations.***

As a manufacturing company, we are required to comply with various laws and regulations relating to the environment. Although we believe that we comply in all material respects with all applicable statutes and with the regulations thereunder, we may incur substantial costs to comply with requirements of environmental laws and regulations in the future. Our manufacturing is subject to, amongst other laws, environmental laws and regulations promulgated by the Ministry of Environment and Forest of the Government of India, the Chattisgarh State Pollution Control Board. These include laws and regulations that limit the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of hazardous waste materials.

Environmental laws and regulations in India are not as extensive as they are in other countries, such as the United States. They have, however, been increasing in stringency and it is possible that they will become significantly more stringent in the future. If any of our facilities are shut down, we will continue to incur costs in complying with regulations, appealing any decision to stop construction and paying labour and other costs which continue even if production has ceased. As a result, our overall operating expenses may increase, adversely affecting our business and results of operations.

We are also subject to health and safety laws and regulations as well as laws and regulations governing our relationship with our employees in areas such as minimum wages, maximum working hours, overtime, working conditions, hiring and terminating employees, contract labour and work permits.

Changes in laws or regulations may result in our incurring significant costs in order to maintain compliance with such laws and regulations.

23. ***The market price of the equity shares may be adversely affected by any additional issuances of equity or sales of a large number of the equity shares by our promoters or principal shareholders.***

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

24. ***Foreign Currency Fluctuation Risk***

Our company has entered into certain swap/derivative contracts hedging of liabilities/receivables and have also availed foreign currency loans which are partially hedged. Any adverse changes in the currency market due to global and domestic reasons, could have an impact on the profitability.

25. ***Application for regulatory approvals for pelletisation plant, Land Acquisition for crushing, benefication and Railway sliding are still to be completed and any delay in the same can impact.***

We are in the process of applying for the requisite regulatory approvals and have initiated the process of land acquisition and registration for the proposed project. Any delay in securing necessary regulatory approvals/acquisition of land etc could impact the project implementation schedule.

26. ***An investor will not be able to sell any of the Equity Shares purchased in this Issue other than across a recognized Indian stock exchange for a period of 12 months from the date of the issue of the Equity Shares.***

Pursuant to the SEBI Guidelines, for a period of 12 months from the date of the issue of the Equity Shares in the Issue, QIBs purchasing Equity Shares in the Issue may only sell their Equity Shares across the NSE or the BSE and may not enter into any off-market trading in respect of these Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of the Equity Shares.

27. ***A third party could be prevented from acquiring control of us because of the anti-takeover provisions under Indian law.***

There are provisions in Indian law that may discourage a third party from attempting to take control of us, even if a change in control would result in the purchase of our Equity Shares at a premium to the market price or would otherwise be beneficial to our shareholders. Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control. Any person acquiring either "control" or an interest (either on its own or together with parties acting in concert with it) in 15% or more of our voting Equity Shares must make an open offer to acquire at least another 20% of our outstanding voting Equity Shares. A takeover offer to acquire at least another 20% of our voting Equity Shares also must be made if a person (either on its own or together with parties acting in concert with it) holding between 15% and 55% of our voting Equity Shares in any financial year that exceed 5% of our voting Equity Shares. These provisions may discourage or prevent certain types of transactions involving an actual or threatened change in control. For more information, see "Indian Securities Market" in this Preliminary Placement Document.

28. ***Criminal Complaint against our Directors***

| Type of cases | Number of cases | Quantum Involved (Rs) | Nature of Dispute |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Criminal | 2 | 10,50,000 | Criminal complaints were filed with the Metropolitan Magistrate Court at Ahmedabad under Section 138 of the Negotiable Instruments Act, 1881 by Gujarat Gas Financial Services Ltd. against Shri Ishar Alloy Steels Ltd, and one of the directors of the Company. for the dishonour of cheques. |

Further details concerning the legal proceedings against us are set out in the chapter on Legal Proceedings on page 127 of this Preliminary Placement Document.

## EXTERNAL RISK

***1. A slowdown in economic growth in India may adversely affect the Company's business and results of operations.***

The Company's financial performance and the quality and growth of the Company's business depend significantly on the health of the overall Indian economy. The Indian economy has grown significantly in recent years, with real gross domestic product ("GDP") having grown by 8.53 per cent. in fiscal 2007, 9.35 per cent. in fiscal 2006 and 9.23 per cent. in fiscal 2005. Any slowdown in the Indian economy or volatility of global commodity prices, in particular iron & steel, could adversely affect the Company's business, its financial performance and the trading price of the Equity Shares.

***2. A significant change in the Central and State Governments' economic liberalisation and deregulation policies could disrupt the Company's business.***

The Indian Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. The Company's business, and the market price and liquidity of the Equity Shares, may be affected by interest rates, changes in Indian Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

In recent years, India has been following a course of economic liberalisation and the Company's business could be significantly influenced by economic policies followed by the Central Indian Government. The current coalition-led central Indian Government, which came to power in May 2004, has announced policies and taken initiatives that support the economic liberalisation policies that have been pursued by previous Indian Governments.

However, the present Indian Government is a multi-party coalition, so there can be no assurance that it will be able to generate sufficient cross-party support to continue to implement any liberalisation policies adopted by the previous central Indian Government or that such policies will continue in the future. Indian Government corruption, scandals and protests against privatisations, which have occurred in the past, could slow the pace of liberalisation and deregulation. The pace of economic liberalisation could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well. A significant change in India's economic liberalisation and deregulation policies could disrupt business and economic conditions in India generally and, as a majority of the Company's assets are located in India, the Company's business in particular.

***3. Financial instability in other countries, particularly countries with emerging markets, could disrupt Indian markets and the Company's business and cause the trading price of the Equity Shares to decrease.***

The Indian financial markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Latin America, Russia and elsewhere in the world in previous years has had an adverse impact on the Indian economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. This, in turn, could negatively impact the movement of exchange rates and interest rates in India. In short, any significant financial disruption could have an adverse effect on the Company's business, its future financial performance and the trading price of the Equity Shares.

***4. If regional hostilities, terrorist attacks or social unrest in India increase, the Company's business could be adversely affected and the trading price of the Equity Shares could decrease.***

South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including between India and Pakistan. Military activity or terrorist attacks in India in the future could adversely affect the Indian economy by creating a greater perception that investments in Indian companies involve higher degrees of risk. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on the Indian economy, the Company's business, its future financial performance and the trading price of the Equity Shares.

Further, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability, it could have an adverse effect on the Company's business, its future financial performance and the trading price of the Equity Shares.

***5. The Indian securities markets are more volatile than certain other securities markets.***

The Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities. The Indian stock exchanges have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies, and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

## SUMMARY OF BUSINESS

*Unless stated other wise, the financial data in this section is as per our consolidated financial statements prepared in accordance with Indian GAAP set forth elsewhere in this Preliminary Placment document. In this section only, any reference to 'we' or 'our' refers to Godawari Power and Ispat Limited*

### Overview

Our Company was incorporated in the name of "Ispat Godawari Limited" in 1999. We are an integrated steel manufacturing company focused on manufacturing of Sponge Iron, Steel Billets, H. B. Wire, Ferro Alloys and Captive Power. Our integrated manufacturing facilities are located at Siltara, Raipur in Chhattisgarh. We have progressively expanded our operations across the value chain and are venturing into Mining of Iron ore and Coal.

We started commercial operations for the manufacture of Sponge Iron in fiscal 2001, with our first Sponge Iron kiln of 350 TPD, with a capacity of 105,000 tonnes per annum (tpa). Subsequently, in fiscal 2003, our Company set up manufacturing facilities with a capacity of 100,000 tpa of Steel Billets and 18 MW of captive power facilities.

In fiscal 2005, our company has installed additional capacities of 130,000 tpa of Sponge Iron, 150,000 tpa of steel billets, and 10 MW of captive power facility. In addition, our Company integrated forward into the manufacture of H. B. Wires with an intial capacity of 60,000 tpa and 16,500 tpa of Ferro Alloys.

Following the first phase of expansion, our Company came out with its maiden public offer in April, 2006 for funding the second phase of our expansion. Our Initial Public Offer (IPO), at an issue price of Rs.81/- per equity share, aggregated Rs.704 million from the Indian Market and was subscribed by 2.17 times. Our Company got listed with the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) on April 25, 2006 and the closing market price on the day of listing was Rs.103/-, a 27% premium to our issue price.

We successfully commissioned our second phase of expansion in August, 2007 which has resulted in our capacities being expanded to 495,000 tpa of Sponge Iron, 400,000 tpa of Steel Billets, Captive power facilities to 53 MW, and steel wires capacity to 120,000 tpa. We have maintained our ferro alloys capacity at 16,500 tpa.

We have installed captive power facilities of 53 MW of which 42 MW is generated using waste heat recovered from the manufacture of Sponge Iron. The Waste Heat Recovery Power facilities of the company qualify as a Clean Development Mechanism (CDM) Project as a part of the Kyoto Protocol within the guidelines of the UNFCCC and is eligible to receive Carbon Credits resulting in additional revenues.

Our current manufacturing capacity is as under:

| Product | Capacity (MTPA) as on September 30, 2007 | End use |
|---|---|---|
| Sponge Iron | 495,000 | A major portion of the sponge iron produce is used in-house for the manufacture of steel billets, excess production sold in market. |
| Steel Billets | 400,000 | Sold to subsidiary RRIL, group concern HSL for the manufacture of wire rods, and in open market. |
| Wire Rods * | 200,000 | Used in the manufacture of wires. |
| Steel Wires ** | 200,000 | Wire rods (made from Billets) is purchased from our Subsidiary R. R. Ispat Ltd. and Associate company Hira Steels Ltd. serve as inputs to manufacture, Market sales. |
| Ferro Alloys | 16,500 | Market Sales. |
| Power (MW) | 53 | 42 MW of waste heat recovery generation eligible for carbon credits; balance 11 MW is coal based plant. Largely Captive, excess supply at present would be absorbed by proposed pelletisation plant. |

** Includes 100,000 tpa wire rods capacity of R. R. Ispat Ltd, a subsidiary Company and 100,000 tpa wire rods capacity of Hira Steels Ltd, an associate Company.*

*** Includes 30,000 tpa wire drawing capacity of R. R. Ispat Ltd. and 50,000 tpa wire drawing capacity of Hira Steels Ltd.*

**Our Business Segments**

Our Company's business operations can be segregated into the following divisions

- Steel Division carrying out the manufacture of Sponge Iron, Steel Billets, H. B. Wires, and Ferro Alloys
- Power Division carrying out captive power manufacturing processes

**Management**

The management of the Company comprises Board of Directors drawn from the promoter's family, professional directors and independent directors having vast experience. The day to day management of the Company is done by senior key mamagement executives under supervision of Mr. B. L. Agrawal, Managing Director of our Company, who has over two decades of industry experience. We believe that our management's experience, leadership skills, and market insight provides the Company with a competitive advantage and insulates our Company against various business risks.

**Mineral Reserves**

**Iron Ore**

In 2003, we acquired a prospecting license for Iron Ore mining for Boria Tibu mines in Chattisgarh covering an area of 110.0 hectares. In November, 2005, our Company was allotted mining lease approvals for Boria Tibu mines covering 110.0 hectares and Ari Dongri covering 106.6 hectares from the Ministry of Mines. Our Company has been granted environment approvals for Boria Tibu mines on January 31, 2007 and Ari Dongri mines on June 25, 2007. We have applied for and are awaiting the forest approvals to commence mining activities.

**Coal**

Government of India, Ministry of Coal, New Delhi vide their allocation letter no. 13016/34/2005-CA-I dated May 31, 2007 has allotted the Consortium a total of 243 million tonnes of coal reserves, of which our share is 63 milllion tones. We have submitted the mining plan for the coal mines and are awaiting requisite approvals for the same.

**Financial and Operational Snapshot**

Our Company's consolidated net revenue and profit after tax has increased at a CAGR of 34% and 50% respectively for the previous two completed financial years. Our company has achieved a revenue of Rs.4,762 million for the year ended March 31, 2007 and Rs.3,506 million for the half year ended September 30, 2007. The following table highlights the growth in our production:

| For the period | FY 2005 | FY 2006 | FY 2007 | H1 2008 |
|---|---:|---:|---:|---:|
| Sponge Iron (tpa) | 69,452.00 | 107,023.00 | 170,340.00 | 142,962.00 |
| Power (mln Units) | 117.68 | 111.95 | 174.31 | 129.93 |
| Steel Billets (tpa) | 84,058.08 | 92,618.95 | 130,979.34 | 97,917.97 |
| Wires (tpa) | - | 23,294.92 | 53,991.24 | 31,318.00 |
| Ferro Alloys (tpa) | - | 2,200.90 | 9,283.10 | 4,360.40 |

**Subsidiary / Associate Company**

In 2005, we acquired 51.46% equity capital of R. R. Ispat Limited (RRIL) which has 100,000 tpa capacity for the manufacture of Steel Wire Rods, and 30,000 tpa of wire drawing capacity. The acquisition of RRIL resulted in complete forward integration from Sponge Iron to H.B. Wires. On March 26, 2007 we acquired the balance 48.54% equity capital of R. R. Ispat Limited and it became a 100% subsidiary of our Company.

In 2004, our Company acquired a minority stake of 23.30% in group entity Hira Steels Limited with manufacturing capacities of 100,000 TPA of Wire Rods and 50,000 TPA of Wire drawing capacity.

**Competitive Strengths**

1. **We are an integrated steel manufacturer**

   We are an integrated steel manufacturer with operations spanning from Sponge Iron to H. B. Wires. We manufacture Sponge Iron using coal based technology. Sponge iron is a substitute of steel scrap for the manufacture of steel. The availability of steel scrap globally has declined resulting in a substitution of steel scrap with sponge iron. We have a 53 MW captive power plant which meets the entire power requirement of our facilities. Out of the 53 MW power plant, 42 MW of power is generated by using waste heat gases which get recovered from the manufacture of sponge iron. This results in substantial savings in fuel costs. Further, the captive power and sponge iron produce is used in the manufacture of steel billets which are subsequently sold to our subsidiary and associate companies. The billets are subsequently processed upon resulting in the manufacture of wire rods. Excess billets produced are sold in the open market. The wire rods so produced are bought back from the subsidiary and associate companies using which we manufacture H. B. Wires. Wires are a finished product and find application in the infrastructure sector, primarily in construction, railways, and power transmission.

Our integrated facility offers the following advantages

- Forward integration resulting in value chain advantages, and
- Captive power leading to savings in production costs

**2. Locational Advantages**

Our plant is located in the industrial area of Siltara, Raipur in Chhatisgarh which, being approximately 15kms from Raipur city, is well connected by rail, road and air. The location is a manufacturing hub for long steel products and is in close proximity to Iron Ore and Coal reserves resulting in substantial savings in freight costs. Currently we procure Iron ore from NMDC, Bailadila mines, in Chhatisgarh which is at a distance of approximately 450 km from our plant, and from private parties. We procure coal from SECL's Korba mines which is around 200 km from our plant. We also have a railway siding approximately 5 kms from our facility. This results in savings in freight costs and shorter delivery lead times.

**3. Captive power plant**

We have installed captive power facilities of 53 MW at our manufacturing plant. Of this, 42 MW is generated using waste heat recovered from the manufacture of Sponge Iron. The Waste Heat Recovery Power Facilities of the company qualify as a Clean Development Mechanism (CDM) Project as a part of the Kyoto Protocol within the guidelines of the UNFCCC and is eligible to receive Carbon Credits resulting in additional revenues. We pioneered this concept with the registration of our first 7 MW Captive Power Plant with the CDM Executive Board in April, 2006. We have sold 65,205 Certified Emission Reductions (CERs) generated from Waste Heat based 7MW Captive Power Project till December 31, 2005. An additional 10 MW of capacity is also registered with the CDM Board and is expected to contribute CDM credits in FY 2008. We have set up an additional 25 MW of Waste Heat Recovery facility of power generation which is undergiong registration process.

**4. Captive Iron Mines and Coal mines**

As a step towards backward integration, we have been allotted Iron Ore and Coal mines which are located within a radius of approximately 250 kms of our facility. We believe that this would help our Company in reducing our raw material costs, once these mines are operational.

**5. Committed and experienced management team**

Mr. B. L. Agrawal, our Promoter and Managing Director, is an Electrical Engineer and holds more than two decades of experinec in the steel manufacturing business and has been instrumental in setting up of the Company. Mr. Dinesh Agrawal, also a Promoter and a Director of the Company is also an Electrical Engineer and holds over 7 years of experince in the power generation business. The technical expertise of our promoters and directors and novel strategies have helped our company in the scaling up of operations within a short span of time. Our senior management has substantial experience in project management and execution, production, finance and marketing in the industry. We have a highly qualified and well-trained workforce. Our employee strength stood at 811 permanent employees as on September 30, 2007.

**6. Prudent management of financial resources**

We believe that the optimal utilization of financial and other resources is a key element for achieving success in this industry. Our strategy is to focus on our capital utilization and structure, so as to optimize our returns.

We have implemented internal reporting systems that enable us to carefully monitor cash flows regularly. Our aim is not to overextend our financial resources in any single project, while at the same time assisting adequate cash flows to be generated to enable work in progress. We are endeavoring to minimize our cost of capital through regular review of our capital requirements.

**7. Entitlement of carbon credit in the power plant**

We have installed 53 MW of power plant which meets the entire demand for power for our production purpose. Out of 53 MW, 42 MW of power is generated out of waste gases generated out of the sponge iron plant and the balance 11 MW is coal based. Our power plant provides additional revenues in the form of carbon credits (CERs). Our 7MW plant is the first waste heat recovery plant globally to be registered for carbon credit. In FY '07, the company earned revenue of Rs.55 million from sale of Certified Emission Reductions (CERs) for its 7MW plant till December 31, 2005 in accordance of Kyoto Protocol. Additional 10MW project is already registered and registration process for 25MW has been initiated by our Company.

The above initiatives have resulted in increase in revenue of the Company. The project also comes under Section 80IA of the income tax act resulting in the profits of power division being tax free for a period of 10 years. The use of waste head recovery also reduces the dependence on coal which would allow us to use the captive coal for sponge iron production.

**8. Efficient utilization of technical resources**

We have a strong in-house technical team having expertise in the design and engineering of sponge iron, steel, ferro alloys, and power facilities. The manufacturing facilities set up by the Company have been designed successfully by the in-house technical team resulting in capital cost savings compared to similar projects.

**9. Sales tax / VAT exemption**

Our Company has Sales tax / VAT exemption till FY 2012.

**Our Strategy**

Our corporate strategy is to become an integrated steel manufacturer with products across the value chain.

**1. To become an integrated player by setting up facilities both forward and backward in the value chain**

We propose to become a fully integrated steel manufacturer by producing products across the value chain. We started by setting up sponge iron plant and have ventured into manufacture of Steel billets, ferro alloys, wire rods (through our subsidiary) and wire drawing capacities. In order to reduce our production cost we have set up captive power plant and use the waste gas generated out of the sponge iron plant to generate power.

As part of our strategy, we intend to consolidate our position by developing our iron ore and coal mines. This would help us source our raw material at substantially lower prices, compared to the market price, resulting in improvement in our profitability.

We aim to become a fully integrated manufacturer of steel products by setting up of balancing manufacturing capacities across divisions for the manufacture of 0.5 million tpa of finished rolled products.

Going forward, our Company intends to set up an additional 0.5 million tonne steel plant in accordance with the terms of the MoU signed with the Government of Chhattisgarh in August, 2004.

**2. Value Added Products**

Our Company intends to manufacture other value added products such as carbon steel, and power transmission wires. The demand for these products is expected to be healthy given the kind of investments planned and proposed into the power sector across India.

**3. Backward integration by setting up pelletisation plant and allied facilities**

We intend to set up a 1,200,000 tpa crushing plant, a 600,000 tpa pelletisation plant, and a 100,000 tpa benefication facility. Pelletisation is a process which converts Iron Ore fines into pellets which can be subsequently used for the production of Sponge Iron / Pig iron. The benefication plant helps in the extraction of usable iron content from the iron ore slime which results from Iron Ore crushing and sizing activities. Iron Ore fines are cheaper compared to Iron Ore lumps which would result in savings on account of raw material costs, thereby, improving our profitability margins.

**4. Achieve greater raw material security by obtaining captive mines of iron ore and coal**

Currently our Company procures Iron ore and coal from public and private players. Iron ore and coal prices are subject to market fluctuations which has an impact on the profitability of the Company. The Ministry of Mines, Government of India vide their letter dated September 6, 2005 granted mining lease for Iron ore over an area of 106.60 hectare in Ari Dongri area and 110.00 hectare in Boria Tibbu area. Additionally the Government of India has issued Prospecting License covering an area of 45.98 hectares for Padgal Area, Tehsil Bhanupratappur, Dist Kanker, Chhattisgarh and an area of 16.50 hectares for Kalwar Area, Bhanupratappur, Kanker Division, Chhattisgarh. Our application for allotment of Iron Ore prospecting lease over an area of 754.83 hectares of land in Durg district is under process with the Governement of Chhattisgarh.

Ministry of Coal, Government of India, vide their letters no. 13016/34/2005-CA-I dated 13th Jan, 2006 and as amended vide letter dated 31st May, 2007, allotted to the Consortium, Madanpur North and South, Nakia- I and Nakia -II Coal Blocks having aggregate coal reserves of 243 million tones in a consortium of five Companies. Out of the aforesaid allocation, our share of coal reserves is 63 million tonnes; i.e. 25.9% of the entire coal entitlement.We along with consortium partners namely Ind Synergy Limited, Shri Nakoda Ispat Limited, Vandana Global Limited and Shree Bajrang Power & Ispat Limited have entered into a joint venture agreement and formed a joint venture company namely Chhattisgarh Captive Coal Mining Limited for the purpose of captive coal mining. After obtaining necessary clearances, the JV Company proposes to develop these mines in order to ensure regular supply of raw materials to the consortium partners.

**5. Foray in to Power Sector**

We also proposes to foray into independent power business based on washery rejects of Coal mines in due course of time.

## SUMMARY OF THE ISSUE AND THE INSTRUMENT

*The following is a general summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information appearing elsewhere in this Preliminary Placement Document, including under "Issue Procedure", "Description of the Shares" and "Placement".*

| | |
|---|---|
| **Issuer** | Godawari Power and Ispat Limited |
| **Issue Size** | [●] Equity Shares of our Company of Rs.10 each |
| **Issue Price** | Rs.[●] per Equity Share<br>The Floor Price of the Issue on the basis of clause 13A.3 of Chapter XIII-A of the SEBI Guidelines is Rs.266.24 per Equity Share on NSE |
| **Authority for the Issue** | The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted on November 13, 2007.<br>The Issue has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the Extraordinary General Meeting of our shareholders held on December 15, 2007. |
| **Eligible Investors** | QIBs as defined in clause 2.2.2B (v) of the SEBI Guidelines |
| **Equity Shares issued and outstanding immediately prior to and after the Issue** | [●] Equity Shares issued and outstanding immediately prior to the Issue. Immediately after the Issue, [●] Equity Shares will be issued and outstanding |
| **Listing** | Our Company shall make applications to each of the Stock Exchanges to obtain in-principle approval for the listing of the Equity Shares on the Stock Exchanges. |
| **Transferability Restriction** | The Equity Shares being allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment except on a recognized stock exchange in India. See "Placement" for other transfer restrictions relating to offers and sales of the Equity Shares |
| **Closing** | The Allotment of the Equity Shares offered pursuant to this Issue is expected to be made on or about [●], 2007 (the "Closing Date") |
| **Ranking** | The Equity Shares being issued shall be subject to the provisions of our Company's Memorandum & Articles of Association and Listing Agreement with the Stock Exchanges and shall rank pari passu in all respects with the existing Equity Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act. Shareholders may attend and vote in shareholders' meetings on the basis of one vote for every Equity Share held. For details see "Description of the Equity Shares". |
| **Use of Proceeds** | The net proceeds of this Issue (after deduction of fees and commissions) are expected to be approximately Rs.[●] million.<br>We intend to use the net proceeds received from the Issue towards capital expenditure, investments and general corporate purposes, including working capital. See "Use of Proceeds" for further details. |

| | |
|---|---|
| **Lock up** | Our Company has agreed not to: (1) directly or indirectly, offer, pledge, sell, contract to sell, purchase any option or contract to sell, grant or sell any option, right, contract or warrant to purchase, lend, make any short sale or otherwise transfer or dispose of any Shares or any other securities of our Company substantially similar to the Equity Shares, including, but not limited to options, warrants or other securities that are convertible into, exercisable or exchangeable for, or that represent the right to receive, Equity Shares or any such substantially similar securities, whether now owned or hereinafter acquired, (2) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of the Shares or any such substantially similar securities, whether now owned or hereinafter acquired; whether any such transaction described in paragraphs (1) or (2) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (3) publicly announce its intention to enter into the transactions referred to in (1) or (2) above for a period of 180 days after the Closing Date without the prior written consent of the BRLMs . |
| **Risk Factors** | Prior to making an investment decision, Eligible Investors should consider carefully the matters discussed under the section entitled "Risk Factors". |
| **Security Codes:** | |
| **ISIN** | INE177H01013 |
| **NSE Code** | GPIL |
| **BSE Code** | 532734 |

**Note:**

- Under clause 13A.2.2 of the SEBI Guidelines a minimum of 10% of the specified securities issued shall be allotted to Mutual Funds. However, if no mutual fund is agreeable to take up the minimum portion mentioned above or any part thereof, such minimum portion or part thereof may be allotted to other QIBs;

- For each placement under this Preliminary Placement Document, there shall be at least two allottees for an issue of size up to Rs.2.5 billion and at least five allottees for an issue size in excess of Rs.2.5 billion. Further, no single allottee shall be Allotted Equity Shares in excess of 50% of the Issue Size;

- Investors shall not be allowed to withdraw their Bids / Applications after closure of the Issue;

- The aggregate funds that can be raised through QIPs in one financial year shall not exceed five times of the net worth of the Company at the end of its previous financial year. This Placement shall not exceed five times of the Company's net worth at the end of its previous financial year;

- The shareholders resolution approving this Issue, passed under sub-section (1A) of Section 81 of the Companies Act will remain valid for a period of twelve months from the date of passing of the resolution. There shall be a gap of at least six months between each placement in case of multiple placements of equity shares pursuant to authority of the same shareholders' resolution; and

- A copy of the Preliminary Placement Document shall be filed with SEBI for record purpose within 30 days of the allotment of the Equity Shares

The share price data for Godawari Power and Ispat Limited on the BSE is provided below -

The average of the weekly high and low of the closing prices of the Equity Shares quoted on BSE during the six months preceding the relevant date i.e. November 15, 2007 is Rs.191.36 per Equity Share.

| Date | Day | Close Price | High | Low | Average |
|---|---|---|---|---|---|
| 14-Nov-2007 | Wednesday | 270.40 | 270.40 | 258.70 | 264.55 |
| 13-Nov-2007 | Tuesday | 265.00 | | | |
| 12-Nov-2007 | Monday | 262.50 | | | |
| 09-Nov-2007 | Friday | 265.50 | | | |
| 08-Nov-2007 | Thursday | 258.70 | | | |
| 07-Nov-2007 | Wednesday | 275.00 | 275.00 | 260.15 | 267.58 |
| 06-Nov-2007 | Tuesday | 272.75 | | | |
| 05-Nov-2007 | Monday | 272.70 | | | |
| 02-Nov-2007 | Friday | 260.15 | | | |
| 01-Nov-2007 | Thursday | 267.45 | | | |
| 31-Oct-2007 | Wednesday | 261.05 | 261.05 | 237.20 | 249.13 |
| 30-Oct-2007 | Tuesday | 237.35 | | | |
| 29-Oct-2007 | Monday | 240.10 | | | |
| 26-Oct-2007 | Friday | 237.20 | | | |
| 25-Oct-2007 | Thursday | 238.35 | | | |
| 24-Oct-2007 | Wednesday | 247.35 | 253.15 | 232.60 | 242.88 |
| 23-Oct-2007 | Tuesday | 236.55 | | | |
| 22-Oct-2007 | Monday | 232.60 | | | |
| 19-Oct-2007 | Friday | 243.80 | | | |
| 18-Oct-2007 | Thursday | 253.15 | | | |
| 17-Oct-2007 | Wednesday | 268.85 | 273.70 | 248.10 | 260.90 |
| 16-Oct-2007 | Tuesday | 273.70 | | | |
| 15-Oct-2007 | Monday | 261.05 | | | |
| 12-Oct-2007 | Friday | 249.80 | | | |
| 11-Oct-2007 | Thursday | 248.10 | | | |
| 10-Oct-2007 | Wednesday | 253.65 | 272.00 | 243.10 | 257.55 |
| 09-Oct-2007 | Tuesday | 250.15 | | | |
| 08-Oct-2007 | Monday | 243.10 | | | |
| 05-Oct-2007 | Friday | 260.75 | | | |
| 04-Oct-2007 | Thursday | 272.00 | | | |
| 03-Oct-2007 | Wednesday | 257.70 | 257.70 | 232.35 | 245.03 |
| 01-Oct-2007 | Monday | 234.85 | | | |
| 28-Sep-2007 | Friday | 232.35 | | | |
| 27-Sep-2007 | Thursday | 232.40 | | | |
| 26-Sep-2007 | Wednesday | 234.50 | 234.50 | 220.55 | 227.53 |
| 25-Sep-2007 | Tuesday | 220.55 | | | |
| 24-Sep-2007 | Monday | 223.35 | | | |
| 21-Sep-2007 | Friday | 224.75 | | | |
| 20-Sep-2007 | Thursday | 223.70 | | | |
| 19-Sep-2007 | Wednesday | 224.10 | 224.10 | 211.05 | 217.58 |
| 18-Sep-2007 | Tuesday | 220.40 | | | |
| 17-Sep-2007 | Monday | 221.85 | | | |
| 14-Sep-2007 | Friday | 211.05 | | | |
| 13-Sep-2007 | Thursday | 217.80 | | | |

| Date | Day | Close Price | High | Low | Average |
|---|---|---|---|---|---|
| 12-Sep-2007 | Wednesday | 218.60 | 218.60 | 188.85 | 203.73 |
| 11-Sep-2007 | Tuesday | 218.00 | | | |
| 10-Sep-2007 | Monday | 208.65 | | | |
| 07-Sep-2007 | Friday | 189.70 | | | |
| 06-Sep-2007 | Thursday | 188.85 | | | |
| 05-Sep-2007 | Wednesday | 189.75 | 189.75 | 180.00 | 184.88 |
| 04-Sep-2007 | Tuesday | 189.55 | | | |
| 03-Sep-2007 | Monday | 188.70 | | | |
| 31-Aug-2007 | Friday | 188.40 | | | |
| 30-Aug-2007 | Thursday | 180.00 | | | |
| 29-Aug-2007 | Wednesday | 179.65 | 181.15 | 167.55 | 174.35 |
| 28-Aug-2007 | Tuesday | 181.15 | | | |
| 27-Aug-2007 | Monday | 175.10 | | | |
| 24-Aug-2007 | Friday | 168.50 | | | |
| 23-Aug-2007 | Thursday | 167.55 | | | |
| 22-Aug-2007 | Wednesday | 171.90 | 177.15 | 168.15 | 172.65 |
| 21-Aug-2007 | Tuesday | 168.15 | | | |
| 20-Aug-2007 | Monday | 176.15 | | | |
| 17-Aug-2007 | Friday | 172.95 | | | |
| 16-Aug-2007 | Thursday | 177.15 | | | |
| 14-Aug-2007 | Tuesday | 184.70 | 185.45 | 183.30 | 184.38 |
| 13-Aug-2007 | Monday | 185.45 | | | |
| 10-Aug-2007 | Friday | 183.70 | | | |
| 09-Aug-2007 | Thursday | 183.30 | | | |
| 08-Aug-2007 | Wednesday | 190.10 | 190.10 | 180.60 | 185.35 |
| 07-Aug-2007 | Tuesday | 182.95 | | | |
| 06-Aug-2007 | Monday | 180.65 | | | |
| 03-Aug-2007 | Friday | 180.60 | | | |
| 02-Aug-2007 | Thursday | 181.40 | | | |
| 01-Aug-2007 | Wednesday | 177.75 | 186.40 | 175.90 | 181.15 |
| 31-Jul-2007 | Tuesday | 184.65 | | | |
| 30-Jul-2007 | Monday | 175.90 | | | |
| 27-Jul-2007 | Friday | 177.55 | | | |
| 26-Jul-2007 | Thursday | 186.40 | | | |
| 25-Jul-2007 | Wednesday | 187.95 | 187.95 | 177.70 | 182.83 |
| 24-Jul-2007 | Tuesday | 179.80 | | | |
| 23-Jul-2007 | Monday | 181.15 | | | |
| 20-Jul-2007 | Friday | 177.70 | | | |
| 19-Jul-2007 | Thursday | 183.65 | | | |
| 18-Jul-2007 | Wednesday | 175.60 | 187.20 | 169.85 | 178.53 |
| 17-Jul-2007 | Tuesday | 179.90 | | | |
| 16-Jul-2007 | Monday | 187.20 | | | |
| 13-Jul-2007 | Friday | 178.30 | | | |
| 12-Jul-2007 | Thursday | 169.85 | | | |

| Date | Day | Close Price | High | Low | Average |
|---|---|---|---|---|---|
| 11-Jul-2007 | Wednesday | 161.85 | 161.85 | 147.40 | 154.63 |
| 10-Jul-2007 | Tuesday | 160.00 | | | |
| 09-Jul-2007 | Monday | 158.00 | | | |
| 06-Jul-2007 | Friday | 152.00 | | | |
| 05-Jul-2007 | Thursday | 147.40 | | | |
| 04-Jul-2007 | Wednesday | 149.25 | 149.25 | 145.90 | 147.58 |
| 03-Jul-2007 | Tuesday | 146.30 | | | |
| 02-Jul-2007 | Monday | 147.65 | | | |
| 29-Jun-2007 | Friday | 148.30 | | | |
| 28-Jun-2007 | Thursday | 145.90 | | | |
| 27-Jun-2007 | Wednesday | 142.20 | 146.30 | 142.10 | 144.20 |
| 26-Jun-2007 | Tuesday | 146.30 | | | |
| 25-Jun-2007 | Monday | 144.85 | | | |
| 22-Jun-2007 | Friday | 142.60 | | | |
| 21-Jun-2007 | Thursday | 142.10 | | | |
| 20-Jun-2007 | Wednesday | 142.60 | 142.60 | 136.25 | 139.43 |
| 19-Jun-2007 | Tuesday | 139.30 | | | |
| 18-Jun-2007 | Monday | 136.25 | | | |
| 15-Jun-2007 | Friday | 138.20 | | | |
| 14-Jun-2007 | Thursday | 139.90 | | | |
| 13-Jun-2007 | Wednesday | 134.75 | 145.50 | 134.75 | 140.13 |
| 12-Jun-2007 | Tuesday | 135.80 | | | |
| 11-Jun-2007 | Monday | 139.15 | | | |
| 08-Jun-2007 | Friday | 140.10 | | | |
| 07-Jun-2007 | Thursday | 145.50 | | | |
| 06-Jun-2007 | Wednesday | 145.20 | 148.10 | 138.80 | 143.45 |
| 05-Jun-2007 | Tuesday | 148.10 | | | |
| 04-Jun-2007 | Monday | 146.95 | | | |
| 01-Jun-2007 | Friday | 145.60 | | | |
| 31-May-2007 | Thursday | 138.80 | | | |
| 30-May-2007 | Wednesday | 141.40 | 149.50 | 139.50 | 144.50 |
| 29-May-2007 | Tuesday | 142.50 | | | |
| 28-May-2007 | Monday | 144.55 | | | |
| 25-May-2007 | Friday | 149.50 | | | |
| 24-May-2007 | Thursday | 139.50 | | | |
| 23-May-2007 | Wednesday | 138.90 | 145.55 | 138.90 | 142.23 |
| 22-May-2007 | Tuesday | 142.75 | | | |
| 21-May-2007 | Monday | 145.55 | | | |
| 18-May-2007 | Friday | 141.90 | | | |
| 17-May-2007 | Thursday | 139.30 | | | |
| 16-May-2007 | Wednesday | 129.55 | 130.85 | 129.55 | 130.20 |
| 15-May-2007 | Tuesday | 129.95 | | | |
| 14-May-2007 | Monday | 130.85 | | | |

The average of the weekly high and low of the closing prices of the Equity Shares quoted on BSE during the for two weeks preceding the relevant date i.e. November 15, 2007 is Rs.266.06 per equity share.

| Date | Day | Close Price | High | Low | Average |
|---|---|---|---|---|---|
| 14-Nov-2007 | Wednesday | 270.40 | 270.40 | 258.70 | 264.55 |
| 13-Nov-2007 | Tuesday | 265.00 | | | |
| 12-Nov-2007 | Monday | 262.50 | | | |
| 09-Nov-2007 | Friday | 265.50 | | | |
| 08-Nov-2007 | Thursday | 258.70 | | | |
| 07-Nov-2007 | Wednesday | 275.00 | 275.00 | 260.15 | 267.58 |
| 06-Nov-2007 | Tuesday | 272.75 | | | |
| 05-Nov-2007 | Monday | 272.70 | | | |
| 02-Nov-2007 | Friday | 260.15 | | | |
| 01-Nov-2007 | Thursday | 267.45 | | | |

The average of the weekly high and low of the closing prices of the Equity Shares quoted on BSE during the two weeks preceding the relevant date is Rs.266.06 per Equity Share.

The floor price of the issue on the basis of clause 13A.3 of Chapter XIII-A of the SEBI Guidelines is Rs.266.06 per Equity Share.

**NSE**

The share price data for Godawari Power and Ispat Limited on the NSE is provided below -

The average of the weekly high and low of the closing prices of the Equity Shares quoted on NSE during the for six months preceding the relevant date i.e. November 15, 2007 is Rs.191.53 per equity share.

| Date | Day | Close Price | High | Low | Average |
|---|---|---|---|---|---|
| 14-Nov-2007 | Wednesday | 271.85 | 271.85 | 258.10 | 264.98 |
| 13-Nov-2007 | Tuesday | 265.35 | | | |
| 12-Nov-2007 | Monday | 261.70 | | | |
| 09-Nov-2007 | Friday | 265.15 | | | |
| 08-Nov-2007 | Thursday | 258.10 | | | |
| 07-Nov-2007 | Wednesday | 275.15 | 275.15 | 259.85 | 267.50 |
| 06-Nov-2007 | Tuesday | 273.20 | | | |
| 05-Nov-2007 | Monday | 271.55 | | | |
| 02-Nov-2007 | Friday | 259.85 | | | |
| 01-Nov-2007 | Thursday | 267.95 | | | |
| 31-Oct-2007 | Wednesday | 261.20 | 261.20 | 236.80 | 249.00 |
| 30-Oct-2007 | Tuesday | 237.45 | | | |
| 29-Oct-2007 | Monday | 240.65 | | | |
| 26-Oct-2007 | Friday | 236.80 | | | |
| 25-Oct-2007 | Thursday | 241.35 | | | |
| 24-Oct-2007 | Wednesday | 247.00 | 254.40 | 234.00 | 244.20 |
| 23-Oct-2007 | Tuesday | 236.50 | | | |
| 22-Oct-2007 | Monday | 234.00 | | | |
| 19-Oct-2007 | Friday | 244.20 | | | |
| 18-Oct-2007 | Thursday | 254.40 | | | |
| 17-Oct-2007 | Wednesday | 269.40 | 273.50 | 248.65 | 261.08 |
| 16-Oct-2007 | Tuesday | 273.50 | | | |
| 15-Oct-2007 | Monday | 260.90 | | | |

| Date | Day | Close Price | High | Low | Average |
|---|---|---|---|---|---|
| 12-Oct-2007 | Friday | 248.65 | | | |
| 11-Oct-2007 | Thursday | 249.65 | | | |
| 10-Oct-2007 | Wednesday | 253.45 | 271.60 | 243.10 | 257.35 |
| 09-Oct-2007 | Tuesday | 250.75 | | | |
| 08-Oct-2007 | Monday | 243.10 | | | |
| 05-Oct-2007 | Friday | 262.00 | | | |
| 04-Oct-2007 | Thursday | 271.60 | | | |
| 03-Oct-2007 | Wednesday | 257.25 | 257.25 | 232.90 | 245.08 |
| 01-Oct-2007 | Monday | 234.50 | | | |
| 28-Sep-2007 | Friday | 232.90 | | | |
| 27-Sep-2007 | Thursday | 234.65 | | | |
| 26-Sep-2007 | Wednesday | 235.95 | 235.95 | 221.05 | 228.50 |
| 25-Sep-2007 | Tuesday | 221.05 | | | |
| 24-Sep-2007 | Monday | 223.30 | | | |
| 21-Sep-2007 | Friday | 224.85 | | | |
| 20-Sep-2007 | Thursday | 224.15 | | | |
| 19-Sep-2007 | Wednesday | 224.45 | 224.45 | 210.20 | 217.33 |
| 18-Sep-2007 | Tuesday | 222.30 | | | |
| 17-Sep-2007 | Monday | 222.55 | | | |
| 14-Sep-2007 | Friday | 210.20 | | | |
| 13-Sep-2007 | Thursday | 217.70 | | | |
| 12-Sep-2007 | Wednesday | 220.35 | 220.35 | 188.95 | 204.65 |
| 11-Sep-2007 | Tuesday | 217.45 | | | |
| 10-Sep-2007 | Monday | 209.50 | | | |
| 07-Sep-2007 | Friday | 190.45 | | | |
| 06-Sep-2007 | Thursday | 188.95 | | | |
| 05-Sep-2007 | Wednesday | 190.20 | 190.30 | 180.00 | 185.15 |
| 04-Sep-2007 | Tuesday | 190.30 | | | |
| 03-Sep-2007 | Monday | 189.80 | | | |
| 31-Aug-2007 | Friday | 187.25 | | | |
| 30-Aug-2007 | Thursday | 180.00 | | | |
| 29-Aug-2007 | Wednesday | 180.15 | 180.15 | 169.00 | 174.58 |
| 28-Aug-2007 | Tuesday | 180.05 | | | |
| 27-Aug-2007 | Monday | 175.95 | | | |
| 24-Aug-2007 | Friday | 170.75 | | | |
| 23-Aug-2007 | Thursday | 169.00 | | | |
| 22-Aug-2007 | Wednesday | 171.20 | 176.45 | 168.35 | 172.40 |
| 21-Aug-2007 | Tuesday | 168.35 | | | |
| 20-Aug-2007 | Monday | 176.45 | | | |
| 17-Aug-2007 | Friday | 174.45 | | | |
| 16-Aug-2007 | Thursday | 176.35 | | | |
| 14-Aug-2007 | Tuesday | 185.00 | 185.50 | 181.65 | 183.58 |
| 13-Aug-2007 | Monday | 185.50 | | | |
| 10-Aug-2007 | Friday | 181.65 | | | |
| 09-Aug-2007 | Thursday | 183.10 | | | |
| 08-Aug-2007 | Wednesday | 190.65 | 190.65 | 181.45 | 186.05 |
| 07-Aug-2007 | Tuesday | 182.50 | | | |
| 06-Aug-2007 | Monday | 181.60 | | | |
| 03-Aug-2007 | Friday | 182.00 | | | |
| 02-Aug-2007 | Thursday | 181.45 | | | |
| 01-Aug-2007 | Wednesday | 180.25 | 187.10 | 178.15 | 182.63 |

| Date | Day | Close Price | High | Low | Average |
|---|---|---|---|---|---|
| 31-Jul-2007 | Tuesday | 187.10 | | | |
| 30-Jul-2007 | Monday | 178.15 | | | |
| 27-Jul-2007 | Friday | 178.15 | | | |
| 26-Jul-2007 | Thursday | 186.55 | | | |
| 25-Jul-2007 | Wednesday | 186.65 | 186.65 | 179.25 | 182.95 |
| 24-Jul-2007 | Tuesday | 180.55 | | | |
| 23-Jul-2007 | Monday | 183.75 | | | |
| 20-Jul-2007 | Friday | 179.25 | | | |
| 19-Jul-2007 | Thursday | 183.80 | | | |
| 18-Jul-2007 | Wednesday | 175.30 | 186.15 | 168.80 | 177.48 |
| 17-Jul-2007 | Tuesday | 180.15 | | | |
| 16-Jul-2007 | Monday | 186.15 | | | |
| 13-Jul-2007 | Friday | 177.25 | | | |
| 12-Jul-2007 | Thursday | 168.80 | | | |
| 11-Jul-2007 | Wednesday | 161.65 | 161.65 | 148.45 | 155.05 |
| 10-Jul-2007 | Tuesday | 159.90 | | | |
| 09-Jul-2007 | Monday | 157.20 | | | |
| 06-Jul-2007 | Friday | 151.75 | | | |
| 05-Jul-2007 | Thursday | 148.45 | | | |
| 04-Jul-2007 | Wednesday | 149.90 | 149.90 | 145.70 | 147.80 |
| 03-Jul-2007 | Tuesday | 147.35 | | | |
| 02-Jul-2007 | Monday | 145.70 | | | |
| 29-Jun-2007 | Friday | 146.65 | | | |
| 28-Jun-2007 | Thursday | 148.00 | | | |
| 27-Jun-2007 | Wednesday | 143.95 | 145.15 | 142.15 | 143.65 |
| 26-Jun-2007 | Tuesday | 145.15 | | | |
| 25-Jun-2007 | Monday | 143.90 | | | |
| 22-Jun-2007 | Friday | 143.05 | | | |
| 21-Jun-2007 | Thursday | 142.15 | | | |
| 20-Jun-2007 | Wednesday | 142.40 | 142.40 | 135.50 | 138.95 |
| 19-Jun-2007 | Tuesday | 137.40 | | | |
| 18-Jun-2007 | Monday | 135.50 | | | |
| 15-Jun-2007 | Friday | 139.25 | | | |
| 14-Jun-2007 | Thursday | 136.85 | | | |
| 13-Jun-2007 | Wednesday | 135.65 | 145.75 | 135.65 | 140.70 |
| 12-Jun-2007 | Tuesday | 136.65 | | | |
| 11-Jun-2007 | Monday | 140.95 | | | |
| 08-Jun-2007 | Friday | 140.50 | | | |
| 07-Jun-2007 | Thursday | 145.75 | | | |
| 06-Jun-2007 | Wednesday | 144.35 | 148.55 | 138.80 | 143.68 |
| 05-Jun-2007 | Tuesday | 148.00 | | | |
| 04-Jun-2007 | Monday | 148.55 | | | |
| 01-Jun-2007 | Friday | 145.90 | | | |
| 31-May-2007 | Thursday | 138.80 | | | |
| 30-May-2007 | Wednesday | 140.85 | 150.25 | 139.60 | 144.93 |
| 29-May-2007 | Tuesday | 142.75 | | | |
| 28-May-2007 | Monday | 141.75 | | | |
| 25-May-2007 | Friday | 150.25 | | | |
| 24-May-2007 | Thursday | 139.60 | | | |
| 23-May-2007 | Wednesday | 139.70 | 144.00 | 139.40 | 141.70 |
| 22-May-2007 | Tuesday | 142.40 | | | |

| Date | Day | Close Price | High | Low | Average |
|---|---|---|---|---|---|
| 21-May-2007 | Monday | 144.00 | | | |
| 18-May-2007 | Friday | 142.20 | | | |
| 17-May-2007 | Thursday | 139.40 | | | |
| 16-May-2007 | Wednesday | 130.15 | 130.75 | 130.10 | 130.43 |
| 15-May-2007 | Tuesday | 130.10 | | | |
| 14-May-2007 | Monday | 130.75 | | | |

The average of the weekly high and low of the closing prices of the Equity Shares quoted on NSE during the for two weeks preceding the relevant date i.e. November 15, 2007 is Rs.266.24 per equity share.

| Date | Day | Close Price | High | Low | Average |
|---|---|---|---|---|---|
| 14-Nov-2007 | Wednesday | 271.85 | 271.85 | 258.10 | 264.98 |
| 13-Nov-2007 | Tuesday | 265.35 | | | |
| 12-Nov-2007 | Monday | 261.70 | | | |
| 09-Nov-2007 | Friday | 265.15 | | | |
| 08-Nov-2007 | Thursday | 258.10 | | | |
| 07-Nov-2007 | Wednesday | 275.15 | 275.15 | 259.85 | 267.50 |
| 06-Nov-2007 | Tuesday | 273.20 | | | |
| 05-Nov-2007 | Monday | 271.55 | | | |
| 02-Nov-2007 | Friday | 259.85 | | | |
| 01-Nov-2007 | Thursday | 267.95 | | | |

The floor price of the issue on the basis of clause 13A.3 of Chapter XIII-A of the SEBI Guidelines is Rs.266.24 per Equity Share.

## MARKET PRICE INFORMATION

Our Company's Equity Shares have been listed on NSE and BSE since April 25, 2006.

The table set forth below is for the periods that indicate the high and low prices of the Company's Equity Shares and also the volume of trading activity.

The high, low and average market prices of the Equity Shares of the Company during the preceding three years are as follows:

| Calendar Year | Date of High | High | Volume on date of High (no of shares) | Date of Low | Low | Volume on date of Low (no of shares) |
|---|---|---|---|---|---|---|
| 2007 | 20-Nov-2007 | 323.10 | 123,010 | 02-Jan-2007 | 88.50 | 25,866 |
| 2006 | 25-Apr-2006 | 136.00 | 10,443,145 | 14-Jun-2006 | 46.00 | 74,870 |

*(Source BSE Website)*

| Calendar Year | Date of High | High | Volume on date of High (no of shares) | Date of Low | Low | Volume on date of Low (no of shares) |
|---|---|---|---|---|---|---|
| 2007 | 28-Nov-2007 | 320.00 | 77,165 | 02-Jan-07 | 88.55 | 21,695 |
| 2006 | 26-Apr-2006 | 135.80 | 15,454,057 | 14-Jun-2006 | 46.50 | 82,361 |

*(Source NSE Website)*

Monthly high and low prices for the six months preceding period from June 2007 till the date of filing of the Preliminary Placement Document.

| Month | Date | High (Rs) | Volume (No of shares) | Date | Low (Rs) | Volume (No of shares) | Average Closing (Rs) |
|---|---|---|---|---|---|---|---|
| June | 04-Jun-2007 | 152.00 | 62,674 | 19-Jun-2007 | 132.20 | 6,059 | 142.4 |
| July | 17-Jul-2007 | 196.55 | 56,054 | 02-Jul-2007 | 145.00 | 5,642 | 170.4 |
| August | 09-Aug-2007 | 195.90 | 13,316 | 22-Aug-2007 | 161.10 | 7,007 | 179.0 |
| September | 27-Sep-2007 | 248.00 | 58,279 | 07-Sep-2007 | 187.00 | 22,484 | 213.9 |
| October | 16-Oct-2007 | 287.15 | 169,761 | 22-Oct-2007 | 228.00 | 27,051 | 250.1 |
| November | 28-Nov-2007 | 323.10 | 123,010 | 02-Nov-2007 | 253.00 | 64,322 | 273.7 |

*(Source BSE Website)*

| Month | Date | High (Rs) | Volume (No of shares) | Date | Low (Rs) | Volume (No of shares) | Average Closing (Rs) |
|---|---|---|---|---|---|---|---|
| June | 04-Jun-2007 | 154.00 | 47,954 | 19-Jun-2007 | 131.80 | 1,837 | 142.41 |
| July | 17-Jul-2007 | 195.45 | 20,871 | 02-Jul-2007 | 144.00 | 3,188 | 170.61 |
| August | 09-Aug-2007 | 195.00 | 9,633 | 22-Aug-2007 | 162.50 | 2,695 | 179.26 |
| September | 27-Sep-2007 | 247.00 | 62,135 | 07-Sep-2007 | 180.00 | 13,906 | 214.55 |
| October | 16-Oct-2007 | 287.00 | 85,187 | 22-Oct-2007 | 220.30 | 13,479 | 250.38 |
| November | 28-Nov-2007 | 320.00 | 131,789 | 02-Nov-2007 | 250.00 | 48,011 | 273.49 |

*(Source NSE Website)*

Market Price on the first working day following the Board Meeting approving the Qualified Institutional Placement, in this case, November 14, 2007

| Date | Open | High | Low | Close |
|---|---|---|---|---|
| 14-Nov-2007 | 269.60 | 278.80 | 268.15 | 270.40 |

*(Source BSE Website)*

| Date | Open | High | Low | Close |
|---|---|---|---|---|
| 14-Nov-2007 | 267.10 | 276.00 | 267.10 | 271.85 |

*(Source NSE Website)*

Details of the total volume of equity shares traded on BSE during the last six months from the date of filing of the Preliminary Placement Document with the Stock Exchange.

| Month | Volume |
|---|---|
| June | 485,385 |
| July | 629,923 |
| August | 365,123 |
| September | 651,686 |
| October | 1,421,736 |
| November | 1,607,862 |

*(Source BSE Website)*

Details of the total volume of equity shares traded on NSE during the last six months from the date of filing of the Preliminary Placement Documentwith the Stock Exchange.

| Month | Volume |
|---|---|
| June | 290,352 |
| July | 297,589 |
| August | 163,325 |
| September | 604,325 |
| October | 1,160,135 |
| November | 1,486,154 |

*(Source NSE Website)*

## EXCHANGE RATES

The following table sets forth, for the periods indicated, certain information reported by the Federal Reserve Bank of New York concerning exchange rates between Indian Rupees and US dollars since 2000 based on the noon buying rate in New York City on the last business day of each month during the period for cable transfers in Indian Rupees. The column titled "Average" in the table below is the average of the daily noon buying rate on the last business day of each month during the year and the average of the daily noon buying rate on each business day during the quarter or the month.

| Year/Period | Period end Noon Buying | Period Average | High | Low |
|---|---|---|---|---|
| 2000 | 46.75 | 45.14 | 46.90 | 43.65 |
| 2001 | 48.27 | 47.28 | 48.27 | 46.44 |
| 2002 | 48.00 | 48.62 | 49.06 | 48.00 |
| 2003 | 45.55 | 46.53 | 47.83 | 45.33 |
| 2004 | 43.27 | 45.26 | 46.45 | 43.27 |
| 2005 | 44.95 | 44.00 | 46.26 | 43.05 |
| 2006 | 44.11 | 45.18 | 46.83 | 43.89 |
| 2007 | | | | |
| January | 44.07 | 44.21 | 44.49 | 44.07 |
| February | 44.08 | 44.02 | 44.21 | 43.87 |
| March | 43.10 | 43.79 | 44.43 | 42.78 |
| April | 41.04 | 42.02 | 43.05 | 40.56 |
| May | 40.36 | 40.57 | 41.04 | 40.14 |
| June | 40.58 | 40.59 | 40.9 | 40.27 |
| July | 40.18 | 40.27 | 40.42 | 40.12 |
| August | 40.63 | 40.68 | 41.15 | 40.25 |
| September | 39.75 | 40.15 | 40.81 | 39.50 |
| October | 39.26 | 39.36 | 39.72 | 38.48 |
| November | 39.52 | 39.33 | 39.68 | 39.11 |

***(Source: Federal Reserve Bank of New York)***

## USE OF PROCEEDS

The total proceeds of the Issue will be Rs.[●]. After deducting the Issue expenses of approximately Rs.[●], the net proceeds of the Issue will be approximately Rs.[●].

Our company intends to use the net proceeds received from the issue towards capital expenditure in setting up a pelletisation plant, allied facilities investments in [●] and general corporate purposes including working capital.

In accordance with the policies set up by the board, the management will have flexibility in deploying the proceeds received by us from the issue. Pending utilization for the purpose described above, we intend to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks and corporates such investments would be in accordance with the investment policies approved by the board from time to time

## CAPITALIZATION

The following table shows as at September 30, 2007:

- Our Company's actual capitalization;
- Our Company's capitalization as adjusted for the Issue, each on an unconsolidated basis

This table should be read in conjunction with our Company's un-audited financial statements as of and for the period ended September 30, 2007, the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial statements and information contained elsewhere in this Placement Document.

***(Rs. in million)***

| Particulars | As at September 30, 2007 | As adjusted for the Issue # |
|---|---|---|
| **Loan Funds:** | | |
| Secured Loans | 2,738.53 | |
| Unsecured Loans | - | |
| **Total Debt** | **2,738.53** | |
| | | |
| **Shareholders' Funds:** | | |
| Equity Shares of par value Rs.10 each, issued and outstanding | 248.48 | |
| Reserves and surplus | 2,226.38 | |
| **Total Shareholders' Funds** | **2,474.82** | |
| **Total Capitalization** | **5,213.35** | |

*# will update on determination of Issue Price*

**Share Capital Build-up of our Company**

| Date of allotment/ Fully paid-up / Buy-back | No. of Equity Shares | Cumulative number of Equity shares | Face Value (Rs.) | Issue Price | Nature of payment of consideration | Particulars | Cumulative Share Premium (Rs.) |
|---|---|---|---|---|---|---|---|
| September 21, 1999 | 700 | 700 | 10 | 10 | Cash | Subscribers to the Memorandum | Nil |
| January 10,2000 | 241,000 | 241,700 | 10 | 10 | Cash | Further allotment | Nil |
| December 20, 2000 | 227,500 | 469,200 | 10 | 100 | Cash | Further allotment | 20,475,000 |
| March 30,2001 | 249,100 | 718,300 | 10 | 100 | Cash | Further allotment | 42,894,000 |
| July 6, 2001 | 106,500 | 824,800 | 10 | 100 | Cash | Further allotment | 52,479,000 |
| March 31,2002 | 245,000 | 1,069,800 | 10 | 100 | Cash | Further allotment | 74,529,000 |
| June 20,2002 | 99,500 | 1,169,300 | 10 | 100 | Cash | Further allotment | 83,484,000 |
| March 10,2003 | 859,000 | 2,028,300 | 10 | 100 | Cash | Further allotment | 160,794,000 |
| March 31,2003 | 528,000 | 2,556,300 | 10 | 100 | Cash | Further | 208,314,000 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | allotment | |
| November 3, 2003 | 277,000 | 2,833,300 | 10 | 100 | Cash | Further allotment | 233,244,000 |
| February 4,2004 | 158,000 | 2,991,300 | 10 | 100 | Cash | Further allotment | 247,464,000 |
| March 15,2004 | 110,500 | 3,101,800 | 10 | 100 | Cash | Further allotment | 257,409,000 |
| March 31,2004 | 103,000 | 3,204,800 | 10 | 100 | Cash | Further allotment | 266,679,000 |
| August 6,2004 | 25,000 | 3,229,800 | 10 | 100 | Cash | Further allotment | 268,929,000 |
| March 22,2005 | 12,919,200 | 16,149,000 | 10 | - | Consideration other than cash | Bonus Issue | 139,737,000 |
| April 20, 2006 | 8,695,000 | 24,844,000 | 10 | 81 | Cash | Initial Public Offer | 757,082,000 |
| **Total** | **24,844,000** | **24,844,000** | | | | | **757,082,000*** |

* Out of the share premium amount of Rs.757,082,000/-, an amount of Rs.65,551,800/- was utilized towards initial public issue expenses.

**Note**:
Our Company has proposed to allot 1,000,000 warrants convertible into Equity Shares, on a preferential basis, to Hira Industries Limited. This issue of warrants has been approved by the Board on November 13, 2007 and shareholders on December 15, 2007. Our Company has decided in the Committee meeting held on December 16, 2007 to allot warrants to Hira Industries Limited at Rs.324/- per warrant.

Each warrant shall be convertible into one Equity Share subject to the provisions of chapter XIII of the SEBI Guidelines. The warrant holder shall be entitled to exercise the option to apply for the Equity Shares within eighteen months from the date of issue of the warrants. Any warrant that may remain unsubscribed by Hira Industries Limited for any reason whatsoever, may be subscribed by any other member of the Promoter/ Promoter Group. The warrants shall be subject to lock-in for a period of one year from the date of their allotment.

# DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividend to its shareholders upon recommendation by its board of directors and on approval of the majority of the shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous fiscal years or out of both.

Dividends are generally declared as a percentage of par value of a company's shares. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their Shares as on record date for which such dividend is payable. In addition, as is permitted by the articles of association, the board may declare and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date, which is specified as the "record date" or "book closure date". No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of the equity shares held by him is outstanding. Dividend is payable within 30 days of approval by shareholders at the annual general meeting.

Our Company does not have any formal dividend policy. The declaration and payment of dividend will be recommended by our Board of Directors and approved by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, liquidity, capital requirements and overall financial condition.

The dividend declared by us on the Equity Shares during the last fiscal year has been presented below:

| **Particulars** | **Fiscal 2007** | **Fiscal 2006** | **Fiscal 2005** |
|---|---|---|---|
| Face value of Equity Shares (Rs. per share) | 10.00 | 10.00 | 10.00 |
| Interim Dividend (Rs. in million) | 24.84 | - | - |
| Final Dividend (Rs. in million) | 49.69 | 24.84 | 3.58 |
| Dividend Tax (Rs. in million) | 10.45 | 3.48 | 0.47 |
| Dividend per Equity Share (Rs.) | 3.00 | 1.00 | 1.00 |
| Dividend Rate (%) | 30% | 10% | 10% |

We recognize the importance of our shareholders, and it is therefore our policy that the Shareholders should get a sustained, stable and fair return on their investments in our Company. At the same time, we will need to take into account our own requirement of funds for future growth.

Under the current provisions of the Income Tax Act, 1961, a company has to pay 'dividend distribution tax" of 17% (inclusive of a surcharge on dividend distribution tax and education cess on dividend distribution tax and surcharge) on the total amount distributed as dividends. These taxes are not payable by the shareholders nor are they withheld or deducted from the dividend payments set forth above. For further details, see the section tilted “Taxation”.

The form, frequency and amount of future dividends on the Shares will depend upon our earnings, cash flow, financial conditions and other factors and shall be at the discretion of the Board.

In terms of the loan agreements we have entered into with the banks/ financial institutions, we cannot declare or pay any dividend during any financial year unless we have paid all the pending dues of the banks/ financial institutions.

# OUR SELECTED HISTORICAL FINANCIAL INFORMATION

The selected consolidated financial information as of and for the three years ended March 31, 2007, March 31, 2006 and March 31, 2005, as set forth below, have been derived from the audited financial statements and stand alone financials for the half year ended September 30, 2007 ha been derived from the un-audited financial statements beginning on page 138 of this Preliminary Placement Document. The financial information of our Company included in this Preliminary Placement Document does not reflect its results of operations, financial position and cash flows for the future and its past operating results are no guarantee of future operating performance. These audited financial statements are prepared and presented in accordance with Indian GAAP. For a summary on significant accounting policies and the basis of the presentation of the financial statements, please refer to the notes to the audited financial statements included in this Preliminary Placement Document.

The selected financial and operational data set forth below should be read in conjunction with the Sections titled “Business Overview” and “Management’s Discussion and Analysis of the Financial Condition and Results of Operations”, and the audited financial statements beginning on pages 67 and 47 respectively of this Preliminary Placement Document.

**Summary of Consolidated Balance Sheet for the last three financial years**

***(Rs. in million)***

| **Particulars** | **As at the Financial Year ended March 31,** | | |
|---|---|---|---|
| | **2007** | **2006** | **2005** |
| **SOURCES OF FUNDS** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 237.19 | 150.24 | 149.49 |
| Share Application money | - | - | 10.00 |
| Reserves and surplus | 1,837.28 | 854.02 | 489.37 |
| | **2,074.47** | **1,004.26** | **648.86** |
| Minority Interests | - | 41.79 | 32.84 |
| **Loan Funds** | | | |
| Secured Loans | 2,878.26 | 1,533.30 | 853.62 |
| Unsecured Loans | 15.60 | 192.12 | 80.33 |
| **Deferred Tax Liabilities (Net)** | **18.59** | **18.95** | **14.16** |
| **Total** | **4,986.92** | **2,790.43** | **1,629.80** |
| **APPLICATION OF FUNDS** | | | |
| **Fixed Assets** | | | |
| Gross Block | 3,116.85 | 1,778.04 | 821.86 |
| Less : Accumulated Depreciation | 344.15 | 223.23 | 298.78 |
| **Net Block** | **2,772.70** | **1,554.81** | **523.08** |
| Capital Work-in-Progress incl. capital advances | 1,033.61 | 481.08 | 655.34 |
| **Goodwill Arising on consolidation** | **45.62** | **3.95** | **4.38** |
| Investments | 49.11 | 44.40 | 30.73 |
| **Current Assets, Loans and Advances** | | | |
| Inventories | 761.43 | 483.07 | 320.42 |
| Sundry debtors | 281.31 | 188.01 | 89.26 |
| Cash and bank balances | 125.33 | 43.93 | 14.06 |
| Loans and advances | 406.64 | 252.03 | 133.80 |
| **(A)** | **1,574.70** | **967.04** | **557.54** |
| **Less : Current Liabilities & Provisions** | | | |
| Current Liabilities | 387.84 | 227.31 | 136.01 |
| Provisions | 101.07 | 42.21 | 9.10 |
| **(B)** | **488.91** | **269.52** | **145.11** |
| **Net Current Assets (A-B)** | **1,085.79** | **697.52** | **412.43** |
| Miscellaneous Expenditure (to the extent not written off or adjusted) | 0.09 | 8.67 | 3.85 |
| **Total** | **4,986.92** | **2,790.43** | **1,629.80** |

**Summary of Consolidated Profit and Loss Account for the last three financial years**

***(Rs. in million)***

| **Particulars** | **For the financial year ended March 31,** | | |
|---|---|---|---|
| | **2007** | **2006** | **2005** |
| **INCOME** | | | |
| Turnover (Gross) | 5,508.70 | 3,621.73 | 2,593.72 |
| Less: Excise duty | 734.23 | 491.02 | 268.63 |
| **Turnover (Net)** | **4,774.47** | **3,130.72** | **2,325.08** |
| Other Income | 23.77 | 14.07 | 5.28 |
| Increase/(Decrease) in Stock in trade | (36.04) | 65.02 | 41.92 |
| **Total Income** | **4,762.20** | **3,209.81** | **2,372.29** |
| **EXPENDITURE** | | | |
| Purchase of Trading Goods | 4.63 | - | - |
| Raw material consumed | 3,392.68 | 2,452.61 | 1,710.20 |
| Personnel expenses | 56.40 | 37.27 | 21.26 |
| Operating and other expenses | 436.29 | 303.14 | 217.62 |
| Depreciation | 122.13 | 73.15 | 99.52 |
| Financial expenses | 129.70 | 69.71 | 38.44 |
| **Total Expenditure** | **4,141.83** | **2,935.89** | **2,087.02** |
| **Profit before tax and exceptional items** | **620.37** | **273.92** | **285.27** |
| Provision for Current Tax | 77.86 | 24.30 | 22.42 |
| Fringe Benefit Tax | 1.35 | 0.73 | - |
| Tax related to earlier year | 0.06 | 0.65 | 0.36 |
| Provision for Deferred Income Tax | (0.37) | 4.79 | 8.98 |
| **Profit after tax and before exceptional items** | **541.46** | **243.45** | **253.51** |
| Adjustment relating to depreciation on account of change in accounting policy | - | 148.32 | - |
| **Net profit** | **541.46** | **391.78** | **253.51** |
| Balance brought forward from previous year | 434.06 | 230.27 | 93.34 |
| Add: Share in profit in associate Company | 0.72 | 0.48 | - |
| Less : Pre Acquisition Profit | 8.77 | - | 6.49 |
| Less : Minority Interest | - | 8.96 | 6.04 |
| **Profit available for appropriation** | **967.47** | **613.57** | **334.32** |
| **Appropriations:** | - | - | - |
| Transfer to General Reserve | 150.00 | 150.00 | 100.00 |
| Interim dividend | 23.72 | - | - |
| Proposed dividend | 48.56 | 24.65 | 3.58 |
| Tax on dividend | 10.45 | 3.48 | 0.47 |
| Adjustment of Miscellaneous Expenditure | - | 1.37 | - |
| **Surplus carried to Balance Sheet** | **734.74** | **434.06** | **230.27** |

**Un-audited Stand alone Financial Results for the second quarter and half year ended September 30, 2007**

***(Rs. in million)***

| Sr. No. | Particulars | Quarter Ended | | Half year ended | | Year ended (Audited) |
|---|---|---|---|---|---|---|
| | | September 30, 2007 | September 30, 2006 | September 30, 2007 | September 30, 2006 | March 31, 2007 |
| 1 | Gross Sales / Income from operations | 2,061.40 | 1,148.30 | 4,035.40 | 2,370.40 | 5,099.50 |
| 2 | Less: Excise Duty | 279.10 | 144.50 | 551.20 | 296.90 | 678.60 |
| 3 | **Net Sales / Income from operations** | **1,782.30** | **1,003.80** | **3,484.20** | **2,073.50** | **4,420.90** |
| 4 | Other Income | 2.60 | 2.90 | 6.20 | 9.20 | 22.40 |
| 5 | **Total Income** | 1,784.90 | 1,006.70 | 3,490.40 | 2,082.70 | 4,443.30 |
| 6 | **Total Expenditure** | | | | | |
| | a) (Increase)/Decrease in Stocks | (177.00) | 5.50 | (178.00) | 31.70 | 17.90 |
| | b) Raw Material Consumed | 1,410.00 | 703.50 | 2,658.80 | 1,475.70 | 3,232.80 |
| | c) Operating & Other Expenses | 149.30 | 75.30 | 242.50 | 157.50 | 327.30 |
| | d) Personnel Cost | 25.00 | 9.80 | 42.10 | 19.80 | 49.40 |
| | **Total Expenditure** | **1,407.30** | **794.10** | **2,765.40** | **1,684.70** | **3,627.40** |
| 7 | **Earning Before Interest, Depreciation & Tax** | **377.60** | **212.60** | **725.00** | **398.00** | **815.90** |
| 8 | Interest & Finance Charges | 73.00 | 23.00 | 134.30 | 49.60 | 117.30 |
| 9 | Depreciation | 62.80 | 26.40 | 112.20 | 52.50 | 108.70 |
| 10 | **Profit Before Tax** | **241.80** | **163.20** | **478.50** | **295.90** | **589.90** |
| 11 | Provision for Taxation | | | | | |
| | - Current | 27.20 | 12.30 | 54.00 | 23.80 | 66.60 |
| | - Deferred | - | - | - | - | - |
| | - Fringe Benefit | 0.30 | 0.10 | 0.80 | 0.20 | 1.20 |
| 12 | **Net Profit after tax** | **214.30** | **150.80** | **423.70** | **271.90** | **522.10** |
| 13 | Paid up Equity Share Capital ( Rs.10/- each) | 248.40 | 248.40 | 248.40 | 248.40 | 248.40 |
| 14 | Reserves (Excluding Revaluation Reserves) as per Balance Sheet | - | - | - | - | 1,802.70 |
| 15 | Earnings Per Share – Basic & Diluted (Rs.) | 8.63 | 6.07 | 17.06 | 10.94 | 21.02 |
| 16 | Aggregate of Non-Promoter Shareholding | | | | | |
| | No. of Shares | 9082000 | 9082000 | 9082000 | 9082000 | 9082000 |
| | Percentage of shareholding | 36.56 | 36.56 | 36.56 | 36.56 | 36.56 |

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Unless otherwise indicated below, the following discussion and analysis of our financial condition is based on our audited financial statements as of and for year ended March 31, 2005, March 31, 2006, March 31, 2007 and unaudited standalone financial results for half year ended September 30, 2006 and half year ended September 30, 2007 referred to in this Preliminary Placement Document as the "Financial Statements" This discussion should be read together with "Financial Statements" and related annexure and notes included elsewhere in this Preliminary Placement Document. We prepare our Financial Statements in accordance with Indian GAAP, which differs in some respects from U.S. GAAP.*

## Overview

We are an integrated steel manufacturing company focused on manufacturing of Sponge Iron, Steel Billets, Wire Rods, Wire, Ferro Alloys and captive Power. Our manufacturing facilities are fully integrated and located at Siltara, Raipur in Chhattisgarh. We have progressively expanded our operations across the value chain and now venturing into Mining of Iron ore and Coal.

Our company was incorporated in 1999. We set up our first sponge iron capacity of 105,000 tonnes per annum (tpa) in 2001. In 2003 we set up Steel Billet capacity of 100,000 tpa and 18 MW of power plant to meet our requirement of power. In 2006 we expanded our capacity by increasing the sponge iron capacity to 235,000 tpa, Steel Billet capacity to 250,000 tpa and power capacity to 28MW. In addition we also set up wire facility of 60,000 tpa and Ferro Alloy capacity of 16,500 tpa. In Fiscal 2007, we expanded our Sponge Iron capacity to 495,000 tpa, Steel Billet Capacity to 400,000 tpa, Power to 53 MW and Steel wire capacity to 120,000 tpa.

In 2005, we acquired 51.46% equity capital of R.R.Ispat Limited (RRIL) which has 100,000 tpa capacity of Steel Wire Rods. The acquisition of R.R.Ispat Limited resulted in the company being present across the entire value chain from Sponge Iron to finished steel. On March 26, 2007 we acquired the balance 48.54% equity capital of R.R. Ispat Limited and it became a 100% subsidiary of our Company.

We believe that Our Promoters experience, leadership skills, insight into the market guides us in our business decisions and insulates against the business risks. Mr. B. L. Agrawal, Managing Director of Our Company has more than two decades of experience in Steel and allied industry.

In April, 2006 we came out with our Initial Public Offer (IPO) at an issue price of Rs.81 per share aggregating to Rs.700 million from the Indian Market. Our IPO was subscribed by 2.17 times. Our Company was listed with NSE and BSE on April 25, 2006 and the closing market price on the day of listing was Rs.103/- i.e. 27% premium to the issue price.

Realizing the importance of our key raw materials viz. Iron ore and Coal, we applied for iron ore mining rights to the Chhattisgarh government. In 2003 we received a prospecting license for Iron Ore mining for Boria Tibu mines in Chattisgarh. In addition we were also allotted Ari Dongri mines. These mines have combined reserves of 15 million tonnes. In addition the Ministry of Coal has also allotted coal mines to a consortium of 5 partners in Chhattisgarh of which our company's share is 63 million tones.

Our Company's consolidated net revenue and profit after tax has increased at a CAGR of 34% and 50% respectively for the previous two completed financial years. Our company has achieved a revenue of Rs.4,762 million for the year ended March 31, 2007 and Rs.3,506 million for the half year ended September 30, 2007. Our production of Sponge Iron and Steel Billets has increased from 69,452 tonnes and 84,058 in 2005 to 170,340 tonnes and 130,979 tonnes in 2007. For the half year ended September 30, 2007, our company has achieved a production of 142,962 tonnes of Sponge iron and 97,918 tonnes of Steel billets.

## Factors affecting our results of operations

Our Company's results of operations have been, and will be, affected by many factors, some of which are beyond our control. This section sets out certain key factors that senior management believe have affected our results of operations during the period under review or could affect our results of operations in the future. Differences in the timing of the impact of certain of these factors may make it difficult to compare our financial information for the period under review. For a discussion of certain additional factors that may adversely affect our results of operations and financial condition, please refer Section titled "Risk Factors" on page 15 of this Preliminary Placement Document.

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance.

- **Changes in Government policy relating to the Steel industry.**

  The Indian government has implemented policies to sustain the growth of Steel industry. Any modification or withdrawal of these policies could adversely impact the profitability of Steel companies in general and may also adversely affect our financial results and operations.

- **Volatility in Raw material prices**

  In the recent past, there have been wide fluctuations in the prices of critical raw materials such as iron ore, coal, etc. both at domestic and international levels. Such fluctuations in prices of raw material and our inability to negotiate at optimum market rates may adversely affect our profitability. Similarly, the prices of finished products are also subject to fluctuations, which could adversely impact our profitability.

- **Our ability to manage growth**

  We have experienced rapid growth in the past five years, which creates pressure and increasing demand on our management and other resources. Any inability to address the challenges associated with such rapid expansion will adversely affect our financial results and operations.

- **Competitive Environment**

  We operate in an intensely competitive environment. The Steel market in India is highly competitive with a large number of players. We expect the competition to intensify and increase from a number of sources. We believe that the principal competitive factors in our markets are price, quality and raw material supply. There are many companies in India, which are present across the value chain and hold a commanding position in the industry; such companies pose a threat to our Company. Such competitive environment in the businesses we operate may affect our results of operations.

**Our Results of Operations**

The following table presents selected financial information that has been derived from our audited stand alone financial statement of our company for the year ended March 31, 2005, March 31, 2006, March 31, 2007 and un-audited stand alone financials for the half year ended September 30, 2006 and September 30, 2007. The table also includes un-audited financial results for the half year ended September 30, 2007 which have been subjected to a limited review by our auditors.

***(Rs. in million)***

| Particulars | For the financial year ended March 31, | | | | | | For the half year ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | % to Total Income | 2006 | % to Total Income | 2005 | % to Total Income | 2007 | % to Total Income | 2006 | % to Total Income |
| **INCOME** | | | | | | | | | | |
| Turnover (Gross) | 5,099.50 | | 2,707.50 | | 1,913.50 | | 4,035.40 | | 2,370.40 | |
| Less: Excise duty | 678.60 | | 359.40 | | 187.20 | | 551.20 | | 296.90 | |
| **Turnover (Net)** | **4,420.90** | **99.9%** | **2,348.10** | **96.3%** | **1,726.30** | **98.9%** | **3,484.20** | **95.0%** | **2,073.50** | **101.1%** |
| Other Income | 22.40 | 0.5% | 8.50 | 0.3% | 5.20 | 0.3% | 6.20 | 0.2% | 9.20 | 0.4% |
| Increase/(Decrease) in Stock in trade | (17.90) | -0.4% | 80.70 | 3.3% | 13.20 | 0.8% | 178.00 | 4.9% | (31.70) | -1.5% |
| **Total Income** | **4,425.40** | **100.0%** | **2,437.30** | **100.0%** | **1,744.80** | **100.0%** | **3,668.40** | **100.0%** | **2,051.00** | **100.0%** |
| **EXPENDITURE** | | | | | | | | | | |
| Purchase of Trading Goods | 4.60 | 0.1% | - | | - | | - | | - | |
| Raw material consumed | 3,228.20 | 72.9% | 1,819.10 | 74.6% | 1,181.80 | 67.7% | 2,658.80 | 72.5% | 1,475.70 | 72.0% |
| Personnel expenses | 49.40 | 1.1% | 31.20 | 1.3% | 18.50 | 1.1% | 42.10 | 1.1% | 19.80 | 1.0% |
| Operating and other expenses | 327.30 | 7.4% | 218.40 | 9.0% | 165.40 | 9.5% | 242.50 | 6.6% | 157.50 | 7.7% |
| **Total Expenditure** | **3,609.50** | **81.6%** | **2,068.70** | **84.9%** | **1,365.70** | **78.3%** | **2,943.40** | **80.2%** | **1,653.00** | **80.6%** |
| **Profit before Interest, Depreciation, Tax and Amortization** | **815.90** | **18.4%** | **368.60** | **15.1%** | **379.10** | **21.7%** | **725.00** | **19.8%** | **398.00** | **19.4%** |
| Financial Expenses | 117.30 | 2.6% | 59.50 | 2.4% | 28.80 | 1.6% | 134.30 | 3.7% | 49.60 | 2.4% |
| Depreciation | 108.70 | 2.5% | 60.80 | 2.5% | 88.40 | 5.1% | 112.20 | 3.1% | 52.50 | 2.6% |
| Provision for Current Tax | 66.50 | 1.5% | 22.00 | 0.9% | 20.50 | 1.2% | 54.00 | 1.5% | 23.80 | 1.2% |
| Fringe Benefit Tax | 1.20 | 0.0% | 0.60 | 0.0% | - | | 0.80 | 0.0% | 0.20 | 0.0% |
| Tax related to earlier year | 0.10 | 0.0% | 0.70 | 0.0% | 0.40 | 0.0% | - | - | - | - |
| Provision for Deferred Tax | - | - | - | - | - | - | - | - | - | - |
| **Profit after tax and before exceptional items** | **522.10** | **11.8%** | **225.00** | **9.2%** | **241.10** | **13.8%** | **423.70** | **11.5%** | **271.90** | **13.3%** |
| Adjustment relating to depreciation on account of change in accounting policy | - | 0.0% | 148.30 | 6.1% | - | 0.0% | - | | - | |
| **Net profit** | **522.10** | **11.8%** | **373.30** | **15.3%** | **241.10** | **13.8%** | **423.70** | **11.5%** | **271.90** | **13.3%** |

**Income Statement**

Our net revenue (after adjustment of excise duty and inter segment transfer) from different business segments are given below:

We derive our income from Sponge Iron, Steel Billets and Ingots, H. B. Wire, Ferro Alloys and Power. Our total income has grown at a CAGR of 59.25% during the period FY 2005 - FY 2007. This has largely been contributed by increase in capacity and by moving up in the value chain. We derived major revenue from sale of Steel Billets & Ingots and H. B. Wires during the financial year 2006-07.

| Particulars | Turnover in MT's | | | Turnover (Rs. in million) | | | Price per MT | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| Steel Billets & Ingots | 132,024 | 91,494 | 84,277 | 2,714.02 | 1,710.84 | 1,703.70 | 20,557 | 18,699 | 20,215 |
| Sponge Iron | 36,226 | 21,217 | 10,956 | 467.45 | 235.36 | 129.60 | 12,904 | 11,093 | 11,829 |
| H. B. Wire | 54,230 | 22,915 | - | 1,401.86 | 548.69 | - | 25,850 | 23,945 | - |
| Ferro Alloys | 9,198 | 2,031 | - | 294.42 | 58.02 | - | 32,009 | 28,567 | - |
| By Products & Others | - | - | - | 201.02 | 122.04 | 35.51 | - | - | - |
| | Sale in Units (KWH) | | | Sale (Rs. in million) | | | Price per Unit | | |
| Electricity | 62,82,540 | 94,94,851 | 1,33,73,115 | 20.73 | 32.57 | 44.66 | 3.30 | 3.43 | 3.34 |

**Raw Material Cost**

Our total expenditure on raw materials in fiscal 2007 was Rs.3,232.8 million i.e. 73% of total income as compared to Rs.1,181.8 million i.e. 67.7% of total income in fiscal 2005. Our raw material cost was increased by 5.30% of total income mainly on account of increase in the prices of Iron Ore and Coal used for manufacturing of Sponge Iron.

We purchased iron ore lump which is cheaper than the sized ore. We have installed iron ore crushing unit to size the iron ore within the facility to save the cost, as price of iron ore lump is lesser than sized ore and by product - ore fines produced in crushing sold in the open market generate additional revenue for us.

Consumption of raw material and power are given below:

| Particulars | Iron Ore (Units in MT's) | | | Coal (Units in Mt's) | | | Power (units in '000) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| Sponge Iron | 377,266 | 215,844 | 144,134 | 258,031 | 124,342 | 105,353 | 11,093 | 8,178 | 7,939 |
| Steel Billlets/Ingots | - | - | - | - | - | - | 104,599 | 78,720 | 91,816 |
| Power | - | - | - | 95,898 | 81,172 | 82,821 | 19,503 | 14,751 | 13,296 |

**Dividend**

Our Company has declared a dividend of 10% for the financial year 2005-06 and 30% for the financial year 2006-07 to our shareholder of equity shares. In financial year 2004-05, our company had declared a dividend of 10% to the equity shareholders.

**Debt Structure**

Our outstanding Long Term Debt as on March 31, 2007 was Rs.2,247.53 million compared to Rs.589.93 million in fiscal 2005. The net working capital borrowing as on March 31, 2007 was Rs.527.37 million as compared to Rs.169.24 million in fiscal 2005. Improvements in credit management and cash management arrangements contributed increased working capital efficiencies during the year.

***(Rs. in million)***

| Particulars | As at the year ended March 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Loans and advances from banks | | | |
| - Cash Credit Facilities | 527.38 | 291.46 | 169.24 |
| - Term Loans | 1,949.49 | 1,053.27 | 589.31 |
| - Foreign Currency Buyers Credit facility | 62.81 | 94.47 | - |
| - External Commercial Borrowings | 217.85 | | |
| Other Loans & Advances | 17.38 | 2.68 | 4.85 |
| **Grand Total** | **2,774.90** | **1,441.97** | **764.02** |

**Fixed Assets:**

Our gross block of fixed asset as on March 31, 2007 was at Rs.2,910.3 million as against Rs.6,50.4 milllion as at March 31, 2005. Our capital work in progress including capital advances stood at Rs.1,031.9 million as on March 31, 2007 vis-à-vis Rs.655.0 million as at March 31, 2005.

We charge depreciation on fixed assets on Straight Line Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956. During the financial year 2005-06, our Company has changed the method of providing depreciation of fixed assets from written down value method to Straight Line Method.

Depreciation on Fixed Assets added/disposed off during the year is provided on pro-rata basis. Fixed Assets costing below Rs.5000/- are fully depreciated in the year of acquisition itself. Free-hold Land, Leasehold land and site development expenditures are not depreciated / amortized.

**Related Party Transaction**

We have entered into transactions with a number of related parties. For details regarding our related party transactions, please refer the disclosures given in section titled “Financial Information” on page 138 of this Preliminary Placement Document.

- **Comparison of Financial for the half year ended September 30, 2007 with the half year ended September 30, 2006**

**Income**

Our stand alone net sales for the half year ended September 30, 2007 is Rs.3,481.2 million as compared to Rs.2,073.5 million for the corresponding period ended September 30, 2006. Our net revenue has grown by 68.03% as compared to the corresponding previous year. The increase in sales during the half year ended is mainly on account of increase in the capacity and production of Sponge iron and Steel billets during the half year ended 2006-07 and increase in the realization of Steel Billets from Rs. 19,585/- during the half year ended September 30, 2006 to Rs.23,969/- per MT during the half year ended September 30, 2007 and of Sponge Iron from Rs. 11,782/- during half year ended September 30, 2006 to Rs.14,715/- per MT during the half year ended September 30, 2007. Our realization H. B. Wire has increase from Rs. 25,132/- during the half year ended September 30, 2006 to Rs.29,873/- per MT during the half year ended September 30, 2007.

**Raw material Consumption**

Our raw material cost for the half year ended September 30, 2007 is Rs.2,658.8 million i.e. 72.5% of total income as compared to Rs.1,475.7 million i.e. 72.00% for the half year ended September 30, 2006. Our raw material cost is increased by 0.5% of total income in the half year ended September 30, 2007 mainly on account of increase in the prices of raw material viz. Iron Ore and Coal, as compared to the corresponding previous period.

**Operating & Other Expenses**

Our operating expenses mainly comprise of the expenses toward consumption of store & spares, Rates & Taxes, repairs and maintenance, power & fuel, managerial commission and repairs & maintenance. Our Operating and other expenses for the half year ended September 30, 2007 is Rs.242.5 million i.e. 6.6% of total income vis-à-vis Rs.157.5 million i.e. 7.7% of total income for the corresponding half year ended September 30, 2006. Our operating and other expenses are decreased by 1.1% of total income in the half year ended September 30, 2007, mainly on account of increase in the production resulting into decrease in fixed cost as percentage to total income.

**Personnel Expenses**

The personnel expense for the half year ended September 30, 2007 is increased to Rs.42.1 million i.e. 1.1% of total income from Rs.19.8 million i.e. 1.0% of total income during the half year ended September 30, 2006. The increase in expenses is not very significant as a percentage to total income.

**Earning before Interest, Depreciation and Tax and Amortization (EBIDTA)**

Our EBIDTA for the half year ended September 30, 2007 was Rs.725.0 million i.e. 19.8% of total income as compared to Rs.398.0 million i.e. 19.4% of total income during the corresponding period ended September 30, 2006. Our EBIDTA margin has improved marginally by 0.4% of total income as compared to the corresponding previous period.

**Interest and Financial Charges**

Our interest and financial charges is increased to Rs.134.3 million i.e. 3.7% of total income for the half year ended September 30, 2007 from Rs.49.6 million i.e. 2.4% of total income during the corresponding period ended September 30, 2006. With increase in the volume of business, Term Loans and working capital requirement is increased during the half year ended September 30, 2007 resulting into increase in the interest cost, coupled with increase in rate of interest by 300 bps during the half year ended September 30, 2007.

**Depreciation and Amortization**

Depreciation pertains to the depreciation on Plant & Machinery, Building, Vehicles and Furniture & Fixtures. Depreciation on fixed assets was Rs.112.2 million during the half year ended September 30, 2007 vis-à-vis Rs.52.5 million during the corresponding period ended September 30, 2006. We charge depreciation on fixed assets on Straight Line Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

**Profit After tax**

Profit after tax has declined by 1.70% of total income from Rs.271.9 million during the half year ended September 30, 2006 to Rs.423.7 million during the corresponding period ended June 30, 2007. The decline in profit margin is primarily on account of increase in the interest cost and depreciation for the half year ended September 30, 2007. For the half year ended September 30, 2007, we have made a provision of Rs.54.0 million i.e. 1.5% of total income for the current tax as compared to Rs.23.8 million i.e. 1.2% of total income during the half year ended September 30, 2006.

- **Comparison of Fiscal 2007 to Fiscal 2006**

**Income**

The stand alone net sales of Rs.4,420.9 million for the year ended march 31, 2007 which has been grown by 88% over the previous corresponding year 2006. The main reason for the increase in sales is on account of increase in the production of Sponge iron and Steel billets during fiscal 2006-07 consequnet upon commencing of phase I expansion project in January, 2006 and increase in the realization of Steel Billets from Rs.18,699/- in fiscal 2006 to Rs.20556/- per MT during fiscal 2007 and of Sponge Iron from Rs.11,093/- in fiscal 2006 to Rs.12,904/- per MT in fiscal 2007.

Our gross sales for the year 2006-07 constitutes 27.49% from sale of H. B. Wire, 53.22% from steel billets 9.17% from sale of Sponge Iron, 5.77% from sale of Ferro Alloys, 0.4% from power business, and 3.95% from by products and others.

The other income for the year ended March 31, 2007 was Rs.22.4 million vis-à-vis Rs.8.5 million during the year March 31, 2006. The other income derived mainly from interest on bank deposits, dividend income and profit from currency hedge transactions.

**Raw Material Consumption**

Our total cost of raw material for the fiscal 2007 was Rs.3,228.2 million i.e. 72.9% of total income as compared to Rs.1,819.1 million i.e. 74.6% of total income during the fiscal 2006. In fiscal 2006-07, the cost of raw material was declined by 1.7% of total income which is mainly on account of higher realization of finished products during fiscal 2007, resulting into decline in raw material cost as a percentage to total income.

**Operating and Other expenses**

Our operating expenses mainly comprise of the expenses toward consumption of store & spares, Rates & Taxes, power & fuel, managerial commission and repairs & maintenance. Our company has incurred Rs.327.3 million i.e. 7.4% of total income for the year 2006-07 as compared to Rs.218.4 million i.e. 9.0% of total income for the year

2005-06. The reason for decrease in operating expenses as a percentage of total income during the fiscal 2006-07 was on account of commissioning of captive power generation facility of 10MW in January, 2006 resulting into reduction in power cost.

**Personnel Expenses**

Personnel expenses mainly comprise of the expenses such as salaries & bonus, contribution towards provident funds and other funds and staff welfare expenses. Our personnel expenses for the year 2006-07 was Rs.49.4 million i.e.1.1% of total income as compared to Rs.31.2 million i.e. 1.3% of total income for the year 2005-06. As a percentage of total income, there has been a marginal decline in personnel cost as compared to the previous year.

**Earning before Interest, Depreciation, Tax and Amortization (EBIDTA)**

Our EBIDTA during the fiscal 2007 was Rs.815.9 million i.e. 18.4% of total income vis-à-vis Rs.368.6 million i.e. 15.1% of total income during the fiscal 2006. Our EBIDTA margin has improved by 3.3% of total income mainly on account of better realization as compared to the corresponding previous year as explained above and increase in the volume of business resulting into lower fixed cost as a percentage of total income.

**Interest and Finance charges**

The cost towards interest and financial charges has increased from Rs.59.5 million in fiscal 2006 to Rs.117.3 million in fiscal 2007. Our interest and finance cost are mainly comprises the interest paid on term loans, working capital facilities and bank charges. The main reason for increase in interest cost and financial charges was on account of exposure of loan term loans from banks to fund our expansion project.

**Depreciation and Amortization**

Depreciation pertains to the depreciation on Plant & Machinery, Building, Vehicles and Furniture & Fixtures. Depreciation on fixed assets was Rs.108.7 million in fiscal 2007 vis-à-vis Rs.60.8 million during the fiscal 2006. We charge depreciation on fixed assets on Straight Line Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

**Profit after tax and before exceptional item**

Profit after tax and before exceptional item has improved by 2.6% of total income from Rs.225.0 million in fiscal 2006 vis-à-vis Rs.522.1 million during the fiscal 2007. Our profit margin has improved primarily on account of better realization of finished products as explained above. We have made a provision of Rs.66.5 million for the current tax and Rs.22.0 million for the fiscal 2007 and 2006 respectively.

- **Comparison of Fiscal 2006 to Fiscal 2005**

**Income**

The stand alone net sales of Rs.2,348.1 million for the year ended March 31, 2006 which has grown by 36% over the previous corresponding year 2005. The main reason for increase in sales is on account of increase in the volume of business during the fiscal 2006 and better realization of finished product as compared to the corresponding previous year. Our gross sales for the year 2005-06 constitutes 63.19% from steel billets, 8.69% from sale of Sponge Iron, 20.26% from sale of H. B. Wire, 2.14% from sale of Ferro Alloys and 6.04% from sale of by products and others.

The other income for the year ended March 31, 2006 was Rs.8.5 million vis-à-vis Rs.5.2 million during the year March 31, 2006. The other income derived mainly from interest on bank deposits and other miscellaneous income.

**Raw Material Consumption**

Our total cost of raw material for the fiscal 2006 was Rs.1,819.1 million i.e. 74.6% of total income as compared to Rs.1,181.8 million i.e. 67.7% of total income during the fiscal 2005. In fiscal 2005-06, the cost of raw material was increased by 6.9% of total income which is mainly on account of increase in the prices of raw material i.e. Iron Ore and Coal. Our average Iron Ore price has increased by 29.60% from Rs.1,672/- during fiscal 2005 to Rs.2,167/- per MT during fiscal 2006 and average Coal price has increased by 18.66% from Rs.1,468/- during fiscal 2005 to

Rs.1,742/- per MT during fiscal 2006.

**Operating and Other expenses**

Our operating expenses mainly comprise of the expenses toward consumption of store & spares, Rates & Taxes, power & fuel, managerial commission and repairs & maintenance. Our company has incurred Rs.218.4 million i.e. 9.0% of total income for the year 2005-06 as compared to Rs.165.4 million i.e. 9.5% of total income for the year 2004-05. The reason for decrease in operating expenses as a percentage of total income during the fiscal 2005-06 was on account of increase in volume of business resulting into decline in fixed cost as a percentage of fixed cost.

**Personnel Expenses**

Personnel expenses mainly comprise of the expenses such as salaries & bonus, contribution towards provident funds and other funds and staff welfare expenses. Our personnel expenses for the year 2005-06 was Rs.31.2 million i.e.1.3% of total income as compared to Rs.18.5 million i.e. 1.1% of total income for the year 2004-05. As a percentage of total income, there has been a marginal increase in personnel cost as compared to the previous year.

**Earning before Interest, Depreciation, Tax and Amortization (EBIDTA)**

Our EBIDTA during the fiscal 2006 was Rs.368.6 million i.e. 15.1% of total income vis-à-vis Rs.379.1 million i.e. 21.7% of total income during the fiscal 2005. Our EBIDTA margin has been declined by 6.6% of total income mainly on account of increase in the prices of raw material used in manufacturing of products.

**Interest and Finance charges**

The cost towards interest and financial charges has increased from Rs.28.8 million in fiscal 2005 to Rs.59.5 million in fiscal 2006. The main reason for increase in interest cost and financial charges is increase in Term Loan for the expansion and higher working capital utilization. Our interest and finance cost are mainly comprises the interest paid on term loans, working capital facilities and bank charges.

**Depreciation and Amortization**

Depreciation pertains to the depreciation on Plant & Machinery, Building, Vehicles and Furniture & Fixtures. Depreciation on fixed assets was Rs.60.8 million in fiscal 2006 vis-à-vis Rs.88.4 million during the fiscal 2005. We charge depreciation on fixed assets on Straight Line Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956. In fiscal 2005, our company was charging the depreciation as per WDV method.

**Profit after tax and before exceptional item**

Profit after tax and before exceptional item has declined by 4.6% of total income from Rs.241.1 million in fiscal 2005 vis-à-vis Rs.225.0 million during the fiscal 2006. Our profit margin has declined primarily on account of increase in the prices of Iron Ore and Coal by 29.60% and 18.66% respectively as compared to the corresponding previous year. We have made a provision of Rs.20.5 milllion for the current tax.

**Liquidity and Capital Resources**

We broadly define liquidity as our ability to generate sufficient funds from both internal and external sources to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate equity and debt financing and loans and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered separately from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service and other commitments.

We have historically financed our working capital and capital expenditure requirements primarily through fresh issue of capital, funds generated from our operations and financing from banks / other financial institutions in the form of term loans and working capital facilities. Our business requires a significant amount of working capital and capital expenditure. In many cases, significant amounts of our working capital are required to finance the purchase of materials and other related work before payments are received. We believe that we will have sufficient capital resources from our operations, net proceeds of this Issue and borrowings to meet our capital requirements for at least the next 12 months.

**Statement of Cash flows – Stand alone**

The following table sets out financial information derived from the cash flow statements of our company. The table below summarizes our cash flows for the periods indicated:

***(Rs. in million)***

| **Particulars** | **For the year ended March 31,** | | |
|---|---|---|---|
| | **2007** | **2006** | **2005** |
| Net cash Inflow/ (Outflow) from Operating activities | 445.59 | 77.48 | 323.27 |
| Net cash Inflow/ (Outflow) from Investing activities | (1,989.73) | (755.99) | (674.75) |
| Net cash Inflow/ (Outflow) from Financing activities | 1,633.24 | 698.82 | 359.82 |
| **Net increase/ (decrease) in Cash and Cash equivalents** | 89.09 | 20.31 | 8.33 |

*Operating Activities:* Net cash generated from operating activities during the year ended March 31, 2007 was Rs.445.59 million. The operating profit before working capital changes was Rs.813.06 million and the difference was largely due to increase in receivables and inventories.

*Investing activities:* The following table shows the net book value of property, plant and equipment of our company.

***(Rs. in million)***

| **Addtion in Gross Block** | **For the year ended March 31** | |
|---|---|---|
| | **2007** | **2006** |
| Land & Land Development | 37.08 | 10.05 |
| Buildings | 17.28 | 104.07 |
| Plant and machinery | 1,261.26 | 826.37 |
| Furniture and fixtures | 1.72 | 1.12 |
| Vehicles | 9.16 | 1.05 |
| **Total** | **1,325.59** | **942.66** |
| **Capital work in progress** | **561.10** | **746.27** |

Our investments are primarily to purchase fixed assets used in our manufacturing of Steel Billets, Sponge Iron, and Power generation. During the year ended March 31, 2007, Rs.561.10 million was deployed additionally towards capital work in progress.

The net cash used for our investment activities in fiscal 2006 was Rs.755.99 million out of which Rs.759.05 million used for purchase of fixed assets and deployment towards capital work in progress.

The net cash used for our investment activities in fiscal 2005 was Rs.674.75 million out of which Rs.638.40 million used for purchase of fixed assets.

*Financing activities:* Net cash generated by financing activities was Rs.1,633.24 million during the year ended March 31, 2007, primarily due to increase in long term loans, unsecured loans and proceeds from issue of equity shares in the public issue. The net cash generated from our financing activities in fiscal 2006 was Rs.698.82 million which is through bank borrowings.

**Contingent Liabilities**

The principal contingent liabilities disclosed in the notes to the financial statements as at March 31, 2007 are as follows.

| **Particulars** | **Amount (Rs. in million)** |
|---|---|
| Counter Guarantees given to banks | 14.87 |
| Corporate Guarantees issued | 1,420.0 |
| Disputed liability on account of Service tax, central excise duty, and sales tax | 2.07 |
| Contracts remaining to be executed on capital accounts | 102.5 |
| **Total** | **1,539.44** |

**Market Risks**

Our Company is exposed to market risks and operational risk, including policy changes by the Government, changes in interest rates, currency exchange rates and commodity prices, however such risks historically have not a material impact on our results of operations or financial condition due to strong risk management policies in force.

- ***Exchange Rate Risk***

  Our Company's reporting currency is Indian Rupees. We face exchange rate risk to the extent that our certain borrowings and expenditures are denominated in currencies other than Indian rupees. For the Fiscal 2007, the outgo in foreign exchange for was Rs.141.8 million as compared to Rs.186.91 million in Fiscal 2006. We face exchange rate risk to the extent that our certain expenditures are denominated in currencies other than Indian rupees. We are also exposed to foreign exchange risk with respect to our import of machineries. Our company hedges the foreign exchange fluctuation risk by adopting necessary hedging strategy at appropriate time.

- ***Interest Rate Risk***

  Our interest rate risk results from changes in interest rates, which may affect our financial expenses. The interest rates on working capital finance are linked to PLR of the lending banks. Our company has also taken an exposure of Foreign currency buyers credit for import of machineries which is linked to LIBOR. Hence, our interest rate risk is limited only to the extent of changes in PLR and LIBOR.

- ***Business and Operational Risk***

  In the recent past, there have been wide fluctuations in the prices of critical raw materials such as iron ore, coal, etc. both at domestic and international levels. Such fluctuations in prices of raw material and our inability to negotiate at optimum market rates may adversely affect our profitability. Similarly, the prices of finished products are also subject to fluctuations, which could adversely impact our profitability.

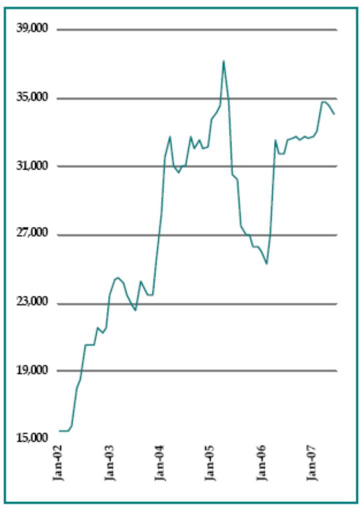
## INDUSTRY OVERVIEW

### The Steel Industry

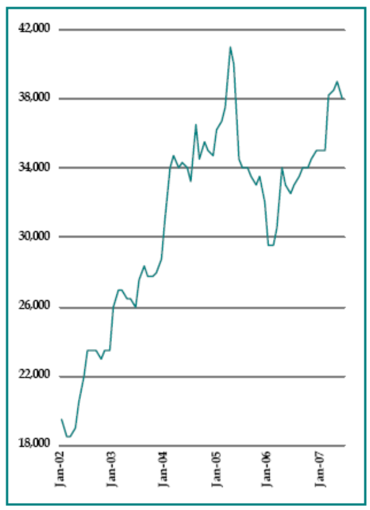
### a) Global scenario

Global steel production increased by 9.0% to 1,244 million tons during 2006. The current global utilization rate in steel is around 93%. This high level of utilization rate allows major producers to quickly have an influence on overall supply. The Top 10 steelmakers still have less than 30% of total steel supply even after Arcelor-Mittal and Tata-Corus deals. Nevertheless, when utilization rate is above 90%, its fine tweaking can influence the market. It also indicates that there is very little "slack" within the global steel market. At this stage, upside surprises on the demand side very quickly feed through to sharp price appreciation.

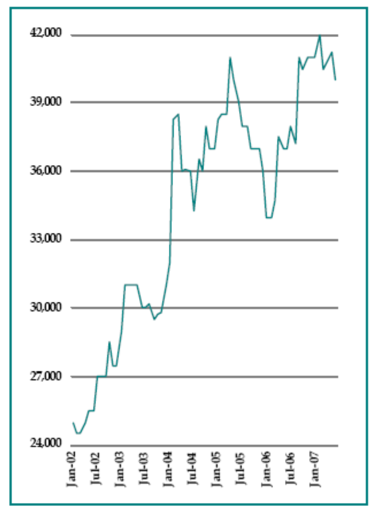
**HR Coils Prices Rs./tonne:**




**CR Coils Prices Rs./tonne:**




**GP/GC Sheets Prices Rs./tonne:**




*Source: CMIE*

### b) The Indian Steel Industry

The Indian steel industry has traversed a long path since setting up of India's first steel manufacturing facility went into operation in 1907. The complexion of the Indian steel industry has witnessed a remarkable change since liberalization. The pro-steel industry measures initiated by the government include:

- Licensing requirements for capacity creation were abolished except for certain restrictions pertaining to specified locations;
- The steel industry was removed from the list of industries reserved for the public sector;
- Automatic approval of up to 100% foreign equity investment was allowed;
- Price and distribution controls were also removed with a view to make the steel industry efficient and competitive;
- Removal of restrictions on external trade, both in import and export of steel; and
- Gradual reduction of import duty on raw materials and finished steel

Other measures, not specific to the industry, which benefited the sector included:

- Reduction in import duty of capital goods;
- Convertibility of rupee on trade account;
- Permission to mobilize resources from overseas financial markets; and
- Rationalization of tax structures.

As a consequence, several steel manufacturing units were set up in the private space.

India is, now, the 7th largest steel producer globally with a share of 3.5% of global steel production. Finished steel production in India has gone up from 14.3 mm TPA in 1991-92 to 45 mm TPA in 2006-07, a Compounded Annual Growth Rate (CAGR) of 7.9% over a decade and a half. Further, this growth in the Indian industry has primarily been driven via organic expansion by Indian companies in contrast to the inorganic route employed by their international counterparts. During the period, consumption witnessed a CAGR of over 7.1%. As per the National Steel Policy, production of steel in India is expected to triple in the next 15 years, in line with consumption growth.

**Top 10 steel producing nations *(Source: IISI)***

| Year | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| **China** | **1.0** | **422.7** | **34.0%** | **1.0** | **355.8** | **31.2%** |
| Japan | 2.0 | 116.2 | 9.3% | 2.0 | 112.5 | 9.9% |
| United States | 3.0 | 98.6 | 7.9% | 3.0 | 94.9 | 8.3% |
| Russia | 4.0 | 70.8 | 5.7% | 4.0 | 66.1 | 5.8% |
| South Korea | 5.0 | 48.5 | 3.9% | 5.0 | 47.8 | 4.2% |
| Germany | 6.0 | 47.2 | 3.8% | 6.0 | 44.5 | 3.9% |
| **India** | **7.0** | **44.0** | **3.5%** | **7.0** | **40.9** | **3.6%** |
| Ukraine | 8.0 | 40.9 | 3.3% | 8.0 | 38.6 | 3.4% |
| Italy | 9.0 | 31.6 | 2.5% | 10.0 | 29.3 | 2.6% |
| Brazil | 10.0 | 30.9 | 2.5% | 9.0 | 31.6 | 2.8% |
| **World** | | **1,244.5** | 100.0% | | **1,141.8** | 100.0% |

Besides liberalization, there are other factors which have reinforced growth of the Indian steel industry:

First and foremost amongst them is "Factor endowment" which has major influence on the costs of steel production. Key raw materials such as iron ore and coal constitute on average 70% of the total costs of steel companies. Abundant raw material availability and cheap labor have rendered Indian steel production costs to one of the lowest globally. Most Indian manufacturers have secured backward raw material linkages which provide them with inherent cost advantages. India's companies are also engaged in backward integration into products and captive power to mitigate input price risks. Costs of producing a ton of steel in India are pegged at an average of US$ 450 against an average US$ 575 in Western Europe. Even as costs of production are relatively lower in Brazil and Russia, India scores over those in economic and political stability.

Secondly, healthy domestic demand is an imperative for the success of any indigenous industry, especially in case of bulk commodities, whose movement entails high transportation costs. Per capita consumption of steel in India is still lower at ~40 kg compared to the global average of 185 kg per capita. An over 8% sustained growth in the Indian GDP has led to massive investments in urban infrastructure and a boom in the domestic construction industry. Also, rapid urbanization has led to greater consumption of consumer durables and automobiles. In this regard, it is also important to note the "Multiplier effect" relationship between the economic growth rate and the demand for steel. While in developed economies, this ratio stands at ~1, it is estimated at 1.25x the GDP growth rate in India (~10% annually). At the current pace of reforms this could result in an extended period of high growth for the Indian steel industry.

Thirdly, India has made it clear to global institutions, including POSCO, Mital Steel, etc., willing to exploit its reserves, that India cannot merely be pursued as a cheap raw material destination. In the given scenario, value addition facilities would need to be set up within India which would lead to industry expansion and import of better technologies and corporate practices. Also, this would result in industry consolidation and lead to greater production and pricing discipline leading to a robust industrial sector. India has been ranked as one of the top 5 destinations for setting up a steel plant by *World Steel Dynamics*, the others being the United States, Russia, Brazil, and Ukraine.

**c) Industry statistics**

*Source: Ministry of Steel*

Total production of finished carbon steel in the country has been 49.4 mm tons in 2006-07 versus 14.3 mm tons in 1991-92, indicating a CAGR of 8.6%. The high share of the secondary sector in finished steel production is largely due to substantial supplies of semis, the basic feed material from the main producers for conversion to needed shapes by rolling.

| Year | Main Producers | Secondary Producers | Grand Total | Share of Secondary Producers (%) |
|---|---|---|---|---|
| 1991-92 | 8.0 | 6.4 | 14.3 | 14.5% |
| 1992-93 | 8.4 | 6.8 | 15.2 | 44.7% |
| 1993-94 | 8.8 | 6.4 | 15.2 | 42.3% |
| 1994-95 | 9.6 | 8.3 | 17.8 | 46.3% |
| 1995-96 | 10.6 | 10.8 | 21.4 | 50.6% |
| 1996-97 | 10.5 | 12.2 | 22.7 | 53.6% |
| 1997-98 | 10.4 | 12.9 | 23.4 | 55.3% |
| 1998-99 | 9.9 | 13.2 | 23.8 | 57.3% |
| 1999-2000 | 11.2 | 15.5 | 26.7 | 58.1% |
| 2000-2001 | 12.5 | 17.2 | 29.7 | 57.9% |
| 2001-2002 | 13.1 | 17.6 | 30.6 | 57.4% |
| 2002-03 | 14.4 | 19.3 | 33.7 | 57.3% |
| 2003-04 | 15.2 | 21.0 | 36.2 | 58.0% |
| 2004-05 | 15.6 | 24.4 | 40.1 | 61.0% |
| 2005-06 | 16.2 | 26.4 | 42.6 | 61.9% |
| 2006-07 | 17.4 | 32.0 | 49.4 | 64.8% |
| 2007-08 (Apr-Aug '07) | 6.9 | 15.6 | 20.5 | 76.1% |

*Source: Ministry of Steel*

Total production of Pig Iron was 5.0 mm tons in 2006-07 as compared to 1.6 mm tons in 1991-92 registering a CAGR of 7.9%. Originally, Pig Iron was primarily produced by integrated steel plants of SAIL and RINL. Of late, the share of stand-alone pig iron units has increased significantly.

Production of Direct Reduced Iron (DRI) has increased from 1.3 mm tons in 1991-92 to 15.8 mm tons in 2006-07, a CAGR of 18.0% over the considered period. India has emerged as the largest producer of DRI in the world.

Steel exports have registered a CAGR of 19% and stood at 5.1 mm tons for 2006-07 as against 0.4 mm tons in 1991-92. Amongst others, exports of Semis has registered a steep CAGR of 33% even as volumes remain small at only 7% of the total steel exports. Carbon steels which account for the majority of steel exports, 93%, have recorded a CAGR of 19% over the same period.

Steel imports at the same time have registered a CAGR of 9.6% and stood at 4.1 mm tons in 2006-07 compared to 1.0 mm tons in 1991-92. Imports of Pig Iron, however, have recorded a Compounded decline of (23%) to 3,000 tons in 2006-07 from 152,000 tons in 1991-92, primarily due to a shift towards greater consumption of DRI.

**d) The Indian Sponge Iron Industry**

**i. Background**

Iron ore is the major input for BF-BOF steelmaking which still has a high share of 63% in the global production of crude steel. However, the process requires various treatments of raw materials, involves high capital costs, substantial investment on infrastructure and has a long gestation period. It also leads to various environmental problems.

To find a way out of these shortcomings of the BF-BOF process, EAF steelmaking was introduced decades ago. Since, the share of EAF steelmaking in the global crude steel production has increased substantially.

Sponge iron, also known as direct reduced iron (DRI), is a high quality metallic product manufactured by reducing iron ore lumps / pellets. Two major raw materials required to produce sponge iron are iron ore and coal. The sponge iron industry comprises two kinds of producers:

- Gas based
- Coal based

As the distinction is drawn on the basis of fuel used, gas based sponge iron is purer compared to coal based sponge iron and therefore gets a premium.

Sponge iron prices primarily depend on:

- Scrap prices, as scrap can be substituted to an extent to manufacture steel;
- Demand for steel; and
- Prices of iron ore and coal, as they are the key inputs in the manufacture of sponge iron.

Higher scrap prices may lead to increased usage of sponge iron in the input mix of the secondary route of steel making. The buoyancy in the steel industry has resulted in scrap prices touching an all time high which has led to hardening of sponge iron prices globally.

The increasing trend in steel scrap prices and its short supply has resulted in the increased use of sponge iron / direct reduced iron (DRI) in the feed stock of EAFs, blast furnaces and other iron and steelmaking process. The Hot Briquetted Iron (HBI) is a denser and compacted form of DRI designed for easy handling for shipping and storage. DRI can be used in steel units where the DRI reduction unit is located at the site of the steelmaking plant.

DRI is now recognized as a high quality, high purity charge – material, the world over. In comparison with scrap, the use of DRI / HBI offers consistency in composition, low trace elements due to its porous nature and environment – friendliness.

Sponge Iron India Ltd. (SIIL) was the first sponge iron plant in the country which was set up at Polancha in Andhra Pradesh in 1980 with an initial capacity of 0.3 Mtpy. Since coal was adequately available in India, production of coal – based sponge iron was considered as a feasible option. The growth of the Indian DRI industry till the mid-eighties was constrained by the restrictive licensing policies of the government.

It was only after de-licensing in 1985 that the industry started growing up. By 1988, three coal based sponge iron plants were installed. These were Orissa Sponge Iron with a capacity of 0.1 mm TPA. Ipita Sponge Iron (now Tata Sponge Iron Ltd.) with a capacity of 0.9 mm TPA and Sunflag Iron and Steel Ltd. with a capacity of 0.15 mm TPA. All these plants were set up to produce sponge iron for captive consumption. In 1989, the first merchant sponge iron plant was set up viz. Bihar Sponge Iron Ltd. with a capacity of 0.15 mm TPA. In the last 20 years or so, coal-based sponge iron industry has made remarkable growth.

In the late eighties, Indian producers became enthusiastic in setting up gas – based sponge iron plants due to the discovery of large scale reserves of natural gas in the country. The first gas – based sponge iron plant was started up at Hazira in Gujrat by Essar Steel in 1990.

**ii. Growth of the Indian sponge iron industry**

The Indian domestic sponge iron industry has undergone dramatic changes over the last decade and a half, key changes being:

- India has emerged as the world's largest producer of Sponge Iron;
- The coal-based sponge iron segment has witnessed rapid growth in numbers;
- This has led to an increase in both capacity and production (coal-based);
- Significant expansion programs launched by existing units;
- Chain integration initiatives by existing steel producing units; and
- Emergence of sponge iron units with planned foray into steel making.

Growth in domestic demand, vigorous growth in domestic steel production led by the secondary steel making sector, techno-economics like the relatively lower cost of investment due to emergence of small sized production modules, clear-cut technology of Direct Reduction, better end-product quality, abundant availability of mineral resources, labor – skilled as well as unskilled and related factors operating in the backdrop provided by a free market regime have boosted the segment.

The demand for sponge iron in India has been growing at 8.25% CAGR over the last decade. Demand has primarily been driven by the following factors:

- Increase in steel production via the secondary route. This is expected to grow further due to shortage of coking coal, a key raw material for steel making via the primary route based on blast furnace;
- Proportion of sponge iron in secondary production is also likely to go up, with low domestic availability and high international prices of scrap, a marginal substitute for sponge iron; and
- Availability of scrap will be constrained due to heightened domestic demand in the CIS, and Ukraine, some of the largest steel scrap exporters.

A survey concluded by the Joint Plant Committee in August 2005-06 pegs the total number of coal based Sponge iron units at 147 with an aggregate capacity of 11 mm tons, and given the big three gas-based sponge iron plants being operated by Essar steel, Vikram Ispat, and Ispat Industries, the total capacity stood at 17 mm tons. Of the reported 147 coal based units, 77 have announced plans to expand existing capacity, the aggregate addition being pegged at ~7 mm tons. Also, another 58 green-field projects with a total capacity of 6 mm tons have been reported as under commissioning.

The mushrooming of this stupendous growth started most markedly since 2002 as a result of the revival in the fortunes of the steel business. Almost 72% of the 147 coal based units have started come into operation starting 2002.

### iii. Sponge Iron is a regionally concentrated business

Also, the sponge iron segment is found to be regionally concentrated and in close proximity to material reserves. Major regional hubs include

- East: West Bengal, Orissa, Jharkhand
- West: Chhattisgarh, Maharashtra, Goa
- South: Karnataka, Andhra Pradesh, Tamil Nadu

Gas based plants are all located in the western region due mainly to proximity to natural gas resources.

Concentration of units is maximum in Chhattisgarh (33 units with capacity of 4.5 mm tons), followed closely by Orissa (33 with capacity of 2.2 mm tons), and West Bengal (30 with capacity of 1.6 mm tons).

### iv. Availability of raw materials at affordable prices: key to segment profitability

**Iron Ore**

Availability of iron ore has been a key issue confronting steel players. Iron ore prices in the past three years have seen sharp rises even as Chinese steel output has multiplied since 2001. Iron ore prices are expected to stay near record levels as global demand continues to outpace supply. Mining giants CVRD, Rio Tinto and BHP Billiton, which meet three quarters of world iron ore demand, are raising output - though capacities are not expected to be on-stream until 2009.

Iron ore prices are set annually beginning April 1, after individual negotiations between mining companies and steel makers. The annual contract price for fine ore accounts for 60% of the global iron ore trade has jumped year-on-year to and is quoting currently at ~USD 165 per ton.

The iron ore found in India is one among the best grades (65% ferrous content) in the world. Australian Mines, for example, have ore with 55-58% ferrous content. Moreover, India is one of the largest producers and exporters of iron-ore and hence availability of iron-ore has never been an issue.

Qty: Million tonnes

| | Crude Ore | | Iron content | |
|---|---|---|---|---|
| | Reserves | Reserve base | Reserves | Reserve base |
| United States | 6,900 | 15,000 | 2,100 | 4,600 |
| Australia | 15,000 | 40,000 | 8,900 | 25,000 |
| Brazil | 23,000 | 61,000 | 16,000 | 41,000 |
| Canada | 1,700 | 3,900 | 1,100 | 2,500 |
| China | 21,000 | 46,000 | 7,000 | 15,000 |
| India | 6,600 | 9,800 | 4,200 | 6,200 |
| Iran | 1,800 | 2,500 | 1,000 | 1,500 |
| Kazakhstan | 8,300 | 19,000 | 3,300 | 7,400 |
| Mauritania | 700 | 1,500 | 400 | 1,000 |
| Mexico | 700 | 1,500 | 400 | 900 |
| Russia | 25,000 | 56,000 | 14,000 | 31,000 |
| South Africa | 1,000 | 2,300 | 650 | 1,500 |
| Sweden | 3,500 | 7,800 | 2,200 | 5,000 |
| Ukraine | 30,000 | 68,000 | 9,000 | 20,000 |
| Venezuela | 4,000 | 6,000 | 2,400 | 3,600 |
| Other countries | 11,000 | 30,000 | 6,200 | 17,000 |
| **World Total(rounded)** | **160,000** | **370,000** | **79,000** | **180,000** |

**Source**: U.S.Geological Survey, Mineral Commodity Summaries, January 2007

In India, a substantial proportion of mines are in the government sector. However, large local and international players too have been mining iron ore for substantial time. However, prices have exhibited a sharp volatility and the recent firming up of iron ore prices worldwide has led to smaller players exploring the possibility of owning mines. Prospecting ones iron ore resources will drastically cut down raw material costs of companies. This rush for iron ore mines is also fuelled by the realization that if India has to compete with the likes of China, the only way is cost competitiveness.

Further, freight rates have significantly widened the pricing differential between imports and locally sourced ore on a delivered basis. Indian manufacturers have taken full benefit of the situation.

Steel units with captive mines are expected to benefit from integration of the entire steel making production process. They will be able to acquire raw materials at competitive costs compared with other global manufacturers insulating them from any volatility that ore prices may witness, globally. However, pricing may move in tandem with global demand-supply dynamics - with an expectation that additional global mining capacities would ease pressures of steel prices in the medium term.

However, Iron ore linkages for the sponge iron industry are weak and a majority of the producers in the industry are dependent on sourcing their iron ore needs from the open market. The government has been opening up the iron ore mining segment for privet producers and many have already been awarded mining leases as a measure towards opening up of the sector.

In conclusion, owning mines and captive iron ore supply benefits steel manufacturers in a big way.

**Coal**

India has large reserves of coal, a substantial proportion of which is low quality high-ash coal that is suitable for thermal power plants with limited usage in the steel industry. It is essential to use non-coking coals with high reactivity characteristics and high ash fusion temperatures for rotary kiln coal based iron manufacturing processes. In the sponge iron manufacturing process, coal acts as feedstock than as fuel to provide heat to the process. Moreover, only a few select collieries have high-grade coal available with them. This limited coal is wasted as mere heating fuels in cement kilns and power plants rather than being reserved for sponge iron manufacturing.

Coal forms an important raw material for the manufacture of sponge iron. Integrated manufacturers of steel through blast furnace route are dependent largely on imported coal (hard coking coal or coke). Production and prices of domestic coal are controlled by Coal India Limited (CIL), which along with its subsidiaries controls 95% of India's production. CIL prices are significantly lower than international prices giving a cost advantage to Indian sponge iron players. On the flip side, as allocation of coal is done on an annual basis, a linkage with Coal India needs to be in place to source domestic coal. Since requirement for hard coking coal and coke are met through imports, the largest impact of its price volatility is felt by integrated steel manufacturers who use the blast furnace route.

The impact on manufacturers has been marginalized due to long-term contracts for the supply of coking coal and increase in sales realizations, which too have more than offset the increase in raw material prices. The increasing tendency of Indian companies to acquire majority stake in Australian, South African, and Indonesian mines is likely to provide assured supplies with some pricing benefits. The global outlook for hard coking coal is similar to that of iron-ore with expectations of strong global demand from the coke-oven batteries being set up in India and China.

Of the total 147 sponge iron units in India, 60% have coal linkages in place. Orissa and Chhattisgarh top the list with West Bengal close behind. However, coal linkages in other locations are not as robust leaving producers dependent on market sources for procuring this key raw material.

**Power**

Power is another important input in the steel industry. Most of the steel units, earlier, were dependent on the state for the supply of power that was available at prohibitive costs. Moreover, generation was low with large-scale frequency fluctuations. The plant load factor was also not maintained at high levels throughout India.

However, bigger steel units have set up captive power plants as government's power policy was altered. These plants use flue gases and coal for generating power. In this manner, power generated is 20-25% cheaper to commercially available power. This has reduced substantially the power costs for steel units. Since this power does not use conventional fuel for generation, it can avail of carbon credits as per the KYOTO protocol.

**v. Production and Capacity utilization**

A majority of the sponge iron produce has been domestically consumed, and with unprecedented demand growth, there is low, if any, possibility of India exporting sponge iron.

Domestic capacity utilization levels have been high in the 80% range and are expected to remain at these high levels. Also, many of the sponge iron producers are setting up captive power plants to utilize waste heat from the manufacturing process in the production of cheap power. Of the 147 units, 16 already had captive power facilities. This has further boosted production.

**vi. Investments in the Indian Sponge Iron industry**

Sponge Iron has become an attractive investment option since entry barriers are very low with short gestation periods, low initial capital, indigenous technology and equipments, an assured market, early payback, a modular system and an excellent growth potential.

As per industry analysts, the upturn in the global sponge iron industry is expected to continue and is pegged to grow at a CAGR of 6-7%. This growth is at a back of an increase in steel production and continuous substitution in demand for scrap.

The JPC survey states a staggering INR 57 bln of investments by August 2005. This has primarily gone into setting up of coal-based DRI units. Chhattisgarh, Orissa, and West Bengal emerge as the top three states receiving investments for the set up of sponge iron units.

Significant additions in capacities are expected with a buoyant demand scenario. However, all capacities generated will not be able to function at an optimum operating rate due to scarcity of iron ore and coal. As a result, the players are forced to use E and F grade of coal, resulting in lower yield. Therefore, players with captive raw material sources would emerge successful in long run.

**e) Long steel products**

Long products are made by using billets and blooms. These include rods, bars, pipes, ropes, wires, angles, channels, and beams used by the housing/construction sector. Long products are made from mild steel that contains less than 0.25% carbon. Then refined metal in molten form is solidified into billets. These billets are then re-rolled into long products like bars, and rods.

Demand for steel billets is directly linked with demand for bars and wire rods. Most long products find use in infrastructure development - in the construction of roads, dams or housing. There is a growing demand for long products given the thrust on developing infrastructure. Also, transportation is an important cost in the final delivery of long products.

Demand for long products is largely dependent on the development of infrastructure in a region, growth of the regions is dependent on the industrialization and urbanization trends in the region.

As per CRIS INFAC, domestic demand for long products is estimated to increase at 6% CAGR in FY06-10.

| ('000 Tons) | 2005-06 | 2006-07E | 2007-08E | 2008-09E | 2009-10E |
|---|---|---|---|---|---|
| **Longs** | | | | | |
| Bars and Rods | 12,214 | 12,879 | 13,593 | 14,471 | 15,465 |
| Structurals | 3,084 | 3,252 | 3,432 | 3,654 | 3,904 |
| Railway materials | 1,014 | 1,069 | 1,129 | 1,202 | 1,284 |
| **Flats** | | | | | |
| HR Plates | 3,081 | 3,284 | 3,500 | 3,730 | 3,974 |
| HR Coils | 11,930 | 12,865 | 13,873 | 14,960 | 16,132 |
| CR Coils | 6,256 | 6,672 | 7,117 | 7,591 | 8,096 |
| GP/GC | 2,068 | 2,153 | 2,241 | 2,333 | 2,429 |

***Source: CRIS INFAC***

## I. Industry Growth Drivers

### Global Factors

Global steel demand is rising on the back of accelerated infrastructure activity in China, CIS and India, and capital goods exports from Europe. The industry is consolidating in terms of ownership and moth balling of inefficient capacities. Therefore, steel prices are expected to firm up further.

For the first time in last 20 years, there is worldwide demand growth for steel:

- In China, India and other developing countries, demand is led by emphatic investment activities in infrastructure.
- China is consuming steel for its infrastructure with investments such as the "Three Gorges Project" on Yangtze River as well as to build up infrastructure for Beijing Olympics in 2008 and the Shanghai Expo in 2010.
- Russia and other CIS nations are also witnessing strong internal demand due to industry regeneration after a long pause since the end of the cold war.
- Heightened industrial investments and infrastructure growth in the Middle East, and reconstruction work in Iraq is expected to further fuel demand for steel over the next three years.

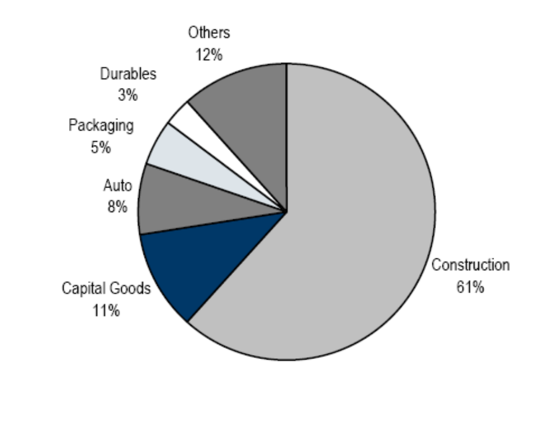
The demand supply gap is expected to widen and harden steel prices, even as the global steel industry is not prepared for this demand onslaught.

### Domestic Factors

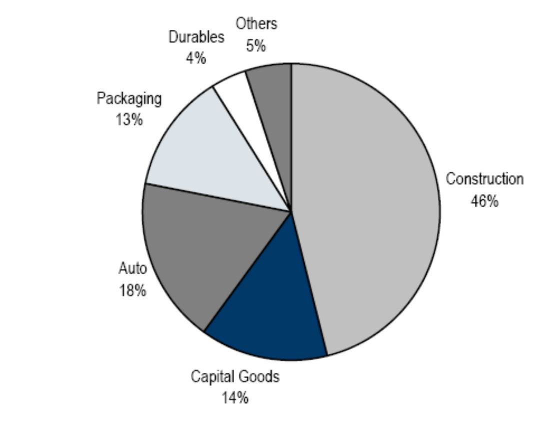
### Increasing investment in Infrastructure

The nature of steel demand in India is different from that in developed markets in that the share of construction is much higher. This is only a reflection of the rapid pace of urbanization, which leads to a requirement for more road and rail transport, housing and power, etc.

**Demand split of steel consumption**



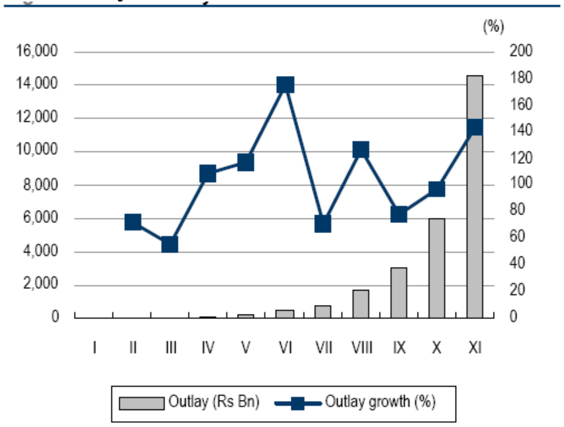

*Source: Tata Steel*




*Source: EUROFER (European Confederation of Iron & Steel Ind)*

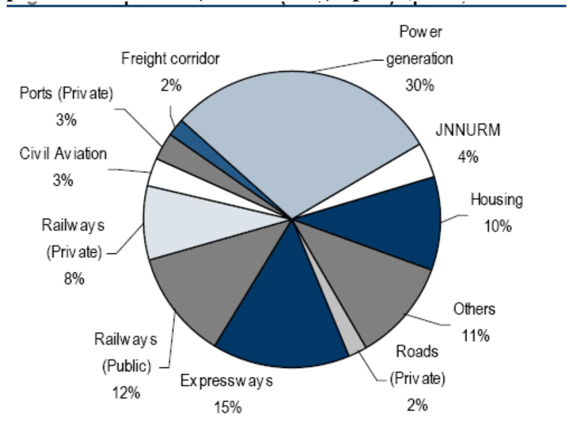
To address the much-maligned infrastructure constraints in India, in its 11th Plan the government has allocated a massive US$350 bln (INR 14.5 tln) investment for infrastructure (roads, railways, ports, housing and power). The number seems massive, but the growth in spending (11th Plan over 10th Plan) is broadly in line with past plan trends, and leaves much to execution. Moreover, while spending has historically always exceeded plans, the achievement of hard targets (e.g., the addition of power generation capacity or kilometres of highways added) has been poor.

**Plan outlay on infrastructure**




*Source: Planning Commission of India*

**Split of Rs14.5 tn (US$350 bn) spend, 2007-12**




*Source: Planning Commission of India, 11th Plan working papers*

**Housing construction sector**

The government has pegged the shortage of housing units over the next 5 years at 22 million units. Surge in development of organized retail with shopping malls and multiplexes is also fuelling the construction boom due to rising disposable incomes among the Indian middle class and availability of cheap finance.

Construction activities are also getting modernized and there is a steady departure from the traditional brick and mortar format to steel intensive and composite structures. In India, the future for steel intensive construction is promising. With steep rise in the land prices and the high population density, cities are growing vertically and new generation steel multi-stories seem to be the future in congested metros. Composite flyovers and bridges at crowded metros and busy highways can be cost-effective solutions - and the trend has already begun.

Steel intensive multi-storied car parks can provide quick solutions to congested metros. Cities of Mumbai, Delhi and Bangalore are building rail based mass rapid transit systems (underground or on elevated steel reinforced concrete pillars) to take care of the urban traffic problem.

This phenomenon is set to grow at an exponential rate in coming years as India witnesses its own construction boom. Even today, glass and steel buildings in industrial and IT hubs of Gurgaon, Bangalore, Mumbai and Hyderabad are visible.

**Summary**

Indian steel industry is best placed to reap the benefits of booming economy in view of its cost competitive advantages and low per capita steel consumption. The Indian steel industry is going to witness a robust demand on account of strong growth in automobile, construction, engineering, consumer durables, power and the infrastructure sector. Steel production recorded a strong 8.5% growth in FY2007, as growth in consumption was 12%, faster than the output growth. Steel production has increased at an average rate of 8.2% for last five years. Total production is expected to grow by 8% to 52 million tons for FY2008, while demand would grow by 10% for the same period.

Steel prices remained firm during last year on account of robust demand. Prices of all the major products barring hot rolled coils inched up in May 2007. Prices of hot rolled coils have increased by about INR 2,000–3,000 per ton in three months prior to May. During May, prices of hot rolled coils ranged between INR 34,500 to INR 37,000 per ton across major markets. The price of cold rolled coils and galvanized products increased by over 1%. With demand remaining strong, the prices are expected to remain firm in the year ending March 2008.

## BUSINESS OVERVIEW

*Unless stated otherwise, the financial data in this section is as per our consolidated financial statements prepared in accordance with Indian GAAP set forth elsewhere in this DRHP. In this section only, any reference to "we", "us" or "our" refers to Godawari Power and Ispat Limited.*

### Overview

Our Company was incorporated in the name of "Ispat Godawari Limited" in 1999. We are an integrated steel manufacturing company focused on manufacturing of Sponge Iron, Steel Billets, H. B. Wire, Ferro Alloys and Captive Power. Our integrated manufacturing facilities are located at Siltara, Raipur in Chhattisgarh. We have progressively expanded our operations across the value chain and are venturing into Mining of Iron ore and Coal.

We started commercial operations for the manufacture of Sponge Iron in fiscal 2001, with our first Sponge Iron kiln of 350 TPD, with a capacity of 105,000 tonnes per annum (tpa). Subsequently, in fiscal 2003, our Company set up manufacturing facilities with a capacity of 100,000 tpa of Steel Billets and 18 MW of captive power facilities.

In fiscal 2005, our company has installed additional capacities of 130,000 tpa of Sponge Iron, 150,000 tpa of steel billets, and 10 MW of captive power facility. In addition, our Company integrated forward into the manufacture of H. B. Wires with an intial capacity of 60,000 tpa and 16,500 tpa of Ferro Alloys.

Following the first phase of expansion, our Company came out with its maiden public offer in April, 2006 for funding the second phase of our expansion. Our Initial Public Offer (IPO), at an issue price of Rs.81/- per equity share, aggregated Rs.704 million from the Indian Market and was subscribed by 2.17 times. Our Company got listed with the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) on April 25, 2006 and the closing market price on the day of listing was Rs.103/-, a 27% premium to our issue price.

We successfully commissioned our second phase of expansion in August, 2007 which has resulted in our capacities being expanded to 495,000 tpa of Sponge Iron, 400,000 tpa of Steel Billets, Captive power facilities to 53 MW, and steel wires capacity to 120,000 tpa. We have maintained our ferro alloys capacity at 16,500 tpa.

We have installed captive power facilities of 53 MW of which 42 MW is generated using waste heat recovered from the manufacture of Sponge Iron. The Waste Heat Recovery Power facilities of the company qualify as a Clean Development Mechanism (CDM) Project as a part of the Kyoto Protocol within the guidelines of the UNFCCC and is eligible to receive Carbon Credits resulting in additional revenues.

Mr. B. L. Agrawal, Managing Director of our Company has over two decades of industry experience. We believe that our management's experience, leadership skills, and market insight provides the Company with a competitive advantage and insulates our Company against various business risks.

Our current manufacturing capacity is as under:

| Product | Capacity (MTPA) as on September 30, 2007 | End use |
|---|---|---|
| Sponge Iron | 495,000 | A major portion of the sponge iron produce is used in-house for the manufacture of steel billets, excess production sold in market. |
| Steel Billets | 400,000 | Sold to subsidiary RRIL, group concern HSL for the manufacture of wire rods, and in open market. |
| Wire Rods * | 200,000 | Used in the manufacture of wires. |
| Steel Wires ** | 200,000 | Wire rods (made from Billets) is purchased from our Subsidiary R. R. Ispat Ltd. and Associate company Hira Steels Ltd. serve as inputs to manufacture, Market sales. |
| Ferro Alloys | 16,500 | Market Sales. |
| Power (MW) | 53 | 42 MW of waste heat recovery generation eligible for carbon credits; balance 11 MW is coal based plant. Largely Captive, excess supply at present would be absorbed by proposed pelletisation plant. |

** Includes 100,000 tpa wire rods capacity of R. R. Ispat Ltd. and 100,000 tpa wire rods capacity of Hira Steels Ltd.*
*** Includes 30,000 tpa wire drawing capacity of R. R. Ispat Ltd. and 50,000 tpa wire drawing capacity of Hira Steels Ltd.*

**Mineral Reserves**

**Iron Ore**
In 2003 we acquired a prospecting license for Iron Ore mining for Boria Tibu mines in Chattisgarh covering an area of 110.0 hectares. In November, 2005, our Company was allotted mining lease approvals for Boria Tibu mines covering 110.0 hectares and Ari Dongri covering 106.6 hectares from the Ministry of Mines. Our Company has been granted environment approvals for Boria Tibu mines on January 31, 2007 and Ari Dongri mines on June 25, 2007. We have applied for and are awaiting the forest approvals to commence mining of these mines.

**Coal**
Government of India, Ministry of Coal, New Delhi vide their allocation letter no. 13016/34/2005-CA-I dated Jan 13, 2006 and as amended vide letter dated 31st May, 2007 has allotted the Consortium a total of 243 million tonnes of coal reserves, of which our share is 63 milllion tones. We have submitted the mining plan for the coal mines and are awaiting requisite approvals for the same.

**Financial and Operational Snapshot**

Our Company's consolidated net revenue and profit after tax has increased at a CAGR of 34% and 50% respectively for the previous two completed financial years. Our company has achieved a revenue of Rs.4,762 million for the year ended March 31, 2007 and Rs.3,506 million for the half year ended September 30, 2007. The following table highlights the growth in our production:

| For the period | FY 2005 | FY 2006 | FY 2007 | H1 2008 |
|---|---:|---:|---:|---:|
| Sponge Iron (tpa) | 69,452.00 | 107,023.00 | 170,340.00 | 142,962.00 |
| Power (mln Units) | 117.68 | 111.95 | 174.31 | 129.93 |
| Steel Billets (tpa) | 84,058.08 | 92,618.95 | 130,979.34 | 97,917.97 |
| Wires (tpa) | - | 23,294.92 | 53,991.24 | 31,318.00 |
| Ferro Alloys | - | 2,200.90 | 9,283.10 | 4,360.40 |

**Our Vision**

To seize the opportunities of tomorrow by consistently outperforming and create an enterprising entity.

**Corporate Philosophy**

- Core competence in core sector
- Growth through total integration
- Environmental protection by gainful utilization of waste
- Total customer satisfaction
- Positive attitude and teamwork

**Subsidiary / Associate Company**

In 2005, we acquired 51.46% equity capital of R. R. Ispat Limited (RRIL) which has 100,000 tpa capacity for the manufacture of Steel Wire Rods, and 30,000 tpa of wire drawing capacity. The acquisition of RRIL resulted in complete forward integration from Sponge Iron to H.B. Wires. On March 26, 2007 we acquired the balance 48.54% equity capital of R. R. Ispat Limited and it became a 100% subsidiary of our Company.

In 2004, our Company acquired a minority stake of 23.30% in group entity Hira Steels Limited with manufacturing capacities of 100,000 TPA of Wire Rods and 50,000 TPA of Wire drawing capacity.

**Our Business Segments**

Our Company's business operations can be segregated into the following divisions

- Steel Division carrying out the manufacture of Sponge Iron, Steel Billets, H. B. Wires, and Ferro Alloys
- Power Division carrying out captive power manufacturing processes

**Competitive Strengths**

**1. We are an integrated steel manufacturer**

We are an integrated steel manufacturer with operations spanning from Sponge Iron to H. B. Wires. We manufacture Sponge Iron using coal based technology. Sponge iron is a substitute of steel scrap for the manufacture of steel. The availability of steel scrap globally has declined resulting in a substitution of steel scrap with sponge iron. We have a 53 MW captive power plant which meets the entire power requirement of our facilities. Out of the 53 MW power plant, 42 MW of power is generated by using waste heat gases which get recovered from the manufacture of sponge iron. This results in substantial savings in fuel costs. Further, the captive power and sponge iron produce is used in the manufacture of steel billets which are subsequently sold to our subsidiary and associate companies. The billets are subsequently processed upon resulting in the manufacture of wire rods. Excess billets produced are sold in the open market. The wire rods so produced are bought back from the subsidiary and associate companies using which we manufacture H. B. Wires. Wires are a finished product and find application in the infrastructure sector, primarily in construction, railways, and power transmission.

Our integrated facility offers the following advantages
- Forward integration resulting in value chain advantages, and
- Captive power leading to savings in production costs

**2. Locational Advantages**

Our plant is located in the industrial area of Siltara, Raipur in Chhatisgarh which, being approximately 15kms from Raipur city, is well connected by rail, road and air. The location is a manufacturing hub for long steel products and is in close proximity to Iron Ore and Coal reserves resulting in substantial savings in freight costs. Currently we procure Iron ore from NMDC, Bailadila mines, in Chhatisgarh which is at a distance of approximately 450 km from our plant, and from private parties. We procure coal from SECL's Korba mines which is around 200 km from our plant. We also have a railway siding approximately 5 kms from our facility. This results in savings in freight costs and shorter delivery lead times.

**3. Captive power plant**

We have installed captive power facilities of 53 MW at our manufacturing plant. Of this, 42 MW is generated using waste heat recovered from the manufacture of Sponge Iron. The Waste Heat Recovery Power Facilities of the company qualify as a Clean Development Mechanism (CDM) Project as a part of the Kyoto Protocol within the guidelines of the UNFCCC and is eligible to receive Carbon Credits resulting in additional revenues. We pioneered this concept with the registration of our first 7 MW Captive Power Plant with the CDM Executive Board in April, 2006. We have sold 65,205 Certified Emission Reductions (CERs) generated from Waste Heat based 7MW Captive Power Project till December 31, 2005. An additional 10 MW of capacity is also registred with the CDM Board and is expected to contribute CDM credits in FY 2008. We have set up an additional 25 MW of Waste Heat Recovery facility of power generation which is undergiong registration process.

**4. Captive Iron Mines and Coal mines**

As a step towards backward integration, we have been allotted Iron Ore and Coal mines which are located within a radius of approximately 250 kms of our facility. We believe that this would help our Company in reducing our raw material costs, once these mines are operational.

**5. Committed and experienced management team**

Mr. B. L. Agrawal, our Promoter and Managing Director, is an Electrical Engineer and holds more than two decades of experinec in the steel manufacturing business and has been instrumental in setting up of the Company. Mr. Dinesh Agrawal, also a Promoter and a Director of the Company is also an Electrical Engineer and holds over 7 years of experince in the power generation business. The technical expertise of our promoters and directors and novel strategies have helped our company in the scaling up of operations within a short span of time. Our senior management has substantial experience in project management and execution, production, finance and marketing in the industry. We have a highly qualified and well-trained workforce. Our employee strength stood at 811 permanent employees as on September 30, 2007.

6. **Prudent management of financial resources**

We believe that the optimal utilization of financial and other resources is a key element for achieving success in this industry. Our strategy is to focus on our capital utilization and structure, so as to optimize our returns.

We have implemented internal reporting systems that enable us to carefully monitor cash flows regularly. Our aim is not to overextend our financial resources in any single project, while at the same time assisting adequate cash flows to be generated to enable work in progress. We are endeavoring to minimize our cost of capital through regular review of our capital requirements.

7. **Entitlement of carbon credit in the power plant**

We have installed 53 MW of power plant which meets the entire demand for power for our production purpose. Out of 53 MW, 42 MW of power is generated out of waste gases generated out of the sponge iron plant and the balance 11 MW is coal based. Our power plant provides additional revenues in the form of carbon credits (CERs). In FY '07, the company earned revenue of Rs.55 million from sale of Certified Emission Reductions (CERs) for its 7MW plant till December 31, 2005 in accordance of Kyoto Protocol. Additional 10MW project is already registered and registration process for 25MW has been initiated by our Company.

The above initiatives have resulted in lowering the cost of power resulting in substantial cost savings. The project also comes under S 80IA of the income tax act resulting in the profits of power division being tax free for a period of 10 years. The use of waste head recovery also reduces the dependence on coal which would allow us to use the captive coal for sponge iron production.

8. **Efficient utlization of technical resources**

We have a strong in-house technical team having expertise in the design and engineering of sponge iron, steel, ferro alloys, and power facilities. The manufacturing facilities set up by the Company have been designed successfully by the in-house technical team resulting in capital cost savings compared to similar projects.

9. **Sales tax / VAT exemption**

Our Company has Sales tax / VAT exemption till FY 2012.

**Our Strategy**

Our corporate strategy is to become an integrated steel manufacturer with products across the value chain.

6. **To become an integrated player by setting up facilities both forward and backward in the value chain**

We propose to become a fully integrated steel manufacturer by producing products across the value chain. We started by setting up sponge iron plant and have ventured into manufacture of Steel billets, ferro alloys, wire rods (through our subsidiary) and wire drawing capacities. In order to reduce our production cost we have set up captive power plant and use the waste gas generated out of the sponge iron plant to generate power.

As part of our strategy, we intend to consolidate our position by developing our iron ore and coal mines. This would help us source our raw material at substantially lower prices, compared to the market price, resulting in improvement in our profitability.

We aim to become a fully integrated manufacturer of steel products by setting up of balancing manufacturing capacities across divisions for the manufacture of 0.5 million tpa of finished rolled products.

Going forward, our Company intends to set up an additional 0.5 million tonne steel plant in accordance with the terms of the MoU signed with the Government of Chhattisgarh in August, 2004.

7. **Value Added Products**

Our Company intends to manufacture other value added products such as carbon steel, and power transmission wires. The demand for these products is expected to be healthy given the kind of investments planned and proposed into the power sector across India.

8. **Backward integration by setting up pelletisation plant and allied facilities**

We intend to set up a 1,200,000 tpa crushing plant, a 600,000 tpa pelletisation plant, and a 100,000 tpa benefication facility. Pelletisation is a process which converts Iron Ore fines into pellets which can be subsequently used for the production of Sponge Iron / Pig iron. The benefication plant helps in the extraction of usable iron content from the iron ore slime which results from Iron Ore crushing and sizing activities. Iron Ore fines are cheaper compared to Iron Ore lumps which would result in savings on account of raw material costs, thereby, improving our profitability margins.

9. **Achieve greater raw material security by obtaining captive mines of iron ore and coal**

Currently our Company procures Iron ore and coal from public and private players. Iron ore and coal prices are subject to market fluctuations which has an impact on the profitability of the Company. The Ministry of Mines, Government of India vide their letter dated September 6, 2005 granted mining lease for Iron ore over an area of 106.60 hectare in Ari Dongri area and 110.00 hectare in Boria Tibbu area. Additionally the Government of India has issued Prospecting License covering an area of 45.98 hectares for Padgal Area, Tehsil Bhanupratappur, Dist Kanker, Chhattisgarh and an area of 16.50 hectares for Kalwar Area, Bhanupratappur, Kanker Division, Chhattisgarh. Our application for allotment of Iron Ore prospecting lease over an area of 754.83 hectares of land in Durg district is under process with the Governement of Chhattisgarh.

We along with four other corporate bodies (Ind - Agro Synergy Limited, Shri Nakoda Ispat Limited, Vandana Global Limited and Shree Bajrang Power & Ispat Limited) formed a Consortium through a joint venture company namely Chhattisgarh Captive Coal Mining Limited for the purpose of captive coal mining.

Ministry of Coal, Government of India, vide their allocation letter no. 13016/34/2005-CA-I dated Jan 13, 2006 and as amended vide letter dated 31st May, 2007 allotted to the Consortium, Madanpur North and South, Nakia- I and Nakia -II Coal Blocks having aggregate coal reserves of 243 million tonnes. Out of the aforesaid allocation, our share of coal reserves is 63 million tonnes; i.e. 25.9% of the entire coal entitlement.

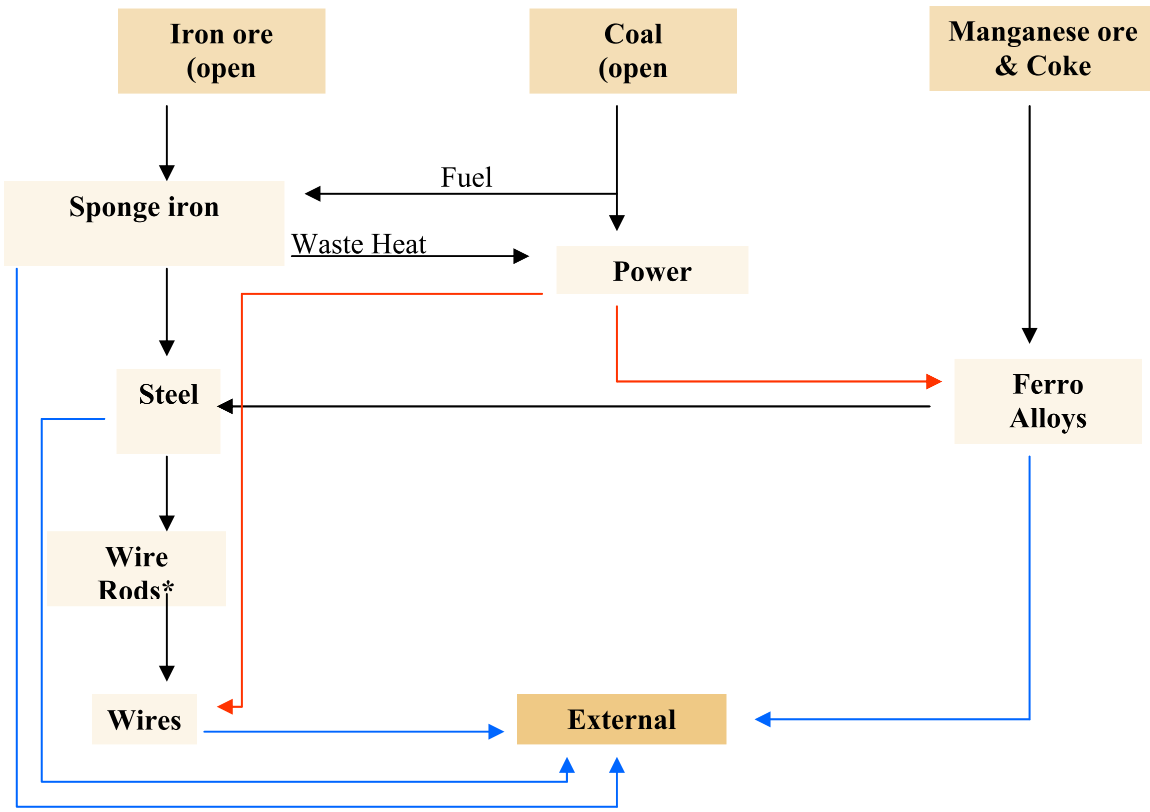
After obtaining necessary clearances, the Company proposes to develop these mines in order to ensure regular supply of raw materials.

10. **Foray in to Power Sector**

We also proposes to foray into independent power business based on washery rejects of Coal mines in due course of time.

**Our Production Process**

**Process flow chart from iron ore to Wires**




(*) Subsidiary/Associate: R.R.Ispat / Hira Steels Limited

**Manufacturing Process:**

**Sponge Iron**

The basic process entailing manufacture of Sponge Iron is based on the removal of Oxygen associated with Iron as an oxide in its ore form. Direct Reduction can be defined as any process in which metallic iron is produced by the reduction of Iron Ore below the melting temperature of Iron. The production technology of DRI has two distinct routes, viz:

- Gaseous Reduction Process, which is comparatively old, using Natural Gas, Naptha, Petroleum as reducing agent.
- Solid Reduction Process, where non - metallurgical Coal can be used as a reduction agent.

In India there is abundant deposit of non - metallurgical Coal but very little source of Natural Gas. Therefore, Solid Reduction Process is the obvious choice for producing DRI, especially in areas where Natural Gas is not available and coal is available nearby.

In Solid Reduction Process, Iron Ore in 5 - 20 mm crushed size or in pellet form along with Limestone or Dolomite and non - coking coal in 0 - 20 mm size is charged to a Rotary Kiln and is heated to a temperature of about 1000 dg/C for solid reduction of Iron Ore. In the process, coal is used as reducing agent. Air is supplied to the kiln through a number of blowers operating through port holes in the kiln. The ore is reduced during its travel & movement through the Kiln length. The product is cooled by indirect water spray in Cooler.

In the reduction process, Carbon, Carbon - monoxide and Hydrogen are the reducing agents. The products from DRI process are thus a solid metal generally in the geometric shape, as it was charged containing metallic iron, some form of iron oxides and iron carbide & non - iron impurities (gangue). The effectiveness of reduction is generally expressed in terms of the metallization percentage (%met), which is the ratio of Fe in the metallic form to that of total Fe in iron ore.

Dolomite is used in the process as a de - sulpherising agent to prevent the pick up of Sulphur by Sponge Iron from Sulphur released by burning of coal inside the furnace.

The waste gases leave the Kiln at the feed end. For elimination of Soot, Coal dust & combustible gas components, these are subjected to after combustion and are cleaned in a special filter.

The Process has great potential for energy recovery through generation of Power by utilization of waste heat of gases eliminating from the kiln.

Sponge iron is a highly processed form of iron ore which contains metallic iron in the range of 83-88% obtained by direct reduction without melting it. Due to high porosity, the resulting iron is called sponge iron. It is used as a raw material for manufacturing steel through electrical arc furnace and the induction furnace routes. Considering the fact that large quantity scrap required for manufacturing steel and supply of which is irregular, sponge iron is a substitute offering regularity in supplies and quality.

Under the coal based route, which is adopted by us, iron ore is converted into DRI (Directly reduced iron) in a rotary kiln fired by non-coking coal. Iron ore, coal and dolomite in pre-measured quantities are fed into the kiln, which is rotated at a speed of about 0.5 RPM. A temperature of 1000 to 1050 degrees is maintained in 70% of the kiln length towards the discharge end side for required reduction. Front 30% is the preheat zone, where the material is heated to 850 degrees. The rotating kiln functions as a heat exchanger, a chemical reactor and conveyor of solids. The inner face of the kiln is lined with castables. Air required for burning of the combustibles and for maintaining the desired temperature profile is introduced through air tubes provided at certain intervals along the length of the kiln

These air tubes are connected to individual shell mounted secondary air blowers and air is supplied inside the kiln through submerged air nozzles through secondary blowers. The hot product discharged from the kiln is indirectly cooled in a rotary cooler by spraying water on the shell of the cooler. The discharge from the cooler is conveyed through a belt conveyor screened and magnetically separated. Sponge iron and non-magnetic separated is stored in separate bins for further transfer to steel making plant and power plant. The waste gases leaving the post combustion chamber at about 900-950° C are used to generate steam in a waste heat recovery boiler. The steam so generated is expanded in a steam turbine to produce electricity through the generator coupled to the turbine

**Steel Billets**

Steel Billets contain less than 0.25% carbon. These steel billets are easily hotworked and find large application in rolling mills. Billets may be made by a sequence of operations in which pig iron/ sponge iron and scrap steel are processed to remove impurities and are converted into refined metal. The refined metal in molten form is solidified into billets. These billets are used for mechanical working such as re-rolling into various sections such as bars, rods, angles, channels, beams etc.

Electric furnace steel making is one of the established steel making processes wherein electric energy is converted into thermal energy for heating and melting the metal. The basis of induction furnace is to surround the metal in a crucible by a coil through which an alternating electric current passes. The current induced in the metal causes heating and melting and also creates a useful stirring reaction.

In the manufacture of steel billets, the charge mixes viz. sponge iron, pig iron, steel scrap and Ferro Alloys are charged in the induction furnace. All the raw materials are melted in the furnace with the help of electricity. For obtaining the molten mix of metal, the temperature is raised to 1675 / 1680 degree centigrade. The molten steel is tapped into the ladle and then fed to the con cast (i.e. continuous casting machine). The steel billets after cooling is stored in the dispatch yard.

**Power**

**(a) Waste Heat Recovery Power Plant:**

The waste hot gasses from the rotary kilns of the sponge iron plant contain a lot of combustibles like coal volatiles, unused carbon monoxide and dust. The gas is taken to after- burners where the combustibles are burnt and the residual gas is cooled to 160°C in a gas waste heat recovery boiler. The waste gas is then taken for final dust separation in ESP, before going to stack via ID fan. A steam turbine generator continuously converts the energy stored in steam into shaft work and ultimately into electricity. The working fluid is water, which is sometime in liquid phase and sometimes in vapor phase, during its cycle of operation. The energy contained in waste gases is transferred to water in the boiler to generate steam at high pressure and temperature, which then expands in the turbine to a low pressure to produce electricity through the alternator coupled to the turbine. Thus, a captive power plant acts as a bulk energy converter from fuel to electricity using water as a working medium.

**(b) Coal based Power Plant:**

The coal along with char / dolochar (a by product of Sponge iron) is crushed to (-) 8 mm size and fired in AFBC boiler to convert water in to steam, where the heat contained in coal/char/dolochar is transferred into water. The steam is then fed to turbine and power is generated as explained in (a) above.

**Ferro Alloys:**

The high carbon silico manganese / ferro manganese is an alloy of manganese and iron with additions of silicon, carbon and other elements. The Raw Materials such as manganese ore, coke, quartz etc. are charged into a furnace where they are smelted at 1700-1800° Celsius by electric power supplied through three carbon electrodes. The Alloy and slag produced in the furnace are tapped at regular intervals to get the final ferro alloys.

**Mild Steel Wires**

HB Wire is produced from conversion of steel wire rods by reducing the size from 5.5 mm to between 2 mm to 4 mm. The wire rod passes through a set of mechanical pulleys known as De-scaler where all the mill scale is removed from the surface of the wire rod. The rod then passes through dies of different diameters with the help of a number of rotating drums where the reduction of rod diameter takes place. After achieving the final size, wire is removed in the form of bundles, which is then ready for dispatch

**Installed Capacity and Production of our Company**

| **Product** | **Installed capacity** | | | **Production** | | | **Capacity Utilisation (%)** | | |
|---|---|---|---|---|---|---|---|---|---|
| **Tpa** | **2005** | **2006** | **2007** | **2005** | **2006** | **2007** | **2005** | **2006** | **2007** |
| Sponge Iron | 105000 | 235000 | 495000 | 69452 | 107023 | 170340 | 66.14 | 45.54 | 34.41 |
| Steel | 150000 | 200000 | 400000 | 84058 | 92619 | 130979 | 56.04 | 46.30 | 32.74 |
| Wires | - | 60000 | 120000 | - | 23295 | 53991 | - | 38.83 | 44.99 |
| Ferro Alloys | - | 16500 | 16500 | - | 2200 | 9283 | - | 13.33 | 56.26 |
| Power (million units) | 18 MW | 28MW | 53MW | 118 | 112 | 174 | N/A | N/A | N/A |

**Infrastrcuture facilities**

**Raw Material**

The main raw material required for manufacture of steel is Iron Ore and Coal.

- **Sponge Iron:** The main raw material used for manufacture of sponge iron is Iron Ore and Coal. Out of the total requirement of Iron Ore, around 50% is sourced from NMDC and balance from open market. We meet our requirement of Coal mainly from SECL. Both the raw materials are abundantly available around our manufacturing facilities.

- **Steel Billets:** The main raw material used for manufacture of steel is Sponge Iron and Coal. We meet our requirement of Sponge Iron from our captive manufacturing facilities.

- **Wires:** The main raw material required is Wire Rods which are primarily sourced from our wholly owned subsidiary R. R. Ispat Limited and our associate compay, Hira Steels Limited.

- **Ferro Alloys:** The main raw material used from manufacture of Ferro Alloys is Manganese Ore which are sourced from open market and available abundantly near to our manufacturing facility located at Siltara.

**Power**

Our total requirement of power is 48MW for manufacture of various products. We have start up connection for 4MW of power from CSEB grid. We meet our power requirement from captive generation. We have also entered into an agreement for sale of surplus power with CSEB.

**Water**

The requirement of water is mainly in the cooling system of Plant in addition to small quantities for pollution control and human consumption. Presently, we require about 3,000 KL/Day, out of which almost 70% is consumed in cooling tower of Power Plant. Presently, we are sourcing almost 50% of our water requirement from Chhattisgarh State Industrial Development Corporation (CSIDC) and balance from our underground resources.

Water requirement for the proposed expansion of Power division will be lesser because of use of air-cooled condenser technology in place of water-cooled. Additional requirement of water for our expansion can be met out of our underground resources.

**Marketing and selling arrangement:**

Selling & Marketing arrangement of various products of our Company are discussed below:

**a) Steel Billets**

Our present capacity is 400,000 tpa. We are currently supplying around 70% of our total steel billets produced to our subsidiary and group companies viz R. R. Ispat and Hira Steels Limited respectively. The demand for steel billets in our group companies during the past three years is given below:

Hira Steels Limited (HSL) has 100,000 tpa of wire rod capacity and 50,000 tpa of wire capacity. HSL's actual demand for steel billets for last three years is as follows:

| Year | Installed Capacity for Wire rods (MT) | Production of wire rods (MT) | Consumption of Steel Billets (MT) |
|---|---|---|---|
| 2004-05 | 100,000 | 64,489 | 72,451 |
| 2005-06 | 100,000 | 61,193 | 69,119 |
| 2006-07 | 100,000 | 65,798 | 74,129 |

RR Ispat Limited has wire rod manufacturing capacity of 100,000 tpa and 30,000 tpa of wire capacity RRIL's actual demand for steel billets for the last 3 years is as follows:-

| Year | Installed Capacity for Wire rods (MT) | Production of wire rods (MT) | Consumption of Steel Billets (MT) |
|---|---|---|---|
| 2004-05 | 100,000 | 41,131 | 45,738 |
| 2005-06 | 100,000 | 57,019 | 62,831 |
| 2006-07 | 100,000 | 66,293 | 72,222 |

The surplus quantity of billets is proposed to be sold in the open market.

**b) Sponge Iron:**

On account of reduced availability of steel scrap, demand for sponge iron is expected to increase. To meet the growing requirements we have expanded our capacity to 495,000 tpa. Of the total sponge iron produced around 80% is being used for captive purposes for manufacturing of Steel (Billets) and the balance quantity would be sold in open market. We would be in a position to sell the extra sponge iron in the open market due to:

- Domestic demand in manufacturing of steel through secondary route
- Unavailability and high volatility in scrap prices
- Reduction in merchant sale of sponge iron by big players like Jindal, Monnet Ispat
- Our integrated capacity would ensure that the cost of manufacturing is lower than other domestic players. As we have received mining rights for iron ore and coal, we expect our cost of production to reduce going forward.

**c) Ferro Alloys:**

Ferro alloys such as Silico Mangnese, ferro manganese etc is used as additives in making steel along with Sponge Iron, Scrap, Pig Iron etc. The consumption of ferro alloys depends upon the grade of steel produced. Our internal demand for ferro alloys is based on capacity of mild steel billets production which is about 0.020 Mt per tonne of billets produced which works out to be about 8000 MT per annum at full capacity. The surplus quantity would be sold in the market to steel manufacturers.

Our Promoters have experience of manufacturing and marketing ferro alloys for the last two decades and have been marketing ferro alloys to major consumers in the country. The surplus quantity of ferro alloys is sold in the open market by utilizing our established relationship with the user industry.

**d) Mild Steel Wires:**

The capacity of mild steel wire of our Company is 120,000 MT per annum. Our company is one of the leading players in the steel wire industry in organized sector. There are many small scale units who are manufacturing mild steel wires in unorganized sector with production volume of 10 to 50 MT per day but they are unable to cater to the requirements of the major consumers in terms of consistent quality and quantity of supplies.

We sell our final products in open market through a mix of Direct Sales & also through agents. We have an established agent network to sell our products manufactured by our group companies. We have empanelled them with us to sell our products, which are MS wire and wire rods. These agents are located mainly in Western / Northern / Central and Southern India.

Our plant is located at Raipur, Chhattisgarh, which has emerged as the hub of Steel production with number of induction furnaces, re-rolling mills and also wire drawing units and Galvanizing Plants located in and around Raipur. We are in a position to market our surplus Sponge Iron, Steel Billets and also wires in local market itself.

**Export Obligations**

Our Company's export obligation as on September 30, 2007 is US$ 12,279,801.23 which is to be accomplished before the due date of export obligation.

| Sr. No. | Licence No. | Licence Date | Export Obligation (FOB) (Amt in US$) | Due date of Obligation | Export Obligation fulfilled (Amt in US$) | Balance Export Obligation (Amt in US$) | Value of Machinery imported (CIF Rs. in million) |
|---|---|---|---|---|---|---|---|
| 1 | 1130000573/2/11/00 | 15.02.06 | 5,633,943.75 | 14.02.14 | Nil | 5,633,943.75 | 109.74 |
| 2 | 1130000618/2/11/00 | 19.05.06 | 1,792,350.42 | 18.05.14 | Nil | 1,792,350.42 | 49.48 |
| 3 | 1130000632/2/11/00 | 21.06.06 | 2,393,851.25 | 20.06.14 | Nil | 2,393,851.25 | 49.90 |
| 4 | 1130000650/2/11/00 | 20.07.06 | 255,683.78 | 19.07.14 | Nil | 255,683.78 | 4.69 |
| 5 | 1130000676/2/11/00 | 25.08.06 | 2,203,972.03 | 24.08.14 | Nil | 2,203,972.03 | 41.10 |
| | **Total** | | **12,279,801.23** | | **Nil** | **12,279,801.23** | **254.91** |

**Safety, Health and Environmental Regulations and Initiatives**

We follow the rules & regulations in respect of Industrial/Employees health & safety measures. We have installed pollution control equipments such as Electro Static Precipitator etc. and use environmental friendly technology for manufacturing our products. We generate power out of waste heat flue gases and char/dolochar emitted out of sponge iron making process, which are otherwise hazardous to human being. Based on use of waste heat flue gases for generation of power we are eligible for carbon credit.

We have received requisite permissions from the Chhattisgarh Environment Conservation Board under the Water (Prevention and Control of Pollution) Act, 1974, and the Air (Prevention and Control of Pollution) Act, 1981 for our existing manufacturing facility of Sponge Iron, Power Generation, Induction Furnace, Oxygen and Nitrogen Gas Plant and Fly Ash Brick Plant vide permission number 4751/TS/CECB/2005 dated October 07, 2005 issued by the Chhattisgarh Environment Conservation Board under the Water (Prevention and Control of Pollution) Act, 1974, and the Air (Prevention and Control of Pollution) Act, 1981.

**Carbon Emission Trading and the Kyoto Protocol**

In 1992, most developed countries of the world agreed to the United Nations Framework Convention on Climate Change (UNFCCC), which is designed to impose limits on greenhouse gas emissions and thus minimize the adverse effects of climate change. This framework was given structure at Kyoto, Japan in 1997 and came to be known as the Kyoto Protocol.

To achieve emission levels as per the Protocol, a Clean Development Mechanism (CDM) has been developed. To get carbon credits, CDM projects must result in a net Greenhouse gas reduction that are expressed in terms of Carbon Dioxide Equivalent. A Certified Emission Reduction (CER) is the technical term for the output of CDM projects where one CER = 1 tonne of Carbon Dioxide Equivalent. The most prominent method of achieving the reduction is through renewable energy, fuel switching and solid waste management. The Protocol thus permits countries to transfer to or acquire from, any other such country CER's resulting from projects aimed at reducing emissions for the purpose of meeting its commitments.

Out of the total captive power facilities of 53 MW, 42 MW operates on waste gases. The Waste Heat Recovery Power Plant of the company qualifies as a Clean Development Mechanism Project as a part the Kyoto Protocol within the guidelines of the UNFCCC. The Government of India has already ratified the Kyoto Protocol in August 2002. 17 MW is already registered and the registration process for the recently commissioned 25MW facility has been initiated.

**Quality Control and Measures**

Internal quality control management systems and quality improvement systems exist in our plant. Quality audit teams review all aspect of quality assurance at our plant. Our quality assurance measures include

- Standard operating procedures to make them quality compliant
- Statistical methods to identify and analyse areas of improvement
- A team of qualified and experienced people to manage quality control for the manufacturing process from purchase of raw materials to dispatch of final products

**IT infrastructure**

Our Company is in process of implementing SAP for seamless integration of data from various locations like plant, head office and sales offices and also from cross functional areas of finance, sales production and other areas providing strong foundation for an open and transparent work environment and also providing solid foundation for organized system of information, integration and knowledge management. Our company should be able to meet the future requirement of all business needs and effective financial reporting.

**Insurance**

All Assets of our Company including stock of raw materials (Coal), are covered under standard fire policy which covers insurance against damage due to fire, shock earthquake terrorism and or flood. Our company has taken the life Insurance policy for the managerial employees.

**Collaboration**

We have not entered into technical, marketing or financial collaboration.

**Competition**

We operate in a competitive environment. Our major competitors from the organized segment of the industry include players like Monnet Ispat, Prakash Industries, Adhunik Metaliks, and Sarda Energy & Minerals Limited. However, our competition also includes numerous small and unorganized players who account for a major share of the production.

**Financial indebtedness**

**Term Loans**

| Name of the Lender | Sanction Letter / Agreement date | Curr-ency | Sanctioned Limit | Outstanding as on September 30, 2007 (Amt. in Rs.) | Security | Interest Rate | Final Maturity |
|---|---|---|---|---|---|---|---|
| SBI, Male Branch, Maldives | December 20, 2006 | US$ | 5,000,000 | 5,000,000 | First *pari passu* charge over the immovable and movable fixed assets (present and future) situated at Plot No.428/2 Phase I, Industrial Are, Village Siltara, District Raipur 493 111, Chattisgarh | 150 bps plus LIBOR (payable at the end of each 6 monthly interest period) | January 2011 |
| SBI, (commercial branch) Raipur, Chattisgarh Term Loan I | | INR | 98,000,000 | 9,799,455 | Residual Hypothecation charge on current and fixed assets of the Company. Personal Guarantee of BL Agrawal, Dinesh Agrawal and Suresh Agrawal, HP Agrawal and GP Agrawal. Corporate Guarantee of Hira Steels Ltd, Hira Ferro Alloys Ltd, Alok Ferro Alloys Ltd. and Tanusha Real Estate Pvt Ltd. | 10% | March 2008 |
| SBI, (commercial branch) Raipur, Chattisgarh Term Loan I (Ferro Alloy Division) & III (Wire Drawing Division) | March 18, 2005 | INR | 100,000,000 (52,000,000 plus 48,000,000) | 31,192,000 (ferro alloy) 27,579,929 (wire division) | -do- | 10% (both) | September 2010 (both) |
| SBI, (commercial branch) Raipur, Chattisgarh Term Loan IV | February 25, 2006 | INR | 100,000,000 | 69,999,900 | -do- | 9.25% | January 2011 |

| Name of the Lender | Sanction Letter / Agreement date | Curr-ency | Sanctioned Limit | Outstanding as on September 30, 2007 (Amt. in Rs.) | Security | Interest Rate | Final Maturity |
|---|---|---|---|---|---|---|---|
| SBI, (commercial branch) Raipur, Chattisgarh Term Loan V | December 16, 2005 | INR | 300,000,000 | 300,000,000 | -do- | 1.5% below SBAR, minimum 8.75% or at par with interest rate of co-lenders | September, 2012 |
| SBI, (commercial branch) Raipur, Chattisgarh (Corporate Loan) | February 2, 2007 | INR | 270,000,000 | 270,000,000 | Hypothecation of entire plant and machinery present and future located at Siltara Industrial Estate, Raipur including goods in transit, outstanding monies, book debts. Personal Guarantee of BL Agrawal, Dinesh Agrawal and Suresh Agrawal, HP Agrawal, GP Agrawal. Corporate Guarantee of Hira Steels Ltd, Hira Ferro Alloys Ltd, Alok Ferro Alloys Ltd. and Tanusha Real Estate Pvt Ltd. | SBAR – 1.5% | December 2009 |
| Canara Bank, GE Road Branch, Raipur | March 13, 2001 | INR | 122,500,000 | 12,787,000 | Hypothecation of entire plant and machinery present and future located at Siltara Industrial Estate, Raipur and EMT of factory and building situated at Siltara Industrial Growth Centre to be ranked pari passu 1st charge with other financial institutions. Personal Guarantee of BL Agrawal, Dinesh Agrawal and Suresh Agrawal, HP Agrawal, GP Agrawal and Sm.t Geeta Devi Agrawal. Corporate Guarantee of Hira Steels Ltd, Hira Ferro Alloys Ltd and Alok Ferro Alloys Ltd. | MTLR + 2.25% | March 2008 |
| Canara Bank, GE Road Branch, Raipur | April 29, 2004 | INR | 250,500,000 | 187,875,000 | Pari passu 1st charge over fixed assets covered under existing units and proposed expansion projects and existing EMTs. AND Corporate Guarantee of Hira Steels Ltd, Hira Ferro Alloys Ltd and Alok Ferro Alloys Ltd. | BPLR + 0.75% | March 2011 |

| Name of the Lender | Sanction Letter / Agreement date | Curr-ency | Sanctioned Limit | Outstanding as on September 30, 2007 (Amt. in Rs.) | Security | Interest Rate | Final Maturity |
|---|---|---|---|---|---|---|---|
| Canara Bank, GE Road Branch, Raipur | October 14, 2005 | INR | 450,000,000 | 449,999,996 | Pari passu 1st charge over project assets of expansion projects and on existing fixed assets. Personal Guarantee of BL Agrawal, Dinesh Agrawal and Suresh Agrawal, HP Agrawal, GP Agrawal and Sm.t Geeta Devi Agrawal. Corporate Guarantee of Hira Steels Ltd, Hira Ferro Alloys Ltd, Alok Ferro Alloys Ltd., Tirthyatra Investment & Properties Ltd and Amritayatra Investments & Properties Ltd. | BPLR – 1.25% | September 2012 |
| Axis Bank, Raipur Branch ( formerly known as UTI Bank Ltd) | January 21, 2006 | INR | 60,000,000 | 45,000,000 | Pari pasu 1st charge by way of equitable mortgage on entire fixed assets present and future. Minimum security cover of 1.25 times of the loan, Personal Guarantee of Bajrang Agrawal, Dinesh Agrawal and Suresh Agrawal. Corporate Guarantee of Hira Steels Ltd, Hira Ferro Alloys Ltd and Alok Ferro Alloys Ltd. | BPLR – 3.25% | March 2011 |
| Axis Bank, Raipur Branch ( formerly known as UTI Bank Ltd) (Corporate Loan) | August 10, 2005 | INR | 150,000,000 | 99,600,000 | -do- | BPLR – 3.25% | August 2010 |
| Bank of Baroda, Fort Branch, Mumbai | May 12, 2006 | INR | 385,000,000 | 384,676,772 | Pari pasu mortgage and charge by way on entire movable and immovable assets present and future. Personal Guarantee of BL Agrawal, Dinesh Agrawal, HP Agrawal and Suresh Agrawal. Corporate Guarantee of Hira Steels Ltd, Hira Ferro Alloys Ltd and Alok Ferro Alloys Ltd. Undertaking by the Promoters not to sell or dispose off their shareholding without prior approval of the Lender. | BPLR – 1.75% | September 2012 |

**Human Resource**

We have experienced Promoters and management whom we rely on to anticipate industry trends and capitalize on new business opportunities that may emerge. We believe that a combination of our reputation in the market, our working environment and competitive compensation programs allow us to attract and retain these talented people. Our senior management team consists of experienced individuals with diverse skills in manufacturing, engineering and finance.

We believe that our employees are the key to the success of our business. We focus on hiring and retaining employees and workers who have prior experience in the Steel industry. We have a policy of providing the necessary training to our new employees and workers. We view this process as a necessary tool to maximize the performance of our employees. Our work force consists of: (i) our permanent employees; and (ii) workers who are employed on a piecemeal basis.

As on September 30, 2007 we have the total strength of 811 permanent employees (including workmen) in various departments. The details of which are given as below:

| **Division** | **No. of Employee** |
|---|---|
| Administrative Staff | 86 |
| Sponge Iron | 223 |
| Power Plant | 135 |
| Steel Plant | 142 |
| Continuous Casting | 37 |
| Automobile | 35 |
| Wire drawing | 19 |
| Ferro alloys | 24 |
| Equipment | 26 |
| Oxygen plant | 15 |
| Common purpose | 69 |
| **Total Permanent** | **811** |
| Temporary Workforce | 2,420 |

Our success depends on our ability to recruit, train, and retain quality employees and workers. We have a policy to provide the new employees with necessary training and skills required for their successful performance. We conduct regular appraisal of our employees to identify their training needs and career planning. There have been no reported strikes, closures and our company enjoys excellent industrial relations.

## REGULATIONS AND POLICIES

*The following description is a summary of the relevant regulations and policies as prescribed by the Government of India that are applicable to us. 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.*

We are primarily engaged in the integrated business of manufacture of Sponge Iron, Steel Billets, Ferro Alloys, HB Wires and power generation and for carrying on the said businesses, we are amenable to the following legislations:

**Mines and Minerals (Development and Regulation) Act, 1957**

The Mines and Minerals (Development and Regulation Act, 1957, ("MMDR") and the Mines Act, 1952, together with the rules and regulations framed under them, constitute the basic laws governing the mining sector in India.

The MMDR regulates mining activities in India. It encompasses provisions on prospecting mining licenses and mining leases, restrictions on the grant of licenses and leases, royalties in respect of mining leases. An application for a prospecting license or a mining lease in respect of any land in which the minerals vest in the Government are made to the State Government and are accompanied by the prescribed fee under the MMDR. The Central Government may make rules for regulating the grant of prospecting licenses and mining leases in respect of minerals, minerals underlying the ocean within the territorial waters or the continental shelf of India, and of minor minerals which include building stones, gravel, ordinary clay and ordinary sand.

**The Mines Act, 1952**

The Mines Act, 1952 seeks to regulate the working conditions in mines by providing measures to be taken for the safety of the workers employed therein. To ensure the implementation of the Mines Act, 1952, the Union Legislature has framed the Mines rules, 1955, Metalliferous Mines Regulations, 1961 and the Maternity Benefit (Mines) Rules, 1963. The Mines Act, 1952, prescribed duties of the owner (defined as the proprietor, lessee or an agent) to manage mines and mining operation and the health and safety in mines. It also prescribes the number of working hours in mines, the minimum wage rates, and other related matters. The Mines Rules, 1955, provide the procedural aspects. Both penal and pecuniary punishments are prescribed for contravention of obligation and duties under the Act.

**Cess and Other Taxes on Minerals (Development and Regulation) Act, 2002**

A company which purchases minerals from another entity is required to pay a "Welfare Cess" on a monthly basis to the Welfare Cess Department constituted under the Cess and Other Taxes on Minerals (Development and Regulation) Act, 2002. The amount of cess levied is dependent on the quantity of minerals purchased.

**Labour Laws**

India has stringent labour related legislation. We are required to comply with certain labour and industrial laws, which includes the Industries (Development and Regulation) Act, 1951, Industrial Disputes Act 1947, the Employees' Provident Funds and Miscellaneous Provisions Act 1952, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, Workmen Compensation Act, 1923, the Payment of Gratuity Act, 1972, the Payment of Wages Act, 1936 and the Factories Act, 1948, amongst others.

**Factories Act, 1948**

The Factories Act defines a 'factory' to cover any premises which employs ten or more workers and in which manufacturing process is carried on with the aid of power and covers any premises where there are at least 20 workers who may or may not be engaged in an electrically aided manufacturing process. Each State Government has rules in respect of the prior submission of plans and their approval for the establishment of factories and registration and licensing of factories. The Factories Act provides that the occupier of a factory, *i.e.* the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors, must ensure the health, safety and welfare of all workers especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions. Persons who design, manufacture, import or supply articles for use in a factory must ensure the safety of the workers in the factory where the articles are used. If the safety standards of the country where the articles are manufactured are above Indian safety standards, the articles must conform to the relevant foreign standards. There is a prohibition on employing children below the age of fourteen years in a factory. If there is violation of any provisions of the Factories Act or rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment for a term up to two years and/or with a fine up to Rs.100,000 or both, and in case of such violation continuing after conviction, with a fine of up to Rs.1,000 per day of violation. In case of a contravention which results in death or serious bodily injury, the fine shall not be less than Rs.25,000 in the case of an accident causing death, and Rs.5,000 in the case of an accident causing serious bodily injury. In case of contravention after a prior conviction, the term of imprisonment increases up to three years and the fine would be Rs.300,000 and in case such contravention results in death or serious bodily injury the fine would be a minimum of Rs.35,000 and Rs.10,000, respectively.

**Payment of Gratuity Act, 1972**

Under the Payment of Gratuity Act, 1972 (the "Gratuity Act"), an employee in a factory is deemed to be in 'continuous service' for a period of at least 240 days in a period of 12 months or 120 days in a period of six months immediately preceding the date of reckoning, whether or not such service has been interrupted during such period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee. An employee who has been in continuous service for a period of five years will eligible for gratuity upon his retirement, superannuation, death or disablement. The maximum amount of gratuity payable shall not exceed Rs.350,000.

**Payment of Bonus Act, 1965**

Under the Payment of Bonus Act, 1965 (the "Payment of Bonus Act") an employee in a factory who has worked for at least 30 working days in a year is eligible to be paid bonus. 'Allocable surplus' is defined as 67% of the available surplus in the financial year, before making arrangements for the payment of dividend out of profit of the Company. The minimum bonus to be paid to each employee is the higher of 8.33% of the salary or wage or Rs.100, and must be paid irrespective of the existence of any allocable surplus. If the allocable surplus exceeds minimum bonus payable, then the employer must pay bonus proportionate to the salary or wage earned during that period, subject to a maximum of 20% of such salary or wage. The maximum bonus payable must not exceed Rs.500. Contravention of the Act by a company will be punishable by proceedings for imprisonment up to six months or a fine up to Rs.1,000 or both against those individuals in charge at the time of contravention of the Payment of Bonus Act.

**Minimum Wages Act, 1948**

The State Governments may stipulate the minimum wages applicable to a particular industry. The minimum wages generally consist of a basic rate of wages, cash value of supplies of essential commodities at concession rates and a special allowance, the aggregate of which reflects the cost of living index as notified in the Official Gazette. Workers are to be paid for overtime at overtime rates stipulated by the appropriate State Government. Any contravention may result in imprisonment of up to six months or a fine of up to Rs.500.

**The Industries Development and Regulations Act, 1951 ("IDRA")**

The Company has to file an Industrial Entrepreneurial Memorandum with the Secretariat for Industrial Approvals ("SIA"), which has been constituted under the IDRA, for any the setting up of any industry falling under the "Large Scale" category, defined under the IDRA.. A Company needs to obtain an acknowledgement from the SIA before it can commence any Large Scale project.

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

Our Company engages for each of its manufacturing units and plants, the services of various contractors for various activities including working of the machinery, transferring the raw materials and the finished products, house keeping security and maintenance. These contractors in turn employ contract labour whose number exceeds twenty in respect of some of the units and plants. Accordingly, Our Company is regulated by the provisions of the Contract Labour (Regulation and Abolition) Act, 1970 which requires Our Company to be registered as a principal employer and prescribes certain obligations with respect to welfare and health of contract labour.

**Workmen's Compensation Act, 1923**

If personal injury is caused to a workman by accident during employment, his employer would be liable to pay him compensation. However, no compensation is required to be paid if the injury did not disable the workman for three days or the workman was at the time of injury under the influence of drugs or alcohol, or the workman willfully disobeyed safety rules. Where death results from the injury the workman is liable to be paid the higher of 50% of the monthly wages multiplied by the prescribed relevant factor (which bears an inverse ratio to the age of the affected workman, the maximum of which is 228.54 for a worker aged 16 years) or Rs.80,000. Where permanent total disablement results from injury the workman is to be paid the higher of 60% of the monthly wages multiplied by the prescribed relevant factor or Rs.90,000. The maximum wage which is considered for the purposes of reckoning the compensation is Rs.4,000.

**Environmental Laws**

Manufacturing projects must also ensure compliance with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974 ("WPA"), the Air (Prevention and Control of Pollution) Act, 1981 ("APA") and the Environment Protection Act, 1986 ("EPA").

The WPA aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Central and State Pollution Control Boards constituted under the WPA are also to perform functions as per the APA for the prevention and control of air pollution. The APA aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

The EPA has been enacted for the protection and improvement of the environment. The Act empowers the Central Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The Central Government may make rules for regulating environmental pollution.

**The Electricity Act, 2003**

The Electricity Act, 2003 (hereinafter referred to as the "Act") was enacted with effect from June 10, 2003 repealing and replacing all the three Acts i.e. Indian Electricity Act, 1910, Electricity (Supply) Act, 1948 and Electricity Regulatory Commissions Act, 1998. The Act seeks to provide for demarcation of the roles of generation, transmission and distribution to provide for individual accountability of each. Some of the major provisions of the Act include *inter alia* the following:

1. de-licenses generation, makes captive-generation freely permissible;
2. provides open access for transmission, distribution and trading;
3. specifies technical standards, grid standards and safety requirements; and
4. introduces power trading as a distinct activity from power generation, transmission and distribution.

As regards captive power generation, Section 7 of the Act provides that a generating company may establish, operate and maintain a generating station without obtaining a license under this Act if it complies with prescribed technical standards. Section 9(1) of the Act allows any person to construct, maintain or operate a captive generation plant and dedicated transmission lines, subject to the condition that supply of electricity from the captive generating plant through the grid shall be regulated in the same manner as the generating station of a generating company. Section 9(2) of the Act further states that every person who has constructed a captive generating plant and maintains and operates such plant shall have the right to open access for the purposes of carrying electricity from captive generating plant to the destination of his use, subject to availability of adequate transmission facility.

**Chhattisgarh State Electricity Regulatory Commission ("CSERC")**

The Chhattisgarh State Electricity Regulatory Commission was constituted by the Government of Chhattisgarh vide Notification No.3190/S/E/2002 dated 23/8/2002 read with Notification No. 432/R/352/03 dated 11/5/2004.The CSERC, under the provisions of Sec.86 of the Electricity Act, 2003, discharges the following functions:

(a) Determine the tariff for generation, supply transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State. Provided that where open access has been permitted to a category of consumers under Sec.42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers.

(b) Regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State.

(c) Facilitate intra-State transmission and wheeling of electricity;

(d) Issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;

(e) Promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of distribution licensee;

(f) Adjudicate upon the disputes between the licensees and generating companies and to refer any dispute for arbitration;

(g) Levy fee for the purposes of the Act.

(h) Specify State Grid Code consistent with the Grid Code specified by the Central Electricity Regulatory Commission.

(i) Specify or enforce standards with respect to quality, continuity and reliability of service by licensees;

(j) Fix the trading margin in the intra-State trading of electricity, if considered, necessary;

(k) Discharge any functions as may be assigned to the Commission under this Act.

**The Securities and Exchange Board of India Act, 1992**

The main legislation governing the activities in relation to the securities markets is the Securities and Exchange Board of India Act, 1992 (the "SEBI Act") and the rules, regulations and notifications framed thereunder. The SEBI Act was enacted to provide for the establishment of SEBI whose function is to protect the interests of investors and to promote the development of, and to regulate, the securities market. SEBI also issues various circulars, notifications and guidelines from time to time in accordance with the powers vested with it under the SEBI Act.

**Stock Exchange Rules, Regulations and Bye-laws**

Further, the Company is also regulated by the rules, regulation and by-laws of the stock exchanges where it is listed. Hence it is also governed by the rules, regulations and by-laws of the NSE and the BSE.

**The Companies Act, 1956**

The Companies Act deals with issue, allotment and transfer of securities and various aspects relating to company management. It provides for standard of disclosure in public issues of capital, particularly in the fields of company management and projects, information about other listed companies under the same management, and management perception of risk factors. It also regulates underwriting, the use of premium and discounts on issues, rights and bonus issues, payment of interest and dividends, supply of annual report and other information.

**Foreign Exchange Management Act ("FEMA") and the Regulations made thereunder:**

Foreign investment in Indian securities is regulated by the Foreign Exchange Management Act, 1999 ("FEMA"). Under Section 6(3) (b) of FEMA, the RBI has the authority to prohibit, restrict or regulate the transfer or issue of any Indian security by a person outside India. The RBI has prescribed the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, pursuant to which the residents of India cannot undertake any transaction with persons outside India, sell, buy, lend or borrow foreign currency, issue or transfer securities to non-residents or acquire or dispose of any foreign security without the permission (general or special) of the RBI. In terms of regulations made under FEMA and circulars issued from time to time, the RBI has accorded general permission for a range of transactions, with and without monetary limits and other conditions and restrictions.

While the industrial policy and the RBI regulations prescribe 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/procedure in which such investment may be made. Under the industrial policy and the RBI regulations, unless specifically restricted, foreign investment is freely permitted in almost 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. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI. **As per current foreign investment policies, foreign direct investment in the steel and power sector is allowed upto 100% under the automatic route.**

**Fiscal Legislations**

Our Company is subject to certain fiscal legislations such as the Income Tax Act, 1961, the Central Excise Act, 1944, the Customs Act, 1962, The Central Sales Tax Act, 1956 and Foreign Trade Policy.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board of Directors represents the interests of shareholders and is responsible for our general management and approves our strategic and operational plans.

As per our Articles of Association, our Board shall consist of not less than 3 (three) Directors and not more than 12 (twelve) Directors, of which not less than two thirds of the total number of Directors of our Company shall be persons whose periods of office is liable to determination by retirement of Directors by rotation. We currently have 10 (ten) Directors. The minimum and maximum number of Directors may be increased or decreased by an ordinary resolution of our Company's shareholders, subject to the provisions of our Company's Articles of Association and the Companies Act.

### Board of Directors

The Board of Directors has the ultimate responsibility for the management and administration of our affairs, unless otherwise directed by the Articles of Association, or Indian law.

The following table sets forth the composition of our Board of Directors as of the date of this Preliminary Placement Document.

| Sr. No. | Name | Address | Designation |
|---|---|---|---|
| 1. | Mr. Om Prakash Agrawal | "Om Kutir", Civil Lines,<br>Raipur – 492001,Chhattisgarh | Chairman and Non-ExecutiveDirector |
| 2. | Mr. Bajrang Lal Agrawal | "Siddharth", Geeta Nagar,<br>Raipur – 492001, Chhattisgarh | Managing Director |
| 3. | Mr. Dinesh Agrawal | Matri Chaya, Phaphadih,<br>Jail Road, Raipur – 492001, Chhattisgarh | Executive Director-Operations |
| 4. | Mr. Brij Pal Singh | Lodhipara Chowk,<br>Raipur 492001, Chhattisgarh | Executive Director |
| 5. | Mr. Dinesh Kumar Gandhi | A-701, Lakshachandi Height,<br>Gokuldham, Goregaon (East)<br>Mumbai – 400063, Maharashtra | Executive Director-Finance |
| 6. | Mr. Narayan Prasad Agrawal | "Om Kutir", Jail Road, Phaphadih,<br>Raipur – 412001, Chhattisgarh | Non-Executive Director |
| 7. | Mr. Govindbhai Baldevbhai Desai | 15, Nalanda, 62,<br>Dr. G. Deshmukh Marg,<br>Mumbai – 400 026, Maharashtra | Independent Director |
| 8. | Mr. Shashi Kumar | Flat No 7F, Shyam Kunj,<br>12/C, Lord Sinha Road,<br>Kolkata – 700 071, West Bengal | Independent Director |
| 9. | Mr. Biswajit Choudhuri | Rajani Kusumalay, Nandalal Jiu Road,<br>119 Sarat Bose Road,<br>Kolkata – 700 026, West Bengal | Independent Director |
| 10. | Mr. Kapil Agrawal | H/5, Laxminagar,<br>Nagpur – 440022, Maharashtra | Independent Director |

The business address of all our Directors is Hira Arcade, 1st Floor, Near New Bus Stand, Pandri, Raipur – 492 001.

The following are brief biographies of our Directors:

**Mr. Om Prakash Agrawal**, 56 years, is a commerce graduate from the Pandit Ravi Shankar Shukla University, Raipur. He has around three decades of experience in the steel and ferro alloys industry. He is currently on the board of Hira Power and Steels Limited, Hira Global Limited, Hira Global Marketing Limited, Hira Global Alloys Limited and Hira Power and Alloys Limited. He has been associated with our Company since June 2006.

**Mr. Bajrang Lal Agrawal,** 54 years, is an Electronic Engineer from Pandit Ravi Shankar Shukla University, Raipur. He is the promoter and the Managing Director of our Company. He has over three decades of experience in the steel and ferro alloys industry. He is currently on the board of Hira Steels Limited, Hira Ferro Alloys Limited, Alok Ferro Alloys Limited, Hira Industries Limited, Maruti Clean Coal and Power Limited, Chhattisgarh Power and Coal Beneficiation Limited, Hira Power and Alloys Limited, Sagar Energy and Steels Limited, Chhattisgarh Captive Coal Mining Limited, Hira Cement Limited and Shourya Diamonds Limited. He has been associated with our Company since 2002.

**Mr. Narayan Prasad Agrawal**, 49 years, is a commerce graduate from the Pandit Ravi Shankar Shukla University, Raipur. He has over two decades of experience in the steel and ferro alloys industry. He is currently on the board of Hira Ferro Alloys Limited and Hira Power and Alloys Limited. He has been associated with our Company since June 2006.

**Mr. Dinesh Agrawal,** 37 years, is an Electronic Engineer from Pune University and has been associated with the technical aspects of Ferro Alloys Unit and the Steel Rolling Mills in the past. He is currently involved with the day to day administration of the technical aspects of the captive power plant of our group companies. He has been associated with our Company since incorporation.

**Mr. Brij Pal Singh,** 47 years, is an M.Com from Pandit Ravi Shankar University, Raipur and is a Diploma holder in Personnel Management. Mr. Singh is supervising all activities relating to Accounting, Central Excise, and General Administration of our Company. He has an experience of over eighteen years, of which he has worked as Store-Incharge for 1 years in Swastik Industries Limited, for two years as the Manager (Accounts) with Wood Laminates Private Limited, with the Excise and Personnel Department of Orient Plywood and Veneering Industries Limited for over a year, as the Deputy General Manager (Finance) of Jain Carbide and Chemicals Limited for over twelve years. He has been associated with our Company since December 2001.

**Mr. Dinesh Kumar Gandhi,** 45 years, is a qualified Chartered Accountant and Company Secretary. Mr. Gandhi has more than twenty years of experience in the steel industry, particularly in areas like accounts, finance and project planning. He started his career at Mepco Metal Powders Limited as the Manager, Finance and was associated with them for four years. He then worked as an independent financial consultant to various industrial houses in Madhya Pradesh. Subsequently, he worked at Indore Steel & Iron Mills Limited and Shri Ishar Alloy Steels Limited for a period of seven years as the Vice President (Finance). He then joined Reliance Infocomm as the Commercial Head, Raipur and worked there for three years before joining our Company. He has been associated with our Company since February 2005.

**Mr. Govindbhai Baldevbhai Desai**, 81 years, is a diploma holder in accounts and secretarial practice. He has over three decades of experience in the field of capital markets. He is the ex-president of the Bombay Stock Exchange Limited. He is currently on the board of Tracon Stock Brokers Private Limited and Axis Capital Markets India Limited. He has been associated with our Company since June 2006.

**Mr. Shashi Kumar**, 62 years, is a graduate from the Indian School of Mines, Dhanbad and also holds an AISM Diploma in Mining. He is a member of the Mining, Geological and metallurgical Institute of India and the Indian Institute of Engineers. He has around three decades of experience in the mining industry. He was appointed as the technical director of Coal India Limited ("CIL") in 2001 and from 2005 to 2006, he was appointed as CIL's the Chairman and Managing Director. He has been associated with our Company since September 2007.

**Mr. Biswajit Choudhuri**, 66 years, is a Mechanical Engineer from the Indian Institute of Technology, Kharagpur and is a Fellow Member of the Institute of the Cost and Works Accountants of India. He is a honorary fellow member of the Indian Institute of Banking and Finance. He has over forty four years of experience in the fields of engineering, management, banking and finance. He was the Chairman and Managing Director of the United Bank of India from 1996 to 2001. He was associated with UCO Bank as an Executive Director on its board from 1992 to 1993. He has also been associated with the British Oxygen Company from 1963 to 1972 as part of their management cadre. He is currently on the boards of Bihar Caustic and Chemicals Limited, Orind Exports Limited and the Bengal Sunny Rock Estate Housing Development Company Limited. He has been associated with our Company since September 2007.

**Mr. Kapil Agrawal,** 33 years, is a Mechanical Engineer from Nagpur University. Mr. Kapil Agrawal has 10 years of experience in trading of Iron and Steel, Cement and Rubber Industry. He is currently on the board of Hira Ferro Alloys Limited, R. R. Ispat Limited and Khatuka Alloys Limited.

In accordance with our Articles of Association, the Board may appoint an Alternate Director pursuant to the provisions of the Companies Act.

**Interest of our Directors**

As of September 30, 2007, following directors held Equity Shares of our Company.

| Name of Director | Number of Equity Shares held as at September 30, 2007 |
|---|---|
| Mr. Bajrang Lal Agrawal | 1,122,500 |
| Mr. Dinesh Agrawal | 770,500 |
| Mr. Narayan Prasad Agrawal | 747,500 |
| Mr. Govindbhai Baldevbhai Desai* | 100,000 |
| Mr. Dinesh Kumar Gandhi | 24,789 |
| Mr. Kapil Agrawal* | 4,386 |

*Mr. Govindbhai Baldevbhai Desai and Mr. Kapil Agrawal are Independent Directors on our Board and their total shareholding comprises of 0.40% and 0.02% respectively of our issued capital. This does not affect their "Independent" status, as required under Clause 49 of the Listing Agreement, which states that an independent director may not hold more than 2% of the company's issued capital.

Note: Mr. Dinesh Agrawal holds 150,000 Equity Shares through Dinesh Agrawal (H.U.F.), Mr Bajrang Lal Agrawal holds 1,070,000 Equity Shares through Bajrang Lal Agrawal (H.U.F.) and Mr. Narayan Prasad Agrawal holds 475,000 Equity Shares through Narayan Prasad Agrawal (H.U.F.). These Equity Shares are in addition to the shareholding of our Directors as stated hereinabove.

All the Directors, including Independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of remuneration or commission and reimbursement of expenses payable to them under the Articles of Association. The Executive Directors will be interested to the extent of remuneration paid to them for services rendered as officers of our Company.

As at September 30, 2007, no loans were granted by our Company to, or guarantees provided to the benefit of, our Company's Directors. There is no pecuniary relationship or transaction of our Company with any non-Executive Director except the corporate gurantees to our group companies in which our Directos are interested.

For further details regarding our related party transactions, please refer the disclosures given in section titled "Financial Information" on page 138 of this Preliminary Placement Document.

**Remuneration of our Directors**

For the year ended March 31, 2007, the remuneration of our Directors is as follows:

***(Rs. per annum)***

| Name of Director | Remuneration paid as at March 31, 2007 |
|---|---|
| Mr. Bajrang Lal Agrawal | 1,500,000 |
| Mr. Dinesh Agrawal | 1,200,000 |
| Mr. Dinesh Kumar Gandhi | 900,000 |
| Mr. Brij Pal Singh | 480,000 |

## Borrowing Power of the Board

Our Company at its Extra Ordinary General Meeting held on March 21, 2005, passed a resolution authorizing the Board of Directors pursuant to the provisions of section 293(1)(b) for borrowing any sum of money from time to time from any one or more of the Company's bankers as at may deem requisite for the purpose of the business of the company notwithstanding that monies to be borrowed together with monies already borrowed (apart from the Company's Bankers in the ordinary course of the business) will exceed in the aggregate of the paid up Capital and free reserves, i.e. to say reserves not set apart for any specific purpose provided however that the total amount upto which money may be borrowed by the Board of Directors of the Company shall not exceed the sum of Rs. 5,000 million (Rupees five thousand million only).

## Corporate Governance

Our corporate governance policies recognize the accountability of the Board and the importance of the transparency to all our constituents, including employees, customers, investors and the regulatory authorities and of demonstrating that the shareholders are the ultimate beneficiaries of our economic activities.

Our corporate governance philosophy encompasses not only regulatory and legal requirements, including the SEBI Guidelines in respect of corporate governance, but also other practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders. Our role, function, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the function of the Board includes approving a business plan, reviewing and approving annual budgets and borrowing limits, fixing exposure limits and ensuring that our shareholders are kept informed about our plans, strategies and performance. To enable the Board of Directors to discharge these responsibilities effectively, the management provides detailed reports on our performance to the board on a quarterly basis.

The Board of Directors also functions through various committees such as the Audit Committee, the Nomination and Compensation Committee and the Shareholders' Grievances Committee. These committees meet on a regular basis.

## Board Committees

### *Audit Committee*

The Audit Committee was constituted by our Board of Directors vide their meeting dated on March 22, 2005. The Audit Committee was reconstituted on September 25, 2007.

The Audit Committee members are Mr. Biswajit Choudhuri, Mr. Govindbhai Baldevbhai Desai and Mr. Dinesh Kumar Gandhi.

The Audit Committee was constituted in accordance with the requirements under Section 292A of the Companies Act and Clause 49 of the listing agreement with the Stock Exchanges.

The Audit Committee met on eight occasions during the period ended September 30, 2007. The duties of the Audit Committee include, among others:

- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:

    1. Matters required being 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.
    2. Charges, if any, in accounting policies and practices and reasons for the same.
    3. Major accounting entries involving estimates based on the exercise of judgment by management
    4. Significant adjustments made in the financial statements arising out of audit findings.
    5. Compliance with listing and other legal requirements relating to financial statements
    6. Disclosure of any related party transactions
    7. Qualifications in any related party transactions

- Reviewing with the management the quarterly financial statements before submission to the board for approval.

- Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control system.
- 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.
- Discussion with internal auditors any significant finding and follow up there on.
- Reviewing the findings of any internal investigation by the internal auditors into matter 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.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as will as post-audit discussion to ascertain any area of concern.
- 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.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- Carrying out any other function incidental and ancillary in the terms of reference of the Audit Committee."

***Remuneration Committee***

The Remuneration and Compensation Committee was constituted by our Directors vide their Board meeting held on March 22, 2005 and was reconstituted on September 25, 2007.

The objective of the Committee is:

- To determine and recommend to the Board of Directors the remuneration package of the Managing Director and the Whole – Time Directors
- To review and determine the remuneration package of the senior management.
- To approve in the event of loss or inadequate profit in any year the minimum remuneration payable to the managing Director and the Whole-time Directors within the limits and subject to the parameters as prescribed in Schedule XIII of the Companies Act, 1956.
- Grant of stock options under the Employees Stock Option Scheme and perform other functions of compensation committee as required/ recommended by SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.
- To determine and amend the remuneration package of the key management personnel of the company and to frame policies to attract, motivate and retain personnel.
- Other functions of a Remuneration Committee as required/ recommended in the Listing Agreement.

Our Company's Nomination and Compensation Committee consists of Mr. Shashi Kumar, Mr. Govindbhai Baldevbhai Desai and Mr. Dinesh Kumar Gandhi.

During the period ended September 31, 2007, the Remuneration Committee met twice.

***Shareholders' Grievance Committee***

The Investors/ Shareholders' Grievance Committee was constituted by our Directors vide their Board meeting held on March 22, 2005 and was reconstituted on September 25, 2007. This Committee was constituted to specifically look into the redressal of shareholders and investors complaint like transfer of shares, non receipt of balance sheet and as follows:

- Approval of transfers of securities.
- Approval request for transfer of Shares/ transmission of Shares, Dematerialization of Shares, Remateriation of Shares, issue of duplicate Shares/ Bonds, issue of New Certificates on Split/ Consolidation/ Renewal etc.
- Monitoring investors' complaints like transfer of Shares, non-receipt of annual reports, non-receipt of declared dividends etc. & redress thereof.
- Allotment and Listing of Shares.
- Review of Cases for refusal of transfer/ transmission of Shares
- Redressing of complaints pertaining to investors' relations complaints and issues related to non compliance of various statutory compliances to SEBI, Stock Exchanges, ROC, CLB and statutory/ regulatory authorities.
- Oversee the performance of the Registrar and Transfer Agents and recommend measures for overall improvement in the quality of Investor Services.
- Review the status of pending complaints periodically.

- To monitor the utilization of the funds to be raised through proposed issue of Equity Shares.
- Seek professional advice, delegate authority for share transfers to officer of our Company / Share Transfer agents and constitute sub committees required to discharge its functions.
- Other functions of Shareholders / Investors Grievance Committee as required / recommended in the Listing Agreement.

The Shareholders' Grievance Committee comprises of Mr. Govindbhai Baldevbhai Desai, Mr. Dinesh Kumar Gandhi and Mr. Dinesh Agrawal. During the period ended September 30, 2007, two meetings of the Shareholders' Grievance Committee has been held.

***Policy on disclosures and internal procedure for prevention of insider trading***

Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) regulations, 1992 applies to us and our employees, which require us to implement a code of internal procedures and conduct for the prevention of insider trading. We have already implemented an employee trading policy in line with the SEBI guidelines issued in this regard.

**Senior Management**

In addition to our Board of Directors as set forth above, the following are members of our senior management. All members of our senior management are our employees on a full time basis.

| Name | Designation | Age (in years) |
|---|---|---|
| Mr. Siddharth Agrawal | Chief Executive Officer | 26 |
| Mr. Shankar Singh Thakur | President (Mining and Geology) | 69 |
| Mr. Ranjit Singh Thakur | President (Raw Materials) | 58 |
| Mr. Nepal Patra | President (Sponge Iron Division) | 45 |
| Mr. Lakshman Prasad | Advisor – Mineral Resources and Environment | 62 |
| Mr. Shailendra Kumar Mishra | Chief Operating Officer | 43 |
| Mr. Dattatraya Marathe | Vice-President (Co-ordination) | 51 |
| Mr. Sanjay Bothra | Vice-President (Finance) | 40 |
| Mr. Vinay Shandilaya | Vice-President (Power) | 36 |
| Mr. Sudhansu Verma | Vice-President (Steel) | 45 |
| Mr. Yoginder Kumar Jain | Vice-President (Equipment) | 62 |
| Mr. Yarra Chandra Rao | Vice President (Legal) and Company Secretary | 42 |
| Mr. Mahendra Gupta | General Manager (Marketing) | 37 |
| Mr. Anurag Choubey | General Manager (Information Technology) | 31 |
| Mr. Rahul Karwal | Assistant General Manager (Wire Drawing Division) | 25 |
| Mr. Mansoor Ali | Assistant General Manager (Oxygen Plant) | 38 |
| Mr. Pradipta Kumar Raut | Manager (Ferro Alloys) | 28 |

The following are brief biographies of our senior management:

1. **Mr. Siddharth Agrawal,** aged 26 years, a Commerce graduate and M.B.A from Pune. He is responsible for the procurement of raw material and marketing of finished goods of our Company. He is the Chief Executive Officer of our Company. He has five years of hands-on experience in the Steel Industry with expertise in Sponge Iron, Steel Melting and Power generation. While pursuing his academic career, he was put on a rigorous schedule at the shop floors. The rich experience has stood him at compartable level when he has takenover the charge as CEO of the company. He is inherited with the natural intelligency, drive and decision making capacities.
2. **Mr. Shankar Singh Thakur** has a Masters Degree in Technology (Geology and Mining) from the University of Sagar. Mr. Thakur is a permanent member of American Institute of Mining, Metallurgical and Petroleum Engineers, New York University, USA and also a Law Graduate from Raipur University. He had been associated with the Bhilai Steel Plant for thirty four years and was responsible for the prospecting of Iron Ore, Limestone, Dolomite, Manganese and Bauxite. He has acted as an advisor to M/s. Rajinder Steels Limited for Mining and Business Development, as the Project Coordinator for Mega Steel Projects in Orissa

and as an consultant on mining and geology to M/s. HEG Limited. He joined our Company in April 2003 and is responsible for looking after all the formalities connected with acquisition of Mining Rights for Iron Ore, Manganese, Non coking Coal etc., the major raw materials required by our Company. He has been awarded National Metallurgical Day Award in the year 1967. He was member of steering committee on Imported Coal, Depreciation Review Committee, Uniform Cost Committee of Steel Authority of India Limited (SAIL) and also a Member of Coal Pricing Committee of SAIL, Quality Assurance Committee, Purchase Committee of Ferro Alloys.

3. **Mr. Ranjit Singh Thakur** has a Master Degree in Chemistry from Pandit Ravi Shankar University. He has 38 years of experience in multifarious fields like general administration, purchase, production, processing, quality control, research and development, cement and steel machinery design and energy (power and fuel). He has been associated with M/s. Cement Corporation of India, M/s. Sharjah Cement Factory, U.A.E., M/s. Century Cement Works, M/s. Vinay Cements Limited Assam and M/s. Jayaswals Neco Limited. He has been associated with our Company since November 2002 and is responsible for the procurement of core raw materials and also for looking after operation, maintenance of the existing Power Plant and also monitoring and administering of our Company's ongoing Power Plants. He is an associate member of the Institute of Engineering in Chemistry and ISO-9002 Lead Auditor (U.K.)

4. **Mr. Nepal Patra** holds a degree in Mechanical Engineering from the Institute of Engineers' (India) Calcutta and is a member of the Indian Institute of Engineers' (India) in Mechanical Engineering. He started his career as Engineer Trainee with M/s. ACC- Babcock Limited. He has worked for 12 years as the Manager (Mechanical) for M/s. Orissa Sponge Iron Limited. He has also worked as Additional General Manger (Project and Maintenance) for six years for M/s. Monnet Ispat Limited, Raipur. He is responsible for the operation, maintenance of the existing Sponge Iron Plant and also monitoring and administering of our Company's ongoing Sponge Iron expansion plants. He has been associated with our Company since August 2000.

5. **Mr. Lakshman Prasad** is an M.Tech in mineral technology and holds a post graduate diploma in business management. He has been associated with our Company since May 2006 and is responsible for the matters related to mineral resources and environmental aspects of our Company.

6. **Mr. Shailendra Kumar Mishra** is an engineering graduate from the Government Engineering College, Bilaspur and has received his masters in business administration from Vinayaka Missions Research Foundation, Salem, Tamil Nadu. Prior to joining our Company, Mr Mishra has been associated with Raymond Limited as the Manager, Management Services and Lafarge India Limited as the Chief of Information Technology. He has been associated with our Company since July 2007 and is responsible for the general administration, human resource development and other related matters.

7. **Mr. Dattatraya Marathe** is a Commerce Graduate from the University of Pune. He has over three decades of experience in the administration of and in the sales and marketing of engineering products. He has been associated with Kirloskar Cummins/Cummins Diesel Sales and Services India Limited. He is responsible for co-ordination activities with various government and local authorities. He has been associated with our Company since April 2003.

8. **Mr. Sanjay Bothra** is a graduate from the Pandit Ravi Shankar University, Raipur and a qualified Chartered Accountant. His was for a period of 12 years as a partner of M/s. O.P. Singhania and Co. He had over a decade’s experience in the corporate audits, capital restructuring, amalgamations and mergers, preparation of project reports, project identification and loan syndication. He looks after the various aspects of financial management, budgetary control, taxation and overall supervision of accounts and finance. He has been associated with our Company since September 2004

9. **Mr. Vinay Shandilya** is a mechanical engineering graduate from the Government Engineering College of Jabalpur and is a Boiler Operating Engineer. He was associated with Diamond Cement Works, Damoh and was the Assistant Manager of the captive power plant of Associated Cement Companies Limited for six years. He has been associated with our Company for six years and is responsible for the administration, monitoring and controlling of the operations, maintenance and the expansion activities of our power plant.

10. **Sudhansu Verma** is an engineering graduate in metallurgy from the Regional Engineering College, Jamshedpur. He has over two decades of experience in the production of tools, dies, stainless steel, furnace and concast steel and high alloy steel. He has been associated with Indian Steel and Wire Products Limited, Sunflag Limited, Tata Steel Limited and Modern Steel Limited prior to joining our Company. He has been associated with our Company since November 2006 and is responsible for the production in and the quality and maintenance of our steel division.

11. **Mr. Yoginder Kumar Jain** is a mechanical engineering graduate from the Birla Institute of Technology, Pilani. He has over three decades of experience in the fields of operations, maintenance, erection, testing

and commissioning of thermal power stations. He has been associated with our Company since September 2005 and is responsible for the operations or equipment division of our Company.

12. **Mr. Yarra Chandra Rao** is a Fellow Member of the Institute of Company Secretaries of India and an Associate Member of the Institute of Cost and Works Accountants of India apart from being a Law Graduate from the University of Calcutta. He started his career with M/s. Orient Paper and Industries Limited, one of the Birla Group of Companies. He has also been associated with M/s. Paradeep Phosphates Limited (a Joint Venture with the Government of Nauru) as our Company Secretary for four years. He is responsible for all the secretarial and legal compliances under various enactments and legal case relating to Central Excise and other Statutes. He is also compliance officer of our Company. He has been associated with our Company since March 2005.
13. **Mr. Mahendra Gupta** is a Post Graduate in Commerce from Pandit Ravi Shankar University. He has 10 years of experience in the field of Accounting and Taxation. He has worked for Utkal Solvent Extraction Private Limited as the General Manager (Accounts and Administration). He is responsible for the marketing of Sponge Iron and Steel products of our Company. He has been associated with our Company since April 2002.
14. **Mr. Anurag Choubey** is a Mr. Anurag Choubey, 33 years, is a Engineer in Computer Science from Allahabad University and is also Network & Application Expert Certified by CISCO and Microsoft. He has almost a decade's experience in the field of IT Application & Business Process Implementation. Previously he was Information Techonology head of Bhushan Power & Steel Limited. He has been associated with our Company since July 2007.
15. **Mr. Rahul Karwal** is a degree holder in mechanical engineering from the Raipur Institute of Technology. He has been associated with Pahwa Chains Private Limited, a unit of Avon Cycles prior to joining our Company. He has been associated with our Company since October 2004 and is responsible for the production and the operations of our wire drawing division.
16. **Mr. Mansoor Ali** is a Bachelor of Arts from Ravi Shankar Shukla University, Raipur. Prior to joining our Company, Mr Ali was associated with Asiatic Oxygen as their Sales Officer and with Lupin Gases as their Marketing Manager. He has been associated with our Company since November 2004 and was instrumental in setting up our oxygen plant and is currently responsible for its overall administration.
17. **Mr. Pradipta Kumar Raut** is a diploma holder in Metallurgical Engineering. He has been associated with Bhaskar Shrachi and Nalhari Ferro Alloy prior to joining our Company. He has been associated with our Company since December 2005 and is responsible for the production and supervision of the operations of division.

**Compensation of our senior management**

We have paid an aggregate remuneration and granted benefits to our senior management of Rs.5.15 million in fiscal 2007 and Rs.3.03 million in fiscal 2006.

**Interest of our Senior Management**

The total interests of the senior management in our Company's Equity Shares as at September 30, 2007 are set out in the table below:

| Name of Senior Management | Number of Equity Shares held |
|---|---|
| Mr. Yarra Chandra Rao | 46,133 |
| Mr. Mahendra Gupta | 20,212 |
| Mr. Sanjay Bothra | 2,000 |
| Mr. Nepal Patra | 2,000 |

Note: Mr. Nepal Patra holds 2,300 Equity Shares through Nepal Patra (H.U.F.). These Equity Shares are in addition to the shareholding of Mr. Patra as stated hereinabove.

**Transactions with Senior Management**

There have been no transactions during the current or previous fiscal year between our Company and any of its senior management, which, because of their unusual nature or the circumstances in which they have been entered into, are or should be required to be disclosed in our Company's accounts or approved by its shareholders and there are no such transactions during an earlier fiscal year which remain in any respect outstanding or unperformed.

**Employee Stock Option Schemes**

As at date of this Placement Document, our Company has no existing Employee Stock Option or Purchase Scheme in place.

## ORGANISATIONAL STRUCTURE AND PRINCIPAL SHAREHOLDERS

Godawari Power and Ispat Limited was incorporated as Ispat Godawari Limited on September 21, 1999 under the Companies Act, 1956 and was registered with the Registrar of Companies, Gwalior. Our Company received a fresh certificate of incorporation consequent on change of name to Godawari Power and Ispat Limited on June 20, 2005.

Our registered office is located at Plot No. 428/2, Phase 1, Industrial Area, Siltara - 493 111, District Raipur, Chhattisgarh, India.

Our corporate office is located at First floor, Hira Arcade, Near New Bus Stand, Pandari, Raipur - 492 001, Chhattisgarh, India.

Our Company made an initial public offering of its Equity Shares in April 2006 and is listed on both the BSE and the NSE. The Promoters and the Promoter Group have an aggregate 63.44 % shareholding in our Company.

**Capital Structure as at date of this Preliminary Placement Document**

***(Rs. in million)***

| | |
|---|---|
| **Authorized Share Capital** | |
| 35,000,000 Equity Shares of Rs.10 each | 3,50.00 |
| | |
| **Issued Share Capital** | |
| 24,844,000 Equity Shares of Rs.10 each | 2,48.44 |
| | |
| **Subscribed and Paid-up Share Capital** | |
| 24,844,000 Shares of Rs.10 each | 248.44 |
| | |
| **Share Premium Account *** | 757.08 |

* Out of the share premium amount of Rs.757.08 million, an amount of Rs.65.55 million was utilized towards initial public issue expenses.

**Details of Share Warrants issued by our Company**

Our Company has proposed to allot 1,000,000 warrants convertible into Equity Shares, on a preferential basis, to Hira Industries Limited. This issue of warrants has been approved by the Board on November 13, 2007 and shareholders on December 15, 2007. Our Company has decided in the Committee meeting held on December 16, 2007 to allot warrants to Hira Industries Limited at Rs.324/- per warrant.

Each warrant shall be convertible into one Equity Share subject to the provisions of chapter XIII of the SEBI Guidelines. The warrant holder shall be entitled to exercise the option to apply for the Equity Shares within eighteen months from the date of issue of the warrants. Any warrant that may remain unsubscribed by Hira Industries Limited for any reason whatsoever, may be subscribed by any other member of the Promoter/ Promoter Group. The warrants shall be subject to lock-in for a period of one year from the date of their allotment.

**Principal Shareholders:**

The following table contains information as of December 7, 2007 concerning the ownership of our Shares by our Promoters and each person who we know beneficially owns 1% or more of our Equity Shares.

| Category | Number of shareholders | Number of Equity Shares | Percentage (%) |
|---|---|---|---|
| **Promoter/ Promoter Group** | **24** | **15,762,000** | **63.44** |
| **Non-Promoters** | | | |
| Mutual Funds | 7 | 2,652,473 | 10.68 |
| Financial Institutions/Banks | 2 | 200,300 | 0.81 |
| FIIs | 7 | 1,592,053 | 6.41 |
| **Sub-total** | **16** | **4,444,826** | **17.89** |
| **Others** | | | |
| Private Corporate Bodies | 527 | 1,340,140 | 5.39 |
| Individuals & Clearing Members (incl. Directors) | 12,321 | 3,248,582 | 13.08 |
| NRIs | 137 | 48,452 | 0.20 |
| **Sub-total** | **12,985** | **4,637,174** | **18.67** |
| **Grand Total** | **13025** | **24,844,000** | **100.00** |

The shareholding pattern of persons belonging to the category of "Promoters and promoter group" as at December 7, 2007 has been set out in the table below:

| Sr. No. | Name of the Shareholder | Number of shares | Percentage (%) |
|---|---|---|---|
| 1 | Mr. Suresh Agrawal | 625,000 | 2.52 |
| 2 | Ms. Kanika Agrawal | 720,500 | 2.90 |
| 3 | Mr. Dinesh Agrawal | 770,500 | 3.10 |
| 4 | Ms. Rashmi Agrawal | 625,500 | 2.52 |
| 5 | Ms. Sarita Agrawal | 765,500 | 3.08 |
| 6 | M/s. R.R. Ispat limited | 1,125,000 | 4.53 |
| 7 | R.R. Agrawal (HUF) | 795,250 | 3.20 |
| 8 | Ms. Godawari Devi Agrawal | 249,500 | 1.00 |
| 9 | Mr. H.P. Agrawal | 1,255,000 | 5.05 |
| 10 | Mr. Prakhar Agrawal | 232,500 | 0.94 |
| 11 | Mr. Kumar Agrawal | 981,500 | 3.95 |
| 12 | M/s Dinesh Kumar Agrawal (HUF) | 150,000 | 0.60 |
| 13 | Ms. Madhu Agrawal | 940,000 | 3.78 |
| 14 | Mr. Vinay Agrawal | 500,000 | 2.01 |
| 15 | Mr. N.P. Agrawal | 747,500 | 3.01 |
| 16 | M/s N.P.Agrawal (HUF) | 475,000 | 1.91 |
| 17 | Mr. B.L. Agrawal | 1,122,500 | 4.52 |
| 18 | M/s B.L. Agrawal (HUF) | 1,070,000 | 4.31 |
| 19 | Ms. Reena Agrawal | 1,028,750 | 4.14 |
| 20 | Mr. Siddarth Agrawal | 470,000 | 1.89 |
| 21 | Ms. Nancy Agrawal | 100,000 | 0.40 |
| 22 | Mr. Abhisekh Agrawal | 665,000 | 2.68 |
| 23 | M/s Suresh Agrawal (HUF) | 97,500 | 0.39 |
| 24 | Mr. Pranav Agrawal | 250,000 | 1.01 |
| | **Total** | **15,762,000** | **63.44** |

The shareholding pattern as at December 7, 2007, of persons belonging to the category "Public" and who are holding more than 1% of the total number of our Company's issued and paid-up share capital has been set out in the table below:

| Sr. No. | Name of shareholder | Number of Equity Shares | Percentage holding (%) |
|---|---|---|---|
| 1. | BSMA Limited | 444,673 | 1.79 |
| 2. | SBI Mutual Fund Account Magnum Global Fund | 1,046,332 | 4.21 |
| 3. | DSP Merrill Lynch Trustee Company Private Limited Small and Mid Cap Fund | 563,548 | 2.27 |
| 4. | Placeringsfonden Handelsbanken Indien | 760,935 | 3.06 |
| 5. | DSP Merrill Lynch Trustee Company Private Limited – DSP Merrill Lynch Micro Cap Fund | 340,242 | 1.37 |
| 6. | Kharun Tradecom Pvt. Ltd. | 261,608 | 1.05 |
| | **Total** | **3,417,338** | **13.75** |

**OVERVIEW OF OUR SUBSIDIARY**

**R. R. Ispat Limited**

R. R. Ispat Limited was incorporated on May 24, 1999 and received the certificate of commencement of business on June 22, 1999. The registered office of the company is situated at 490/1, Urla Industrial Area, Raipur 493221, Chhattisgarh. R. R. Ispat Limited is engaged in the business of manufacturing and processing of iron and steel products like wire rods and bars and HB Wires.

**Shareholding Pattern**

The shareholding pattern of R. R. Ispat Limited as of September 30, 2007 is as follows:

| Sr. No. | Name of the Shareholder | Number of Shares | % of Shareholding |
|---|---|---|---|
| | **Equity Shareholders** | | |
| 1. | Godawari Power and Ispat Limited | 2,332,150 | 99.97 |
| 2. | Mr. Bajrang Lal Agrawal * | 100 | 0.004 |
| 3. | Mr. Om Prakash Agrawal * | 100 | 0.004 |
| 4. | Mr. Narayan Prasad Agrawal * | 100 | 0.004 |
| 5. | Mr. Siddharth Agrawal * | 100 | 0.004 |
| 6. | Mr. Dinesh Agrawal * | 100 | 0.004 |
| 7. | Mr. Yarra Chandra Rao * | 100 | 0.004 |
| | **Total** | **2,332,750** | **100** |
| | **Preference Shareholder (9% Non- cumulative redeemable preference Shares** | | |
| 1. | Godawari Power and Ispat Limited | **3,149,000** | **100** |

** The Equity Shares are held by the shareholders as a nominee of Godawari Power and Ispat Limited.*

**Board of Directors**

The Board of Directors of R. R. Ispat Limited for the period ended September 30, 2007 are as follows:

| Sr. No. | Name | Designation |
|---|---|---|
| 1. | Mr. Suresh Agrawal | Executive Director |
| 2. | Mr. Dinesh Agrawal | Executive Director |
| 3. | Mr. Subhash Mahendru | Non-Executive Director |
| 4. | Mr. Arvind Dubey | Executive Director |
| 5. | Mr. Kapil Agrawal | Independent Director |

**Financial Performance**

*Except per share data* ***(Rs. in million)***

| Particulars | For the year ending March 31, 2005 | For the year ending March 31, 2006 | For the year ending March 31, 2007 | For the half year ended September 30, 2007 |
|---|---|---|---|---|
| | (Audited) | (Audited) | (Audited) | (Un-audited) |
| Equity Share capital | 23.33 | 23.33 | 23.33 | 23.33 |
| Preference Share Capital (9% Non-Cumulative Redeemable) | 31.49 | 31.49 | 31.49 | 31.49 |
| Reserves & Surplus (excluding revaluation reserves) | 45.00 | 63.46 | 84.63 | 96.54 |
| Total income | 1,070.09 | 1,162.25 | 1,441.71 | 858.18 |
| Profit After Tax | 12.64 | 18.46 | 21.17 | 11.91 |
| EPS (Rs.) | 5.42 | 7.91 | 9.07 | 10.20 # |
| NAV per share (Rs.) | 29.29 | 37.21 | 46.28 | 51.38 |

*# Annulized*

**OVERVIEW OF OUR ASSOCIATE COMPANIES**

**Hira Steels Limited**

Hira Steels Limited was incorporated as Hira Ispat Limited on August 16, 1994. On June 5, 1995, the name of the Company was changed to Hira Steels Limited. The registered office of the Company is situated at 720/1, Rawabhatta Industrial Area, Raipur, Chhatisgarh 493221. Hira Steels Limited is engaged in the business of manufacturing, processing and trading of iron and steel products like Wire Rods and HB Wires.

**Shareholding Pattern**

The shareholding pattern of Hira Steels Limited as on September 30, 2007 is as follows:

| Sr. No. | Name of the Shareholder | Number of Shares | % of Shareholding |
|---|---|---|---|
| 1. | Godawari Power and Ispat Limited | 2,240,100 | 23.30 |
| 2. | M/s Ram Richpal Agrawal HUF | 1,800,000 | 18.72 |
| 3. | Mrs. Sita Devi Agrawal | 1,000,000 | 10.40 |
| 4. | M/s J. P. Agrawal HUF | 614,000 | 6.39 |
| 5. | Mr. J.P. Agrawal | 212,600 | 2.21 |
| 6. | Mr. H.P. Agrawal | 200,100 | 2.08 |
| 7. | M/s N.P. Agrawal HUF | 200,000 | 2.08 |
| 8. | Mrs. Mamta Nath | 200,000 | 2.08 |
| 9. | Mr. Amit Agrawal | 189,500 | 1.97 |
| 10. | Shree Hira Exim Ltd. | 117,500 | 1.22 |
| 11. | Saurabh Exim Pvt. Ltd. | 115,000 | 1.20 |
| 12. | M/s H. P. Agrawal HUF | 100,000 | 1.04 |
| 13. | Others | 2,627,150 | 27.31 |
| | **Total** | **9,615,950** | **100.00** |

**Board of Directors**

The Board of Directors of Hira Steels Limited as on September 30, 2007 are as below:

1. Mr. B. L. Agrawal
2. Mr. Amit Agrawal
3. Mr. Ajay Ahluwalia
4. Mr. J. P. Agrawal

**Financial Performance**

*(Rs. in million)*

| Particulars | As at and for the year ended | | |
|---|---|---|---|
| | March 31, 2005 | March 31, 2006 | March 31, 2007 |
| Total Income | 1,641.28 | 1,479.82 | 1,416.65 |
| Profit After Tax (PAT) | 2.78 | 1.87 | 5.83 |
| Equity Share Capital (Face value of Rs.10 per share) | 96.16 | 96.16 | 96.16 |
| Preference Share Capital (14% Non cumulative Redeemable) | 25.23 | 25.23 | 25.23 |
| Reserves (excluding revaluation reserve) | 52.19 | 54.06 | 59.89 |
| EPS (Rs.) | 0.29 | 0.19 | 0.61 |
| NAV per share (Rs.) | 15.43 | 15.62 | 16.23 |

# ISSUE PROCEDURE

*Below is a summary intended to present a general outline of the procedure relating to the bidding, payment, allocation and allotment of Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and the investors are assumed to have appraised themselves of the same from our Company or the BRLMs. The investors are advised to inform themselves of any restrictions or limitations that may be applicable to them.*

## Qualified Institutions Placements

The Issue is being made in reliance upon Chapter XIII-A of the SEBI Guidelines through the mechanism of Qualified Institutions Placements ("QIP") wherein a listed company may issue and allot Equity Shares/ Fully Convertible Debentures/ Partly Convertible Debentures or any other security (excluding warrants) on a private placement basis to Qualified Institutional Buyers ("QIBs") as defined in clause 2.2.2B (v) of the SEBI Guidelines.

Our Company has applied for and is awaiting receipt of in-principal approval of the Stock Exchanges, under Clause 24 (a) of the listing agreements for listing of the Equity Shares on the Stock Exchanges. Our Company has also filed a copy of the Preliminary Placement Document with the Stock Exchanges.

## Issue Procedure

1. Our Company and the BRLMs shall circulate the Preliminary Placement Document either in electronic form or physical form to Eligible QIBs.
2. The BRLMs shall deliver to such QIBs a Bid cum Revision Form. The list of Eligible QIBs to whom the Bid cum Revision Form is delivered shall be determined by the BRLMs at their sole discretion.
3. Eligible QIBs may submit the Bids (including the revision of Bids) through the Bid cum Revision Form during the bidding period to the BRLMs.
4. Eligible QIBs would have to indicate the following in the Bid:
   a. Name of the Eligible QIB to whom Equity Shares are to be allotted;
   b. Number of Equity Shares;
   c. Price at which they are agreeable to apply for the Equity Shares, provided that eligible investors may also indicate that they are agreeable to submit a Bid at "Cut-off-Price" which shall be any price as may be determined by our Company in consultation with the BRLMs at or above the Floor Price; and
   d. Details of the depository participant account of the Eligible QIB.

   *Note: Each sub-account of a FII will be considered as an individual QIB and separate form will be required from each sub-account for submitting Bids.*
5. the elegible QIBs cannot withdraw after the Closing date;
6. The Bid Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of the same.
7. Based on the Bids received, our Company shall decide the Issue Price which shall be at or above the Floor Price and the number of Equity Shares to be issued in consultation with the BRLMs. Our Company shall notify the Stock Exchanges of the Issue Price. On determination of the Issue Price, the Eligible QIBs to whom Allocation shall be made shall be sent the CAN inviting such QIBs to submit Application Form. The CAN shall contain details like the number of Equity Shares allocated to the Eligible QIB, the details of the amount payable by the Eligible QIB and the Pay-In Date as applicable to the respective Eligible QIB. The QIBs will also be sent a serially numbered Application Form along with a serially numbered Placement Document either in electronic form or by physical delivery. Only the QIBs that receive the CAN are invited to participate in this issue. The Company and BRLMs shall make a decision in this regard at their sole and absolute discretion.
8. Eligible QIBs would have to deliver the completed Application forms with Annexures to the BRLMs along with a Cheque / Confirmation of payment through electronic transfer for the application monies to the designated bank account of our company by the pay-In-Date as specified in the CAN sent to the respective QIBs.
9. Upon receipt of the completed Application Forms and the application monies from the Eligible QIBs our Company shall issue and allot the Equity Shares to the Eligible QIBs as per the details provided in the Application Form. Our Company shall not allot Equity Shares to more than 49 QIBs. Our Company will intimate to the Stock Exchanges the details of the Allotment.
10. After passing the Allotment resolution and prior to crediting the Equity Shares into the depository participant accounts of the Eligible QIBs, we shall apply for the final listing and trading permission from the Stock Exchanges for listing of the Equity Shares.

11. After receipt of the in-principle approvals of the Stock Exchanges, our Company shall credit the Equity Shares into the depository participant accounts of the Eligible QIBs.
12. The Equity Shares that have been so allotted and credited to the depository participant accounts of the Eligible QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.
13. The Stock Exchanges shall notify the final trading and listing permissions, which is ordinarily available on their websites, and our Company shall communicate the receipt of the final trading and listing permissions from the Stock Exchanges to the Eligible QIBs who have been allotted the Equity Shares.

Our Company shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Eligible QIBs are advised to appraise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

**Qualified Institutional Buyers**

Currently, Eligible QIBs who are permitted to invest in our Company under applicable law are:

- Public financial institutions as specified in Section 4A of the Companies Act
- Scheduled commercial banks
- Mutual funds registered with SEBI
- Foreign institutional investors registered with SEBI
- Multilateral and Bilateral development financial institutions
- Foreign venture capital funds registered with SEBI
- State industrial development corporations
- Insurance companies registered with the Insurance Regulatory and Development Authority provident funds with minimum corpus of Rs.250 million
- Pension funds with minimum corpus of Rs.250 million

**No Allotment shall be made pursuant to the Issue, either directly or indirectly, to any qualified institutional buyer (as defined in clause 2.2.2B (v) of the SEBI Guidelines) being a Promoter or any person related to Promoter(s) of our Company. Qualified institutional buyers who have all or any of the following rights shall be deemed to be a person related to promoter(s):**

a) rights under a shareholders agreement or voting agreement entered into with promoters or persons related to promoters of our Company;
b) veto rights; or
c) right to appoint any nominee director on our Board.

FIIs are permitted to participate through the portfolio investment scheme in this Issue.

Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the Preliminary Placement Document is filed with the Stock Exchange. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to Bid. Eligible QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations.

**Note: Affiliates or associates of the BRLMs who are Eligible QIBs may participate in the Issue in compliance with applicable laws.**

**A minimum of 10% of Equity Shares in this Issue shall be allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof, as the case may be, may be allotted to other Eligible QIBs.**

**BIDDING**

**Bid cum Revision Form**

Eligible QIBs shall only use the Bid cum Revision Form supplied by the BRLMs in either electronic form or by physical delivery for the purpose of making a Bid (including revision form) in terms of this Preliminary Placement Document.

By making a Bid (including revision) for the Equity Shares pursuant to the terms of this Preliminary Placement Document, the Eligible QIB will be deemed to have made the following representations and warranties:

i. The Eligible QIB confirms that it is a Qualified Institutional Buyer (QIB)in terms of Clause 2.2.2B(v) of the SEBI Guidelines and is eligible to participate in this Issue;
ii. The Eligible QIB confirms that it is not a Promoter and is not a person related to the Promoters, either directly or indirectly and its Bid does not directly or indirectly represent the Promoter or promoter group of our Company;
iii. The Eligible QIB confirms that it has no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of our Company other than that acquired in the capacity of a lender;
iv. The Eligible QIB has no right to withdraw its Bid after the Bid Closing Date;
v. The Eligible QIB confirms that if allotted Equity Shares pursuant to this Preliminary Placement Document, the Eligible QIB shall, for a period of one year from Allotment, sell the Equity Shares so acquired only on the floor of the Stock Exchanges;
vi. The Eligible QIB confirms that it is eligible to Bid and hold Equity Shares so allotted and together with any Equity Shares held by the Eligible QIB prior to the Issue. The Eligible QIB further confirms that the holdings of the Eligible QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Eligible QIB;
vii. The Eligible QIB confirms that the Bid would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
viii. That to the best of its knowledge and belief together with other Eligible QIBs in the Issue that belong to the same group or are under common control, the allotment to the Eligible QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:
    a) The expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956;
    b) "Control" shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

**Bids by Mutual Funds**

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. Each scheme of a Mutual Fund will have to submit separate Bid cum Revision Form. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the Mutual Fund and such Bids in respect of more than one scheme of the Mutual Fund will be treated as Bids by and allotment to a single person.

**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.

**The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Preliminary Placement Document. Bidders are advised to make their independent investigations to satisfy that they are eligible to Bid and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.**

**Submission of Bid cum Revision Form**

All Bid cum Revision Forms shall be duly completed with information including the name of the Eligible QIB, the price and the number of Equity Shares bid. The Bid cum Revision Form shall be submitted to the BRLMs either through electronic form or through physical delivery at the following address:

**BOOK RUNNING LEAD MANAGERS TO THIS ISSUE**

**Name:** **MOTILAL OSWAL INVESTMENT ADVISORS PVT LTD**
**Address**: 113/114, Bajaj Bhawan,
Nariman Point
Mumbai - 400 021

**Contact Person**: Mr. R. Anand/ Mr. Rupesh Khant
**Contact No:** +91-22-3980 4380
**Fax No:** +91-22-3980 4315
**Email:** gpil@motilaloswal.com

**Name:** **IL&FS INVESTSMART SECURITIES LIMITED**
**Address**: The IL&FS Financial Centre,
Plot C-22, G Block,
Bandra-Kurla Complex,
Bandra (East),
Mumbai: 400051

**Contact Person**: Mr. Rohan Saraf
**Contact No:** +91-22-2653 3333
**Fax No:** +91-22-2653 3075
**Email:** gpil.qip@investsmartindia.com

## PRICING AND ALLOCATION

### Build up of the Book

The Eligible QIBs shall submit their Bids (including the revision of their Bids) through the Bid cum Revision Form within the bidding period to the BRLMs who shall maintain the book. The BRLMs shall not be required to provide any written acknowledgement of the same.

### Price discovery and allocation

Our Company, in consultation with the BRLMs, shall finalize the Issue Price which shall be at or above the Floor Price.

After finalization of the Issue Price, our Company shall update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

### Method of Allocation

Our Company shall determine the Allocation for the purpose of inviting Application forms in consultation with the BRLMs in compliance with Chapter XIII-A of the SEBI Guidelines.

Bids received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation shall be decided by our Company in consultation with the BRLMs on a discretionary basis to a maximum of 49 Eligible QIBs. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

**THE DECISION OF OUR COMPANY AND THE BRLMs IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL ELIGIBLE QIBS. ELIGIBLE QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY AND ELIGIBLE QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID BIDS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BRLMs IS OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.**

**Number of Allottees**

The minimum number of allottees of Equity Shares shall not be less than:

a) Two, where the issue size is less than or equal to Rs.2.50 billion;
b) Five, where the issue size is greater than Rs.2.50 billion.

Provided that no single allottee shall be allotted more than 50% of the issue size.

Provided further that Eligible QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause. For details of what constitutes "same group" or "common control" see the section titled "**Issue Procedure – Bidding – Bid cum Revision Form**" beginning on page 100 of this Preliminary Placement Document.

**Maximum number of eligible QIBs to whom the Bid-cum-revision form alongwith Preliminary Placement Document shall be sent shall not be greater than 49. The maximum number of allottees of Equity Shares shall not be greater than 49 allottees.**

**APPLICATION FORM AND CAN**

Based on the Bids received, our Company and the BRLMs will, in their sole and absolute discretion, decide the list of Eligible QIBs to whom the CAN shall be sent inviting such QIBs to submit an Applicatio Form containing details of the Equity Shares allocated to them and the details of the amounts payable by them for Allotment of the Equity Shares in their respective names. Additionally, the CAN would include details of the bank account for transfer of funds if done electronically, Pay- In Date as well as the probable designated date ("Designated Date"), being the date of credit of the Equity Shares to the investor's account, as applicable to the respective Eligible QIBs and the address where the Application for need to be sent.
The Eligible QIBs would also be sent a serially numbered Application Form along with a serially numbered Placement Document either in electronic form or by physical delivery.

All Application Forms duly completed shall be submitted to the BRLMs as per the details provided in the respective CANs.

The dispatch of the Placement Document and the CAN shall be deemed a valid, binding and irrevocable contract for the QIB to submit the Application Form and pay the entire Issue Price for all the Equity Shares allocated to such QIB.

**ELIGIBLE QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. ELIGIBLE QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD SUB ACCOUNTS OF AN FII WOULD BE TREATED AS AN INDEPENDENT QIB.**

Demographic details like address, bank account etc. will be obtained from the Depositories as per the depository participant account details given above. Each scheme/fund of a Mutual Fund would have to submit separate Application Forms.

By submitting the Application Form, the Eligible QIB will be deemed to have made the representations and warranties as specified in the section titled "**Issue Procedure – Bidding – Bid cum Revision Form" above and further that such Eligible QIB shall not undertake any trade in the Equity Shares credited to its depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges.**

**Eligible QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be allotted to them pursuant to this Issue.**

**Bank Account for Payment of Application Money**

Our Company has opened an Escrow account with Axis Bank Limited Escrow Collection Bank. The Eligible QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in the respective CAN, favouring such Escrow Account with Axis Bank Limited.

If the payment is not made favoring the bank account (as above) within the time stipulated in the CAN, the Bid of the Eligible QIB and the CAN is liable to be cancelled.

In case of cancellations or default by the Eligible QIBs, our Company and the BRLMs have the right to reallocate the Equity Shares at the Issue Price among existing or new Eligible QIBs at their sole and absolute discretion.

**Payment Instructions**

The payment of application money shall be made by the QIBs in the name of

a) "Godawari Power and Ispat Limited– QIP - R" in case of Resident QIB investor, as per the payment instructions provided in the CAN
b) "Godawari Power and Ispat Limited – QIP – NR" in case of Non resident QIB investor, as per the payment instructions provided in the CAN

QIBs may make payment through cheques / drafts or electronic fund transfer. Payments through cheques should be only through high value cheques payable at Mumbai. Payment of the amounts through outstation cheques are liable to be rejected.

**Designated Date and Allotment of Equity Shares**

a) Our Company will endeavor to complete the allotment of Equity Shares by the probable Designated Date for those Eligible QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be allotted unless the Eligible QIBs pay the Issue Price in the bank account as stated above.
b) In accordance with the SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
c) Our Company reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.
d) Post Allotment and credit of Equity Shares into the Eligible QIBs' Depository Participant Accounts, our Company would apply for trading/listing approvals from the Stock Exchanges.
e) The Escrow Collection Bank shall not release the monies lying to the credit of the Escrow account to our Company till such time that our Company delivers to the Escrow Collection Bank the approval of the Stock Exchanges for the listing and trading of the Equity Shares offered in this Issue.
f) In the unlikely event of the any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by our Company.

**Submission to SEBI**

Our Company shall submit the Preliminary Placement Document to SEBI within 30 days of the date of Allotment for record purposes.

**Other Instructions**

**Permanent Account Number or PAN**

Where Bid(s) is/are for Rs.50,000 or more, the Eligible QIB should mention the PAN allotted under the I.T. Act. **The copy of the PAN card(s) or PAN allotment letter(s) is required to be submitted with the Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Eligible QIBs should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.

**Our Right to Reject Bids**

Our Company, in consultation with the BRLMs, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of our Company and BRLMs in relation to the rejection of a Bid shall be final and binding.

**Equity Shares in dematerialized form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

a) An Eligible QIB applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
b) Allotment to a successful Eligible QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Eligible QIB.
c) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
d) The trading of the Equity Shares of our Company would be in dematerialized form only for all Eligible QIBs in the dematerialized segment of the respective stock exchanges.
e) Our Company will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form or on part of the Eligible QIBs.

# PLACEMENT

## Placement Arrangement

On [●] 2007, the BRLMs entered into a Memorandum of Understanding with our Company, (the "MOU"), pursuant to which the BRLMs have agreed to use their best efforts to place up to such number of the Equity Shares, the aggregate subscription amount of which shall be the Rupee equivalent of up to [●] million, to QIBs, pursuant to Chapter XIII-A of the SEBI Guidelines, outside the United States, in reliance on Regulation S under the United States Securities Act of 1933, as amended, and within the United States to qualified institutional buyers (as such term is defined in Rule 144A under the Securities Act).

The MOU provides that the obligations of the investors to pay for and accept delivery of our Equity Shares offered by this Preliminary Placement Document is subject to the approval of certain legal matters by the counsels to the BRLMs and to other conditions. The MOU also provides that our Company will indemnify the BRLMs against certain liabilities.

Applications shall be made to list the Equity Shares and admit them to trading on the Indian Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares. See "Risk Factors".

The Preliminary Placement Document or the Final Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies in India and that, with the exception of QIBs, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors other than QIBs.

In connection with the Issue, the BRLMs (or their affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the BRLMs may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the BRLMs may purchase Equity Shares and be allocated Equity Shares for proprietary purposes and not with a view to distribution or in connection with the issuance of P-Notes (see "P-Notes").

The BRLMs and other affiliates have performed investment banking and advisory services for our Company from time to time for which they have received customary fees and expenses. The BRLMs and other affiliates may, from time to time, engage in transactions with and perform services for our Company in the ordinary course of their business for which they may receive customary compensation.

## Lock-up

Our Company has agreed that it will not, for a period of 180 days from the date of the Placement Document, without the prior written consent of the BRLMs, directly or indirectly, (a) offer, issue, contract to issue, grant any option, right or warrant for the issuance and allotment, or otherwise dispose of or transfer, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position with respect to, any Equity Shares or securities convertible into or exchangeable or exercisable for such Equity Shares (including any warrants or other rights to subscribe for any Equity Shares), (b) enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Equity Shares, whether any such aforementioned transaction is to be settled by allotment of any Equity Shares or such other securities, in cash or otherwise, or (c) publicly disclose the intention to make any such offer, issuance and allotment or disposition, or to enter into any such transaction, swap, hedge or other arrangement. Our Promoters and members of the Promoter Group have agreed to not, directly or indirectly, sell his/its existing equity shareholding in our Company to any person for a period of 180 days from the date of allotment of the Equity Shares under this Issue.

## SELLING RESTRICTIONS

### Certain Distribution and Solicitation Restrictions

*The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Preliminary Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.*

### Australia

This Preliminary Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the "Australian Corporations Act"), has not been lodged with the Australian Securities & Investments Commission ("ASIC") and does not purport to include the information required of a disclosure document under the Australian Corporations Act. (i) The offer of Equity Shares under this Preliminary Placement Document is only made to persons to whom it is lawful to offer Equity Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in Section 708 of the Australian Corporations Act; (ii) this Preliminary Placement Document is made available in Australia to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their transfer to the offeree under this Preliminary Placement Document and in any event in any manner that would require the Preliminary Placement Document or other related document to be lodged with ASIC.

### European Economic Area (Members of the European Union, Iceland, Norway and Liechtenstein)

This Preliminary Placement Document has not been submitted to the national securities regulator of any country in the European Economic Area for approval.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any Equity Shares which are the subject of the placement contemplated by this Preliminary Placement Document may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Equity Shares may be made at any time under the following exemptions under the Prospective Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

- by the BRLMs to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the BRLMs for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Equity Shares shall result in requirement for the publication by the Company or any BRLM of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this paragraph, the expression an "offer to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase any Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**Member State**

Subscribers will be required to make certain representations relating to their status which will determine the suitability of the subscriber as a purchaser of the Equity Shares, which will survive the completing the issuance of the Equity Shares.

**Hong Kong**

No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong, by means of any document, other than to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. No document, invitation or advertisement relating to the Equity Shares has been issued or had in possession for the purposes of issue, or will be issued or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

**Japan**

Neither the Company nor the Equity Shares have been and nor will they be registered under the Securities and Exchange Law of Japan and they may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption available under the Financial Instruments and Exchange Law of Japan (formerly, the "Securities and Exchange Law" , the "Financial Instruments and Exchange Law") ((Law. No. 25 of 1948 as amended) in accordance with any other applicable Japanese laws, regulations and guidelines

**New Zealand**

This Preliminary Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the "New Zealand Securities Act"). This Preliminary Placement Document is being distributed in New Zealand only to:

a) persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2) (a) (ii) of the New Zealand Securities Act ("Habitual Investors") ; and or
b) persons who are each required to pay a minimum subscription price of at least NZ$500,000 (disregarding any amount lent by the Company or any associated person of the Issuer for Notes before the allotment of the Notes ("Wholesale Investors").

By accepting this Placement Document, you represent and warrant that if you receive this Preliminary Placement Document in New Zealand you are either a Habitual Investor or a Wholesale Investor (or both) and you will not disclose this Preliminary Placement Document or offer to sell any of the Notes to any person who is not also a Habitual Investor or a Wholesale Investor (or both).

**Singapore**

Each BRLM has represented and agreed that this Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Preliminary Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Future Act 2001 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 by a relevant person which is:

- a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or to any person pursuant to defined in Section 275(1A) of the SFA, in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

**United Arab Emirates**

This Preliminary Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the "UAE"). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange.
The Issue, the Equity Shares and interests therein do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. This Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the UAE. The Equity Shares can only be marketed, offered or sold to UAE Government investment organizations and or to UAE financial institutions holding appropriate authorizations from the UAE Central Bank to engage in such activities.

**United Kingdom**

Each BRLM has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issue or sale of Equity Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

**United States**

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933 (the "Securities Act") and applicable U.S. state securities laws.

Each purchaser of the Equity Shares outside the United States, by accepting delivery of this Preliminary Placement Document and those Equity Shares, will be deemed to have represented, agreed and acknowledged that:

(1) It is and from now through the time it purchases the Equity Shares will be (a) located outside the United States (within the meaning of Regulation S under the Securities Act) and (b) not a U.S. person (within the meaning of Regulation S under the Securities Act) or a person acting on behalf of such a person and (c) not an affiliate of the company or a person acting on behalf of such an affiliate.

(2) It understands that the Equity Shares have not been and will not be registered under the Securities Act.

(3) The Company, the BRLMs , their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgments.

## Certain Transfer Restrictions

Resales of Equity Shares by QIBs, except on recognized stock exchanges, are not permitted for a period of one year from the date of allotment, pursuant to Chapter XIII-A of the SEBI Guidelines. Because the following additional restrictions will apply, purchasers of Equity Shares are advised to consult their own legal counsel prior to making any offer, sale, resale, pledge or transfer of the Equity Shares.

### *Equity Shares Offered and Sold within the United States*

Each purchaser of the Equity Shares within the United States pursuant to Section 4(2) of the Securities Act, by accepting delivery of this Preliminary/Final Placement Document, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) an institutional investor that is an accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act, (b) acquiring such Equity Shares for its own account or for the account of an institutional accredited investor, and (c) aware, and each beneficial owner has been advised, that the sale of such Equity Shares to it is being made in reliance on an exemption from the registration requirements of the Securities Act.

(2) It understands that the Equity Shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (i) for a period of one year from the date of allotment, in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S and on a recognized stock exchange, and (ii) thereafter (a) in accordance with Rule 144A to a qualified institutional buyer or to a person, etc that it and any person acting on its behalf reasonably believes is a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act) purchasing for its own account or for the account of another qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

(3) It understands that the Equity Shares purchased pursuant to Section 4(2) of the Securities Act (to the extent they are in certificated form), unless we determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

**"THESE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. BY ITS ACCEPTANCE OF AN EQUITY SHARE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT IS NOT ACQUIRING SUCH EQUITY SHARE WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS AN INSTITUTIONAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") AND THAT IS EITHER PURCHASING THE EQUITY SHARES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED INVESTOR. THESE EQUITY SHARES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) FOR A PERIOD OF ONE YEAR FROM THE DATE OF ALLOTMENT, IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S AND ON A RECOGNIZED STOCK EXCHANGE, AND (B) THEREAFTER (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A QUALIFIED INSTITUTIONAL BUYER OR TO A PERSON, ETC THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THESE EQUITY SHARES."**

(4) If it is acquiring any Equity Shares for the account of one or more institutional accredited investors, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(5) The Company, BRLMs to the Placement, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

***Regulation S Equity Shares***

Each purchaser of the Equity Shares outside the United States pursuant to Regulation S, by accepting delivery of this Preliminary Placement Document and those Equity Shares, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time the Equity Shares are purchased pursuant to Regulation S will be, the beneficial owner of such Equity Shares and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of us or a person acting on behalf of such an affiliate.

(2) It understands that the Equity Shares have not been and will not be registered under the Securities Act.

The Company, the BRLMs to the Placement, their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

## INDIAN SECURITIES MARKET

*The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI, the BSE and the NSE and has not been prepared or independently verified by us or the Managers or any of their respective affiliates or advisors.*

### The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai. The SEBI Act granted the SEBI powers to regulate the business of Indian securities markets, including stock exchanges and other financial intermediaries, promote and monitor self-regulatory organizations, prohibit fraudulent and unfair trade practices and insider trading and regulate substantial acquisitions of shares and takeovers of companies. The SEBI has also issued guidelines concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeovers of companies, buybacks of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants.

### Stock Exchange Regulations

India's stock exchanges are regulated primarily by SEBI, as well as by the Central Government acting through the Ministry of Finance, Stock Exchange Division, under the SCRA and the Securities Contract Regulation Rules 1957 (the "SCRR") which, along with the rules, by-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into and enforced between members.

### Listing

The listing of securities on recognised Indian stock exchanges is regulated by the SCRA, the SCRR and the listing agreement of the respective stock exchanges, under which the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of our obligations under such agreement, subject to our receiving prior notice of such intent of the stock exchange. SEBI has the power to direct the amendment of listing agreements and bye-laws of stock exchanges in India. Any amendment of the bye-laws by the stock exchanges on their own requires the prior approval of SEBI.

A listed company can be delisted under the provisions of the SEBI (Delisting of Securities) Guidelines, 2003, which govern voluntary and compulsory delisting of shares of Indian companies from the stock exchanges. A company may be delisted through a voluntary delisting sought by the promoters of the said company or a compulsory delisting by the stock exchange or due to any acquisition of shares of the said company or scheme of arrangement, or consolidation of holdings by the person in control of management by which the public shareholding falls below the limit specified in the listing conditions or in the listing agreement. A company may voluntarily delist from the stock exchange where its securities are listed provided that an exit opportunity has been given to the investors at an exit price determined in accordance with a specified formula. Such exit opportunity need not be given in cases where securities continue to be listed on a stock exchange having nationwide trading terminals. The procedure for compulsory delisting also requires the company to make an exit offer to the shareholders in accordance with the abovementioned guidelines. The SEBI has the power to amend listing agreements and by-laws of the stock exchanges in India.

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the sensex of BSE or the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place varying individual scrip-wise price bands. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers. At the discretion of the stock exchanges and under instructions from SEBI, stock exchanges can also impose ad hoc margins for specific stocks in the event of extreme volatility in price movement.

**Disclosures under the Companies Act and Securities Regulations**

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI Guidelines, and be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated, which, in the case of our Company, is currently the Registrar of Companies, Madhya Pradesh and Chhattisgarh, located at Sanjay Complex, 3rd Floor, A-Block, Jayandraganj, Gwalior. A company's directors and promoters may be subject to civil and criminal liability for misstatements in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. SEBI has issued detailed guidelines concerning disclosures by public companies and investor protection which also has to be complied with. Prior to the repeal of certain rules in mid-1992, the Controller of Capital Issues of the Central Government regulated the prices at which companies could issue securities. The SEBI Guidelines now permit companies to price their issues of securities freely.

All companies, including public limited companies, are required under the Companies Act to prepare, file with the Registrar of Companies and circulate to their shareholders, audited annual accounts which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation, which include sections pertaining to corporate governance and the management's discussion and analysis. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange, including the requirement to publish unaudited financial statements on a quarterly basis, and is required to inform stock exchanges immediately regarding any stock-price-sensitive information.

The Companies Act further allows buyback of securities, issuance of sweat equity shares and mandatory compliance with accounting standards issued by the ICAI.

The Institute of Chartered Accountants of India and SEBI have implemented changes which require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide sector reporting, to increase their disclosure of Related Party Disclosures from April 1, 2001 and to account for investments in associated companies and joint ventures in consolidated accounts and interim financial reporting from April 1, 2002.

As of April 1, 2003, accounting of intangible assets is also regulated by accounting standards set by the ICAI and as of April 1, 2004 accounting standards set by the ICAI will regulate accounting for impairment of assets.

**Indian Stock Exchanges**

There are now 23 stock exchanges in India. Most of the stock exchanges have their governing board for self-regulation. A number of these exchanges have been directed by SEBI to file schemes for demutualization as part of a move towards greater investor protection. The BSE and NSE together hold a dominant position among the stock exchanges in terms of number of listed companies, market capitalization and trading activity.

**NSE**

The NSE serves as a national exchange, providing nationwide on-line satellite-linked screen-based trading facilities with market makers and electronic clearing and settlement for securities, including government securities, debentures, public sector bonds and units. The principal aim of the NSE is to enable investors to buy or sell securities from anywhere in India, serving as a national market for securities. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. The NSE does not categorize shares into groups as in the case of BSE, except in respect of the trade to trade category. NSE uses satellite communication technology to energies participation from about 2,737 VSATs from nearly 266 cities spread over the Country. The NSE commenced operations in the wholesale debt market in June 1994, in capital markets in November 1994 and derivatives in June 2000. The average daily traded value in the Future & Options (F&O) market segment was Rs.330.36 billion in March, 2007. In NSE, there were 1,002, 63 and 845 members in the Capital Market, Wholesale Debt market and F & O segments respectively. A total of 12,743 (1,186 corporates, 862 partnership firms and 10, 695 individuals) sub brokers were affiliated to 502 trading members of the exchange on March 30, 2007. The NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap index on January 1, 1996. The securities in the NSE 50 Index are highly liquid. The market capitalization of the trading on the capital market segment was Rs.33673.50 billion on March 31, 2007. With a wide network in major metropolitan cities, screen-based trading, a central monitoring system and greater transparency.

**BSE**

The BSE, the oldest stock exchange in India, was established in 1875. The BSE switched over to on-line trading from May 1995. As of September 30, 2007, the BSE had 950 members, comprising 178 individual members, 749 Indian companies and 23 foreign institutional investors. Only a member of the BSE has the right to trade in the stocks listed on the BSE. In September 30, 2007, there were 4,871 listed companies trading on the BSE and the market capitalization of stocks trading on the BSE was Rs.52,029.55 billion. The average daily turnover on the BSE was Rs.61.57 billion in September, 2007. BSE has a nation-wide reach with a presence in 417 cities and towns of India. Derivatives trading commenced on the BSE in 2000. The BSE has also wholesale and retail debt trading segments. The retail trading in government securities commenced in January 2003.

**Takeover Code**

Disclosures and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code, which prescribes certain thresholds or trigger points that give rise to these obligations. The Takeover Code is under constant review by the SEBI and was last amended on May 28, 2007.

The salient features of the Takeover Code are as follows:

Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in a company, or acquires or agrees to acquire control over a company, either by himself or with any person acting in concert) who acquires shares or voting rights that would entitle him to more than 5%, 10%, 14%, 54% or 74% of the shares or voting rights in a company is required to disclose the aggregate of his shareholding or voting rights in that company to the company and to each of the stock exchanges on which the company's shares are listed at every such stage within two days of (i) the receipt of intimation of allotment of shares or (ii) the acquisitions of shares or voting rights, as the case may be. The term "shares" has been defined under the Takeover Code to mean equity shares or any other security which entitles a person to receive shares with voting rights.

A person who holds more than 15% of the shares or voting rights in any company is required to make an annual disclosure of his holdings to that company within 21 days of the end of each financial year (which in turn is required to disclose the same to each of the stock exchanges on which the company's shares are listed). Further, such person who holds 15% or more but less than 55% of the shares or voting rights in any company is required to disclose any purchase or sale of shares aggregating to 2% or more of the share capital of the company, to the company and to each of the stock exchanges where the shares of the company are listed within two days of (i) the receipt of intimation of allotment of shares or (ii) the annual sale or acquisitions of shares or voting rights, as the case may be.

Promoters or persons in control of a company are also required to make periodic disclosure of their holdings in the same manner as above, annually within 21 days of the end of each financial year as well as from the record date for entitlement of dividend.

An acquirer who, along with persons acting in concert, acquires 15% or more of the shares or voting rights of a company would be required to make a public announcement offering to acquire a further 20% of the shares of the company. Since we are an Indian listed company, the provisions of the Takeover Code will apply to us. However, no acquirer may acquire shares or voting rights through market purchases or preferential allotment which, taken together with the shares held by such acquirer, entitle him to exercise more than 55% of the voting rights in the company. Any acquisition of shares or voting rights in the aforesaid manner beyond 55% is required to be divested within one year in the manner provided in the Takeover Code.

An acquirer who, together with persons acting in concert with him/her, has acquired 15% or more, but less than 55%, of the shares or voting rights in the shares of a company, cannot acquire additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights in any financial year unless such acquirer makes a public announcement offering to acquire a minimum of another 20% of the shares of the company. Any further acquisition of shares or voting rights by an acquirer who, together with persons acting in concert, holds

55% or more but less that 75% of the shares or voting rights in a company (or, where the company concerned has made the initial listing of its equity shares by making an offer of atleast 10% of its post-issue paid up capital to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company) would require such an acquirer to make an open offer to acquire a minimum of another 20% of the shares or voting rights of that company. However, if an acquisition made pursuant to an open offer results in the public shareholding in the target company being reduced below the minimum level required under the listing agreement of the stock exchanges, the acquirer would be required to take steps to facilitate compliance by the target company with the relevant provisions of the listing agreement within the timeframe provided therein.

In addition, regardless of whether there has been any acquisition of shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the voting capital of the company. However, the public announcement requirement will not apply to any change in control which takes place pursuant to a special resolution passed by way of a postal ballot of the shareholders of the company.

The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price. The minimum offer price depends on whether the shares of the company are "Frequently" or "Infrequently" traded (as defined in the Takeover Code). Where the shares are Frequently traded, the minimum offer price shall be the highest of:

- the negotiated price under the agreement for the acquisition of shares or voting rights in the company;

- the highest price paid by the acquirer or persons acting in concert with him/her for any acquisitions, including through an allotment in a public, preferential or rights issue, during the 26-week period prior to the date of public announcement; or

- the average of the weekly high and low of the closing prices of the shares of the company as quoted on the stock exchange where the shares of the company are most frequently traded during the 26 weeks or the average of the daily high and low of the closing prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement, whichever is higher.

The open offer for acquisition of a further minimum of 20% of shares of a company has to be made by way of a public announcement which is to be made within four working days of entering into an agreement for acquisition or deciding to acquire shares or voting rights exceeding the relevant percentages of shareholding in the company and/ or control over the company.

The Takeover Code provides that an acquirer who seeks to acquire any shares or voting rights whereby the public shareholding in the target company may be reduced to a level below the limit specified in the listing agreement with the stock exchange for the purpose of listing on a continuous basis may acquire such shares or voting rights only in accordance with SEBI Delisting Guidelines. Further, the Takeover Code contains penal provisions in case of violation of any provisions.

The Takeover Code permits conditional offers as well as the acquisition and subsequent delisting of all shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been set out. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfill his/her obligations. In addition, the Takeover Code introduces the "chain principle" by which indirect acquisition by virtue of acquisition of companies, whether listed or unlisted, whether in India or abroad of a company listed in India will oblige the acquirer to make a public offer to the shareholders of each such company which is indirectly acquired.

The Takeover Code does not apply, inter alia, to certain specified acquisitions including the acquisition of shares (i) by allotment in a public and rights issue subject to the fulfillment of certain conditions, (ii) pursuant to an underwriting agreement, (iii) by registered stockbrokers in the ordinary course of business on behalf of clients, (iv) in unlisted companies, (v) pursuant to a scheme of reconstruction or amalgamation, (vi) pursuant to a scheme under the Sick Industrial Companies (Special Provisions) Act, 1985, (vii) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and their relatives, provided the relevant conditions are complied with, (viii) through inheritance on succession, (ix) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to their respective promoters or to other venture capital undertakings or (x) by companies controlled by the Central or State Government unless such acquisition is made pursuant to a disinvestment process undertaken by the Central Government or a State Government. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledgee. An application may also be filed with the Takeover Panel seeking exemption from the requirements of the Takeover Code.

In addition, the Takeover Code does not apply to the acquisition of global depositary receipts, so long as they are not converted into shares carrying voting rights where the issuer is a public listed company. In order to ensure brevity for floating stocks of listed companies, SEBI has recently notified amendments to the listing agreement. All listed companies are required to ensure that their minimum level of public shareholding remains at or above 25% of the total number of issued shares of a class or kind, for every such class or kind of its shares which are listed. This requirement does not apply to those companies who at the time of the initial public offer of their equity shares had offered at least 10% of its post-issue paid up capital to the public pursuant to Rule 19(2)(b) of the SCRR, nor to companies that have reached a size of 20,000,000 or more in terms of the number of listed shares and Rs.10,000 million or more in terms of market capitalisation. However, such listed companies are required to maintain the minimum level of public shareholding of 10% of the total number of issued ordinary shares of a class or kind for the purposes of the listing. Failure to comply with this clause in the Listing Agreement requires the company to delist its shares pursuant to the terms of the SEBI Delisting Guidelines and may result in penal action being taken against the listed company pursuant to the SEBI Act, 1992.

**Depositories**

In August 1996, the Indian Parliament enacted the Depositories Act 1996 (the ''Depositories Act'') which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. SEBI has framed the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996 which provide for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, the company, the beneficial owners and the issuers. The depository system has significantly improved the operations of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI notified scripts of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialised trading in specified scripts for all retail investors. SEBI has subsequently significantly increased the number of scripts in which dematerialised trading is compulsory for all investors. However, even in the case of scripts notified for compulsory dematerialised trading, investors, other than institutional investors, may trade in and deliver physical shares on transactions outside the stock exchange where there are no requirements to report such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depositary participants registered with the depositaries established under the Depositories Act. Upon delivery, the shares shall be registered in the name of the relevant depositary in our books and this depositary shall enter the name of the investor in its records as the beneficial owner, thus effecting the transfer of beneficial ownership. The beneficial owner shall be entitled to all rights and benefits of a shareholder and be subject to all liabilities in respect of his shares held by a depositary. Every person holding equity shares of our Company and whose name is entered as a beneficial owner in the records of the depository is deemed to be a member of the concerned company.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.100 million should issue the securities in dematerialized form.

**Derivatives (Futures and Options)**

Trading in derivatives in India is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities", as defined in the SCRA. Trading in derivatives in India takes place wither on an independent derivative exchange or on separate segments of the existing stock exchanges. The derivative exchanges or the derivative segments of the stock exchanges functions as a self-regulatory organisation under the supervision of SEBI. Derivative products were introduced in four phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

**Insider Trading**

The Insider Trading Regulations prevent insider trading in India by prohibiting an insider from dealing, either on his/her own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of unpublished price-sensitive information. The insider is also prohibited from communicating, counseling or procuring any unpublished price-sensitive information while in possession of such information. The prohibition under Regulation 3A also extends to a company dealing, while in the possession of unpublished price-sensitive information, and is not restricted to insiders alone. It is to be noted that recently the SEBI has amended the Insider Trading Regulations to provide certain defenses to the prohibition on insiders in possession of unpublished price-sensitive information dealing in securities.

On a continuing basis under the Insider Trading Regulations, any person who holds more than 5% of the shares or of the voting rights in any listed company is required to disclose to the company the number of shares or voting rights held by him and any change in shareholding or voting rights (even if such change results in the shareholding falling below 5%). If there has been a change in such holdings since the last disclosure made, provided such change exceeds 2% of the total shareholding or voting rights in the company, such disclosure is required to be made within four working days of (i) the receipt of intimation of allotment of the shares or (ii) the acquisition or the sale of the shares or voting rights.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading deals and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimize misuse thereof. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading, which is to be implemented by all listed companies and other such entities.

All directors, officers and substantial shareholders in a listed company are required to make periodic disclosures of their shareholding as specified in the Insider Trading Regulations.

## EXCHANGE CONTROLS

### Restrictions on Conversion of Indian Rupees

There are restrictions on conversion of Rupees into U.S. dollars. Before February 29, 1992, RBI determined the official value of the Rupee in relation to a weighted basket of currencies of India's major trading partners. In the February 1992 budget, a new dual exchange rate mechanism was introduced by allowing conversion of 60% of the foreign exchange received on trade or current account at a market-determined rate and the remaining 40% at the official rate. All importers were, however, required to buy foreign exchange at the market rate except for certain priority imports. In March 1993, the exchange rate was unified and allowed to float. In February 1994 and again in August 1994, RBI announced relaxations of the payment restrictions previously applicable to certain transactions. Since August 1994, the Central Government has substantially complied with its obligations to the International Monetary Fund, under which India is committed to refrain from using exchange restrictions on current international transactions as an instrument to manage the balance of payments. Effective July 1995, the process of current account convertibility was advanced by relaxing restrictions on foreign exchange for various purposes, such as foreign travel and medical treatment. The Central Government has also relaxed restrictions on capital account transactions by resident Indians since 1999. For example, resident Indians are now permitted to remit up to US$200,000 for any capital account transaction.

## DESCRIPTION OF THE EQUITY SHARES

*Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of our Memorandum and Articles of Association, the Companies Act and certain related legislation of India, all as currently in effect.*

### General

The authorized share capital of our Company is Rs.350,000,000 comprising of 35,000,000 Equity Shares of Rs.10 each.

### Dividend

Under the Companies Act, unless the Board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down in the Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company determined in accordance with the provisions of the Companies Act or out of the undistributed profits or reserves of previous fiscal years or out of both, arrived at in accordance with the provisions of the Companies Act. Under our Articles of Association, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value of the shares. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their Shares as at the record date for which such dividend is payable. In addition, the Board may declare and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the “record date” or “book closure date”. No shareholder is entitled to a dividend while unpaid calls on any of his Shares are outstanding.

Dividends must be paid within 30 days from the date of the declaration and any dividend that remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money that remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by us to the Investor Education and Protection Fund and thereafter any claim with respect thereto will lapse.

Under the Companies Act, a company may pay a dividend in excess of 10.0 percent in any year, out of the profits of that financial year only after it has transferred to its reserves a certain percentage of its profits for that year ranging between 2.5 per cent and 10.0 per cent depending on the percentage of dividend proposed to be declared in that year. The Companies Act further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of accumulated profits from previous years which have been transferred to reserves, subject to certain conditions prescribed under the Companies Act.

### Capitalisation

Our Company's Articles state that the Board at any General Meeting may resolve that the whole or any part of the undivided profits of our Company (which expression shall include any premiums received on the issue of shares and any profits or other sums which have been set aside as a reserve or reserves or have been carried forward without being divided by capitalized and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized amount be applied on behalf of such members in paying up in full any unissued shares debentures, debenture-stock of our Company which shall be distributed accordingly or towards payment of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such member in full satisfaction of their interest in the said capitalized amount, provided that any such standing to the credit of a share premium account or a capable redemption reserve account may, for the purposes of this Article only be applied in the paying up of unissued shares to be issued to members of our Company as fully paid bonus shares.

### Dividend

Subject to Rights of members entitled to shares (if any) with preferential or special rights attached to them, the profits of our Company from time to time determined to be distributed as dividend respect of any year or other period shall be applied for payment of dividend on the shares in proportion to the amount of capital paid up on the Shares provided that unless the Board otherwise determine all dividends shall be apportioned and paid proportionately the amounts paid or credited as paid up on shares during any portion of the period in respect of which dividend is paid. Provided always that subject as aforesaid any capital paid upon a share during the respect of which a dividend is declared shall (unless the

Board otherwise determines or the terms of issue otherwise provide, as the case may be), only entitled the holder of such share to an appointed amount of such dividend as from the date of payment but so that where capital is paid up in advance of calls such capital shall not confer a right to participate in profits. Our Company in General Meeting may declare a divided to be paid to the members according to their rights and interest in the profits and may subject to the provisions of Section 207 of the Act fix the time for payment. No larger dividend shall be declared than is recommended by the director's, but our Company in general meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of our Company of the year of any other undistributed profits and no dividend shall carry interest as against our Company. The declaration of the Directors as to the amount of the net profits of our Company for any year shall be conclusive. The Directors may from time to time pay the members such interim dividends as in their judgment the position of our Company justifies. The Directors may retain any dividends on which our Company has lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists subject to Section 205A of the Act. Any General meeting declaring a dividend may make a call on the members of such amount as the Meeting fixed but so that the call on each members shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividendmay, if so arranged between the company and the member be set of against of the call. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer.

The Directors may retain the dividends payable upon shares in respect of which any person in under the transmission Article entitled to become a member or which any person under that is entitled to transfer until such person shall duly become a member in respect thereof shall transfer the same. Any one of the several persons who are registered as a joint-holder of any share may give effectual receipts of all dividends and payments on account of dividend in respect of such shares.

**Pre-Emptive Rights and Alteration of Share Capital**

Subject to the provisions of the Companies Act, the Company, in general meeting, may increase its share capital by issuing new shares on such terms and with such rights as the Company, by action of shareholders in a general meeting, determines, which may vary from the original issue in terms of rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed. In this regard, the laws require that for a company to issue shares with differential voting rights the company must have had distributable profits in terms of the Companies Act for a period of three financial years and have not defaulted in filing annual accounts and annual returns for the immediately preceding three years. Whenever the capital of the company has been increased through such resolution, the directors shall comply with the provisions of Section 97 of the Companies Act.

As per Section 81 of the Companies Act, such new shares shall be offered to the persons, who at the date of the offer are holders of equity shares in the Company in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and limiting a time, being not less than 30 days from the date of the offer within which such offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the shares offered in respect of which no acceptance has been received, in such manner as they think most beneficial to the Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person acceptable to the Board.

Under the provisions of Section 81(1A) of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, in any manner whatsoever, if a special resolution to that effect is passed by the shareholders of the Company in a general meeting. Where no such special resolution is passed, if the vote cast (show of hands or on poll) in favour of the proposal contained in the resolution moved at the general meeting sanctioning the issue of such shares (including the casting vote, if any of the chairman) by members who, being entitled to do so vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board in that behalf that the proposal is most beneficial to the company.

Notwithstanding this but subject to Section 81(3) of the Companies Act 1956, the Company may increase its subscribed capital on exercise of an option attached to the debenture issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company. The Company can also alter its share capital by way of a reduction of capital subject to Sections 78, 80 and 100 to 105 of the Companies Act, or by undertaking a buy-back of shares under the prescribed SEBI guidelines and subject to the approvals and terms and conditions as prescribed under Section 77A, 77AA and 77B of the Companies Act.

The Articles of the Company provide that subject to Section 94 of the Companies Act, the Company, in a general meeting may consolidate or sub-divide its share capital, convert all or any of its fully paid-up shares into stock and reconvert that stock into fully paid-up shares of any denomination, sub-divide its shares or any of them into shares of smaller amounts than fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in the case of the shares from which the reduced share is derived, or cancel shares which have not been taken up by any person.

**Preference Shares**

Subject to Section 80 of the Companies Act, any new shares may be issued as preference shares which are or at the option of the company are liable to be redeemed, and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption subject to the following conditions:

(i) no such shares shall be redeemed except out of profits of the Company which would otherwise be available for dividends or out of the proceeds of a fresh issue of shares made for the purposes of the redemption;
(ii) no such shares shall be redeemed unless they are fully paid;
(iii) the premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account before the shares are redeemed;
(iv) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividends, be transferred to a reserve fund, to be called the Capital Redemption Reserve Account, a sum equal to the nominal amount of the shares redeemed;
(v) subject to the provisions of Section 80 and 80A of the Companies Act, the redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may determine; and
(vi) whenever the Company shall redeem any redeemable preference shares, the Company shall, within one month thereafter, give notice thereof to the Registrar of Companies as required by Section 95 of the Act. Preference shares must be redeemable before the expiry of a period of 20 years from the date of their issue.

**Share Warrants**

Subject to the provisions of Section 114 and 115 of the Act and subject to any directions which may be given by our Company in General Meeting, the Board may issue share-warrants in such manner and on such, terms and conditions as the Board may deem fit. In case of such issue Regulations 40 to 43 of table "A" in Schedule 1 to the Act, shall apply. Our Company may exercise the power of conversion of its shares into stock and in that case regulations 37 to 39 to table "A" in Schedule 1 to the Act, shall apply.

**General Meetings of Shareholders**

The Directors may, whenever they think fit, call an extraordinary general meeting provided however if at any time there are not in India Directors capable of acting who are sufficient in number to form a quorum any Directors present In India may call an extra ordinary general meeting in the same manner as possible as that in which such a meeting may be called by the Board. The Board of Directors of our Company shall on the requisition of such members of member our Company as is specified in subsection (4) of Section 169 of the Act forthwith proceed to call an extraordinary meeting of our Company and in respect of any such requisition and of any meeting to be called pursuant thereto, all the other provisions of section 169 of the Act and of any statutory modification there of for time being shall apply.

The quorum for a General Meeting shall be five members present in person.

At every General Meeting, the Chair shall be taken by the Chairman of the Board of Directors. If at any meeting the Chairman of the Board of Directors be not present within fifteen minutes after the time appointed for holding the meeting or though present be unwilling to act as Chairman the members present shall chose one of the Directors present to be Chairman or if none of the Director is willing to take the Chair then the members present shall chose one of their members, being a member entitled or vote, to be Chairman. Any act or resolution which, under the provisions of this article or of the Act is permitted shall be sufficiently so done or passed if effected by an ordinary resolution unless either the Act or the articles specifically require such act to be done or resolution passed by special resolution.

**Voting Rights**

On a show of hands every member present in person and being a holder of Equity shares shall have one vote and every person present either as a proxy on behalf of a holder of Equity Shares or as a duly authorised representative of a body corporate being a holder of Equity Shares, if he is not entitled to vote in his own rights, shall have one vote. On a poll the voting rights of a holder of Equity shares shall be as specified in Section 87 of the Act.

The voting rights of the holders of the Preference Shares including the Redeemable Cumulative Preference Shares shall be in accordance with the provisions of section 87 of the Act.

A person becoming entitled to a share shall not before being registered as a member in respect of the share entitled to exercise in respect thereof any right conferred by membership in relation to meetings of our Company. Where there are joint holders of any of such persons may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting either personally or by proxy then that one of the said persons so present whose name stands prior in order in the said register in respect of such share shall alone be entitled to vote in respect thereof, Several executors or administrators of a deceased member in whose name any share stands shall for the purpose of this Article be deemed joint-holders therof. The instrument appointing a proxy shall be in writing under the hand of the appointer or his Attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its Attorney. This instrument appointing a proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarized certified copy of the power of authority shall be deposited at the office not less than forty eight hours before the time of holding meeting at which the person named in the instrument proposes to vote in default the instrument or proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of transfer of the share in respect of which the vote is given. Provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received at the office or by the Chairman of the Meeting before the vote is given. Provided nevertheless that the Chairman of the Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

Every instrument appointing a proxy shall, as nearly as circumstances will admit, be in the form set out in Schedule IX to the Act. No objection shall be taken to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote not disallowed at such meeting or poll and whether given personally or by proxy or otherwise shall be deemed valid for all purposes and no member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of our Company in respect of any share registered in his name on which any calls or other sum presently payable by him have not been paid or in regard to which our Company has exercised any right or line.

**Register of Shareholders and Record Dates**

The Company is obliged to maintain a register of shareholders at its Registered Office in Raipur, Chhatisgarh. With the approval of its shareholders by way of a special resolution and with prior notice to the Registrar of Companies, Chhatisgarh and Madhyapradesh the Company may maintain the register of shareholders at some other place in the same city. The register and index of beneficial owners maintained by a depositary under the Depositories Act, 1996 is deemed to be an index of members and register and index of debenture holders. In the case of shares held in physical form, the Company registers transfers of shares on the register of shareholders upon lodgment of the share transfer form duly complete in all respects accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred, together with duly stamped transfer forms. In respect of electronic transfers, the depository is the registered owner in the books of the Company and transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. Every person holding securities of the company and whose name is entered as a beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares that are held by the depository. Transfer of beneficial ownership through a depository is exempt from any stamp duty but each depository participant may have its own depository charges. A transfer of shares by way of a stock transfer form attracts stamp duty at the rate of 0.25% of the transfer price.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board may deem expedient in accordance with the provisions of the Companies Act. Under the listing agreements of the Stock Exchanges on which the Company's outstanding Shares are listed, the Company may, upon at least 15 days' advance notice to such stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

**Annual Report and Financial Results**

The Annual Report must be laid before the Annual General Meeting. This includes certain financial information about the Company such as the audited financial statements as of the date of closing of the financial year, a corporate governance section and management's discussion and analysis, and is sent to the shareholders of the Company.

Under the Companies Act, the Company must file the Annual Report with the Registrar of Companies within seven months from the close of the accounting year or within 30 days from the date of the annual general meeting, whichever is earlier. As required under the listing agreements with the Stock Exchanges, copies are required to be simultaneously sent to the Stock Exchanges. The Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region where the Registered Office of the Company is situated.

The Company files certain information on-line, including its Annual Report, six-month and quarterly financial statements and the shareholding pattern statement, in accordance with the requirements of the listing agreements and as may be specified by the SEBI from time to time.

**Transfer of Shares**

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by the SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty. Our Company has entered into an agreement for such depository services with National Securities Depository Limited and the Central Depository Services India Limited.

The SEBI requires that our Company's shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Company shall keep a book called the register of transfer in which every transfer or transmission of shares will be entered.

The shares are freely transferable, subject only to the provisions of the Companies Act, under which, if a transfer of shares contravenes the SEBI provisions or the regulations issued under it, or the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"), or any other similar law, our Company Law Board may, on an application made by a company, a depository incorporated in India, an investor, the SEBI or other parties, direct a rectification of the register of members. If a company without sufficient cause refuses to register a transfer of shares within two months from the date on which the instrument of transfer is delivered to the company, the transferee may appeal to the Indian Company Law Board seeking to register the transfer of equity shares. Our Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant equity shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act, 2002, the Indian Company Law Board will be replaced with the National Company Law Tribunal. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act, 2003, which is expected to come into force shortly, the SICA is sought to be repealed and the Board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal.

The Companies Act provides that the shares or debentures of a publicly listed company shall be freely transferable. Subject to the provisions of section 111 of the Act, the Board without assigning any reason such refusal, may within one month from the date on which the instrument of transfer was delivered to our Company, refuse to register any transfer of a share upon which our Company has lien and, in the case of a share not fully paid up, may refuse to register to a transferee of whom the Board does not approve. However, the registration of transfer of a share shall not be refused on the ground of the transfer being either alone or jointly with any other person or persons indebted to the company on any account whatsoever.

A transfer may also be by transmission. The executors or administrators' or the holder of a succession certificate in respect of shares of a deceased member (not being one of several joint-holders) shall be the only person whom our Company shall recognize as having any title to the shares registered in the name of such member and, in case of the death of any one or more of the joint-holders of any registered shares, the survivors shall be only persons recognized by our Company as having any title to or interest in such share but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person. Before recognizing any legal representative or heir or person otherwise claiming title to the shares our Company may require him to obtain a grant of probate or letters of administration or succession certificate, or other legal representation, as the case may be, from a competent Court, provided nevertheless that in any case where the Board in its absolute discretion thinks fit it shall be lawful for the Board to dispense with production of probate or letter of administration or a succession certificate or such other legal representation upon such terms as to indemnify or otherwise as the Board may consider desirable.. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer. Subject to the provisions of the Act, no transfer of shares shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor or transferee has been delivered to our Company together with the certificate or certificates of the shares, or if no such certificate is in existence along with the the letter of allotment of shares, The installment of transfer of any shares shall be signed both by or on behalf of transferees and the transferor shall be deemed to remain the holder of such share until none of the transferee is entered in the Register in respect thereof.

**Reconstruction**

On any sale of the under taking of our Company, the Directors or the Liquidators on a winding up may, if authorised by a special resolution, accept fully paid or party paid up shares, debentures, or securities of any other Company whether incorporated in India or not other than existing or to be formed for the purchase in whole or in part of the property of our Company, and the Directors (if the profits of our Company permit), or the Liquidators (in a winding up) may distribute such shares or securities or any other property of our Company amongst the members without realisation or vest the same in trustees, for them and any special resolution may provide for the distribution or appropriations of the cash, shares or other securities, benefits or property, otherwise than in accordance with the strict legal rights of the members or contributor of our Company and for the valuation of any such securities or property at such price and in such be bound to accept and shall be bound by valuation of distribution as authorised, and waive all rights in relation thereto, save only in case our Company is proposed to be or is in the course of being wound up, such statutory rights, if any, under Section 494 of the Act as are incapable of being varied or excluded by these presents.

**Acquisition by the Company of its own Shares**

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders, voting on the matter in accordance with the Companies Act and sanctioned by the High Court of Judicature in the city where the company's registered office is located. Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company. However, pursuant to the Companies Act by way of Section 77A, 77AA and 77B, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, or the securities premium account or the proceeds of the issue of any shares or other specified securities (other than from the proceeds of an earlier issue of the same kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

(i) the buy-back should be authorised by the Articles of Association of the company;

(ii) a special resolution has been passed in the general meeting of the company authorising the buy-back;

(iii) the buy-back is limited to 25% of the total paid-up capital and free reserves;

(iv) the debt owed by the company is not more than twice the capital and free reserves after such buy-back; and

(v) the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulation, 1998.

The condition mentioned above in (ii) would not be applicable if the buy-back is for less than 10% of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorised by the board of directors of the company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back and to issue securities for six months. Every buy-back must be completed within a period of one year from the date of passing of the special resolution or resolution of the Board, as the case may be.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company, including its own subsidiary companies, or through any investment company (other than a purchase of shares in accordance with a scheme for the purchase of shares by trustees of or for shares to be held by or for the benefit of employees of the company) or if the company is defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank, or in the event of non-compliance with certain other provisions of the Companies Act.

**Liquidation Rights**

Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of a winding-up of the Company, the holders of the shares are entitled to be repaid the amounts of capital paid up or credited as paid up on such shares. All surplus assets after payments due to employees, the holders of any preference shares and other creditors belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on such shares, respectively, at the commencement of the winding-up. In case assets available are insufficient to repay the whole of the paid up capital, the assets shall be so distributed such that the losses are borne to the extent possible by the shareholders in the ratio of capital contributed. In case any of the shares involve a liability to call or otherwise, any person may, within ten days after the passing of the resolution, by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.

The division of assets on winding up, if thought expedient, may subject to the provisions of the Companies Act, be otherwise than in accordance with the legal rights of the contributories (except when unalterably fixed by the Memorandum) and in particular, any class may be given preferential or special rights which may be excluded altogether or in part but any contributory who is prejudiced by the same would have a right to dissent and possess ancillary rights as though such determination were a special resolution under Section 494 of the Companies Act.

## LEGAL PROCEEDINGS

Except as described below, our Company is not involved in any legal proceedings, and no proceedings are threatened, which may have, or have had, a material adverse effect on the business, properties, financial condition or operations of Our Company. Our Company believes that the number of proceedings in which our Company is involved is not unusual for a company of its size in the context of doing business in India.

**Proceeding initiated against our Company**

| Sl. No. | Case number and Adjudicating Authority | Filed by | Nature of Case | Contingent Liability (Rs) | Status |
|---|---|---|---|---|---|
| 1. | Appeal No. E/981/2007<br><br>CESTAT, New Delhi | Department of Central Excise, Raipur | The Department of Central Excise, Raipur has issued<br>(i) Show Cause Notice dated November 29, 2005 demanding duty on sale of electricity to outside parties amounting to Rs.4,946,136 during the period from September, 2002 to August, 2004, to which our Company replied on April 7, 2006;<br>(ii) Show Cause Notice dated December 1, 2005 issued demanding duty on sale of electricity to outside parties amounting to Rs.1,726,574 during the period from November, 2004 to March, 2005 to which our Company replied on April 7, 2006; and<br>(iii) Show Cause Notice dated April 26, 2006 issued demanding duty of Rs.20,42,790 on the value of Power sold to related parties during the period from April, 2005 to December, 2005 to which our Company replied on July 4, 2006.<br><br>The Additional Commissioner, Central Excise, Raipur (Adjudicating Authority) confirmed the aforesaid 3 demands vide Order in Original dated September 19, 2006 and also levied a penalty of Rs.2,000,000.<br><br>Our Company has filed an Appeal being Appeal No. 215 of 2006 before the Commissioner (Appeals) against the said Order in Original. The Commissioner (Appeals) has set aside the Order in Original vide Order in Appeal dated 19.12.2006.<br><br>The Department of Central Excise, Raipur preferred an Appeal being Appeal No. E/981/2007 dated March 16, 2007 against the Order in Appeal before CESTAT. | 8,715,500 plus penalty of 2,000,000 | Pending hearing and final disposal. |

| Sl. No. | Case number and Adjudicating Authority | Filed by | Nature of Case | Contingent Liability (Rs) | Status |
|---|---|---|---|---|---|
| 2. | IA No. 1 & 2 of 2007 in SLP No.3853 of 2007<br><br>Supreme Court of India | State of Chhattisgarh, Chief Electrical Inspector and the Chhattisgarh State Electricity Board, Raipur | Our Company had filed a Writ Petition being Writ Petition No. 3447 of 2006 on July 07, 2006 before the Hon'ble High Court of Chhattisgarh, Bilaspur against the State of Chhattisgarh, Chief Electrical Inspector and the Chhattisgarh State Electricity Board, Raipur, challenging the constitutional validity and propriety of the Chhattisgarh Upkar (Sanshhodhan) Adhiniyam, 2004 whereby the Chhattisgarh Upkar Adhiniyam 1981 has been amended to insert new clause no.(1-a) in Section 3.<br><br>The Hon'ble High Court vide its order dated December 15, 2006 allowed the Writ Petition and declared the impugned amendment as unconstitutional.<br><br>Now against the said order of the Hon'ble High Court, the State of Chhattisgarh & Others have filed a Special Leave Petition before the Hon'ble Supreme Court of India. | NA | Pending hearing and final disposal. |

**Proceeding initiated by our Company**

| Sl. No. | Case number and Adjudicating Authority | Filed against | Nature of Case | Contingent Liability (Rs) | Status |
|---|---|---|---|---|---|
| 1. | E/742/2007<br><br>CESTAT, New Delhi | Department of Central Excise, Raipur | The Department of Central Excise, Raipur issued a Show cause Notice dated April 7, 2006 denying credit of Rs.1,836,523 taken on the strength of Challans relating Service Tax paid on GTA Services and Rs.239,116 availed on service tax on outward transportation, both including education cess.<br><br>The Additional Commissioner (adjudicating authority) vide Order in Original dated October 30, 2006 confirmed the demand and imposed penalty of Rs.200,000 and ordered for recovery of amount along with interest.<br><br>Our Company preferred an Appeal being Appeal No. 1 (ST) of 2007 with the Commissioner of Appeals (Appellate Authority) and the Commissioner of Appeals vide Order in Appeal dated February 19, 2007 confirmed the demand and the imposed penalty of Rs.200,000 and ordered for recovery of amount along with interest.<br><br>Our Company has preferred an Appeal before the CESTAT being Appeal No. E/742/2007. CESTAT admitted the Appeal and has vide its interim order dated May 8, 2007 ordered our Company to deposit an amount of Rs.240,000 and granted stay on the entire balance amount. | 2,076,000 | Our Company has deposited an amount of 240,000. Pending hearing and final disposal.. |
| 2. | Writ Petition (L) No. 6170 of 2007<br><br>High Court of Chhattisgarh, Bilaspur | State of Chhattisgarh and others. | Our Company has filed a Writ Petition on October 05, 2007 before the Hon'ble High Court of Chhattisgarh, Bilaspur against the Order of the Industrial Court dated April 19, 2007 reinstating the contractor employee Mr. Virendra Kumar Verma with the principal employer i.e., GPIL with 33% back wages. | 48,510 | Pending hearing and final disposal. |
| 3. | Writ Petition No. 4649/2007<br><br>High Court of Chhattisgarh, Bilaspur. | State of Chhattisgarh and the Commissioner of Commercial Taxes-Raipur | Our Company has filed a Writ Petition on June 27, 2007 before the Hon'ble High Court of Chhattisgarh, Bilaspur against the State of Chhattisgarh and the Commissioner of Commercial Taxes-Raipur, challenging the validity of the Chhattisgarh Entry Tax Act, 1976 on the grounds of legislative incompetence and violation of constitutional provisions. | NA | Pending hearing and final disposal. |

| | | | | | |
|---|---|---|---|---|---|
| 4. | Suit number has not yet been allotted | State of Chhattisgarh and the Commissioner of Commercial Taxes-Raipur | Our Company has filed a writ petition on September 22, 2007 before the Hon'ble High Court of Chhattisgarh, Bilaspur against the State of Chhattisgarh and the Commissioner of Commercial Taxes-Raipur, challenging the validity of the Notification Nos.92,93 and 94 all dated 31.10.2006 issued by the Joint Secretary, Government of Chhattisgarh Finance and Planning Department (Commercial Tax Department) Raipur being beyond the powers of the State Government under section 15-B and 72(i)(b) of the Chhattisgarh Value Added Tax Act, 2005. | | Pending hearing and final disposal. |

**Criminal Complaint against our Directors**

| Sl. No. | Case number and Adjudicating Authority | Filed by | Nature of Case | Contingent Liability (Rs) | Status |
|---|---|---|---|---|---|
| 1. | Complaint Case No. 2063 of 1999 Metropolitan Magistrate Court at Ahmedabad | Gujarat Gas Financial Services Ltd. Vs. Shri Ishaar Alloy Steels Ltd. and one of the directors of the company | A complaint was filed by Gujarat Gas Financial Services Ltd. under Section 138 of the Negotiable Instruments Act, 1881 for the dishonour of a cheque no. 814608 dated 30-03-1999 towards payment of lease rent to Gujarat Gas Financial Services Ltd. | 525,000 | Pending hearing and final disposal. |

**Notices**

1. The Department of Central Excise, Raipur issued a Show Cause Notice dated October 29, 2007 issued demanding duty of Rs.15,23,254 on the value of Power sold to related parties. Our Company has submitted its reply dated November 20, 2007 refusing the payment for the demand of Rs.15,23,254.

2. The Department of Central Excise, Raipur issued a Show Cause Notice dated July 13, 2007 issued demanding penalty for late payment of Service Tax and for delayed filing of Returns. Our Company has paid the penalty of Rs.2000 imposed vide Adjudication Order dated November 6, 2007.

**Litigations recently concluded in which the appeal is not barred by limitation**

| Sl. No. | Case No | Parties | Nature of Case |
|---|---|---|---|
| 1. | Appeal No. 166 of 2007<br><br>Commissioner (Appeals) | Department of Central Excise, Raipur | The Department of Central Excise, Raipur issued a Show Cause Notice dated January 17, .2007 demanding duty of Rs.15,71,065 on the value of Power sold to related parties.<br><br>The adjudicating authority vide Order in Original dated June 29, 2007 confirmed the demand and imposed penalty of Rs.150,000 and ordered for recovery of amount along with interest.<br><br>Our Company preferred an Appeal being Appeal No. 166 of 2007 before the Commissioner Appeals. The Commissioner Appeals vide an Order in Appeal dated September 19, 2007 set aside the Order in Original and disposed the Appeal. |

| | | | |
|---|---|---|---|
| 2. | Order in Original No. 42 of 2007<br><br>Commissioner, Central Excise, Raipur | Commissioner, Central Excise, Raipur | The Department of Central Excise, Raipur issued a Show Cause Notice dated February 13, 2007 demanding duty of Rs.55,86,836 on the value of Power sold to related parties.<br><br>The Commissioner, Central Excise, Raipur adjudicating authority vide Order in Original No. 42 of 2007 dated August 28, 2007 dropped the proceedings of the aforesaid Show Cause Notice dated February 13, 2007. |

# TAXATION

The following is a summary of the material Indian tax consequences of owning and disposing of Equity Shares purchased in this Issue.

**YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.**

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to Godawari Power & Ispat Limited, ('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 provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India.

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

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

## TAX BENEFITS AVAILABLE TO THE COMPANY

### 1. Under the Income Tax Act, 1961

A. **The Company**

1. The company is eligible under section 35D of the Income Tax Act, 1961 to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and conditions specified under the said section.

2. The company would be eligible for depreciation @ 15% on the cost of Plant & Machinery as per the provisions of Income Tax Act, 1961. Further the company would be entitled to depreciation @ 80% of the cost of Plant & Machinery in the nature of energy saving devices and would also be entitled to depreciation on its other assets as per Rule 5 of the Income Tax Rules, 1962.

3. As per provisions of section 32(1)(iia) of the Income Tax Act, 1961 the company would be entitled to additional depreciation @ 20% of the actual cost of new Plant & Machinery during previous year ending on or after 31.3.2006 subject to the fulfillment of other conditions specified under the said section.

4. Deduction under section 80IA of the Income Tax Act.

   As per the provisions of section 80IA of the Income Tax Act, The Company is eligible for income tax expemption from the profits from Power plant for the period of 10 (ten) consecutive assessment years commencing from initial assessment year 2004-05 in which undertaking has started power generation.

5. Under Section 115 JAA (1A) of the Income Tax Act, 1961 tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income-tax Act. Such MAT credit shall not be available for set-off beyond 5 years succeeding the year in which the MAT credit initially arose.

**B. The Shareholders**

**I. Resident Indians**

1. Under Section 10(34) of the Income Tax Act, 1961 income earned by way of dividend on the shares of the company is exempt from income-tax in the hands of the shareholders.

2. Under Section 10(38) of the Income Tax Act, 1961 long term capital gains arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. equity shares held for the period of more than twelve months) and on which security transaction tax has been charged is exempt.

3. As per the provisions of section 111A of the Income Tax Act, 1961 tax on short term capital gain is charged to tax @ 10% (plus applicable surcharge and education cess) provided the capital gain arises from the transfer of equity shares of the company which are held for a period of not more than 12 months and on which security transaction tax has been charged.

4. As per the provisions of section 112 of the Income Tax Act, 1961 the long term capital gains arising from the transfer of shares of the company being long term capital asset, other than as mentioned in point 2 above, shall be chargeable to tax @ 20% (plus applicable surcharge and education cess) after indexation as provided in second proviso to Section 48, or @ 10% (plus applicable surcharge and education cess) without indexation.

5. Long term capital gains as stated in point 4 above on sale of shares of the company shall be exempt from income tax if such gains are invested in bonds /shares specified in section 54EC or section 54ED of the Income Tax Act, 1961 subject to the fulfillment of the conditions specified in the said sections. In the case of individual or HUF members, exemption is also available u/s 54F subject to the fulfillment of the conditions specified in the said section.

6. In terms of section 88E of the Income Tax Act, 1961 the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions subject to the fulfillment of other conditions specified under the said section.

7. Under section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for not less than twelve months, [in cases not covered under section 10(38) of the Act] if any will be treated as long term capital gains and the gains shall be calculated by deducting from the sale consideration, the indexed cost of acquisition. No deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.

**II. Non-Resident Indians**

1. Any income by way of dividends received on the shares of the company is entitled to be exempted u/s 10(34) of the Income Tax Act, 1961.

2. In the case of Non Resident Indians taxability of long term capital gains and short term capital gains is similar to resident Indians. Refer paras above.

3. Further under Section 115E of the Income Tax Act, 1961 income by way of long term capital gains arising from the transfer of shares (otherwise than as mentioned in paras B.I.2 and B.I.4 above) held in the company will be taxable @ 10% (plus applicable surcharge and education cess) subject to the fulfillment of other conditions specified under Chapter XII –A of the Income Tax Act, 1961. Further above said long term capital gains shall be exempt under section 115F of Income Tax Act, 1961 subject to the fulfillment of other conditions specified under the said section.

4. Under section 115G of the Act, it shall not be necessary for the Non-resident Indians to furnish their return of Income, under section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII B has been deducted from such income.

5. Rebate of Securities Transaction Tax paid is available under section 88E of the Income Tax Act, 1961. Refer para B.I.7 above.

**III. Foreign Institutional Investors (FII)**

1. Any income by way of dividends received on the shares of the company is entitled to be exempted u/s 10(34) of the Income Tax Act, 1961.

2. Under Section 10(38) of the Income Tax Act, 1961 long term capital gains arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. equity shares held for the period of more than twelve months) and on which security transaction tax has been charged is exempt.

3. Under Section 115AD(1)(iii) of the Income Tax Act, 1961 income by way of long term capital gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the company will be taxable @ 10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation are not available to FIIs.

4. Short term capital gains on transfer of securities shall be chargeable @ 30% / 10% (plus applicable surcharge and education cess) as per clause (ii) to Section 115AD of the Income Tax Act, 1961.

5. Long term capital gains as stated in point 3 above on sale of shares of the company shall be exempt from income tax if such gains are invested in bonds/shares specified in section 54EC or section 54ED of the Income Tax Act, 1961 subject to the fulfillment of the conditions specified in the said sections.

**IV. Venture Capital Companies/ Funds**

In terms of section 10(23FB) of the Income Tax Act, 1961 all venture capital companies /funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the company.

**V. Mutual Funds**

As per the provisions of section 10(23D) of the Income Tax Act, 1961 any income of Mutual funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder or any other Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax.

**2. Benefits available under the Wealth Tax Act, 1957**

All assesses are entitled to exemption from wealth tax in respect of the shares of the company as shares or securities are not included in the definition of asset u/s 2(ea) of the Wealth Tax Act, 1957.

**3. Benefits available under the Gift-tax Act, 1958**

Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift tax under the erstwhile Gift Tax Act. However, under section 56(2) (v) of the Income Tax Act, 1961, where any sum of money (which could include gift of shares also) exceeding twenty five thousand rupees is received without consideration by an individual or a Hindu undivided family from any person on or after the 1st day of September, 2004, the whole of such sum, would be taxed as income in the hand of the recipient, Provided that this clause shall not apply to any sum of money received:

a) from any relative; or
b) on the occasion of the marriage of the individual; or
c) under a will or by way of inheritance; or
d) in contemplation of death of the payer.

For the purposes of this clause, “relative” means -

a) spouse of the individual;
b) brother or sister of the individual;
c) brother or sister of the spouse of the individual;
d) brother or sister of either of the parents of the individual;
e) any lineal ascendant or descendant of the individual;
f) any lineal ascendant or descendant of the spouse of the individual;
g) spouse of the persons referred to in clauses (b) to (f).

**4. Benefits available Under Central Excise Tariff**

In respect of the Capital goods and allied machinery being purchased for ongoing projects, the benefit of Cenvat credit is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

**5. Benefits available Under Finance Act 1994 -Service Tax**

In respect of services availed for ongoing projects, the benefit of Cenvat-Service Tax is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

**6. Benefits available Under Export Import Policy**

Import of Capital Goods under Export Promotion Capital Goods scheme (EPCG scheme) at concessional rate of duty subject to fulfillment of obligations.

**Notes**:

- All the above benefits are as per the current tax laws and will be available only to the sole/ first named holder in case the Equity Shares are held by joint holders.
- In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.

## INDEPENDENT ACCOUNTANTS

Our audited consolidated and stand alone financial statements for fiscal years 2005, 2006, 2007 were audited by M/s. O. P. Sighania & Co., our company's statutory auditors who have agreed to the inclusion of their audit report in this Preliminary Placement Document. Our company's unaudited results for the half year ended September 30, 2006 and 2007 have been subjected to limited review by the statutory auditors of our company. M/s. O. P. Sighania & Co. have also given their consent for the conversion of all the figures in the financial statements or results from lakhs to million.

## GENERAL INFORMATION

1. We were incorporated on September 21, 1999 under the name of Ispat Godawari Limited and received our certificate of commencement of business on November 15, 1999.Subsequetly the name of our Company has changed to Godawari Power and Ispat Limited w.e.f. June 20, 2005.

2. The Issue was authorized and approved by our Board of Directors on November 13, 2007, and approved by the shareholders in their meeting held on December 15, 2007.

3. We shall apply for in-principle approval to list the Equity Shares on the BSE and the NSE.

4. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) at our Registered Office.

5. We have obtained all consents, approvals and authorizations required in connection with this Issue.

6. There has been no significant change in our financial position since September 30, 2007, the date of our last published interim financial results.

7. Except as disclosed in this Preliminary Placement Document, there are no litigation or arbitration proceedings against or affecting us or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue of Equity Shares.

8. Our Company's auditors are M/s. O.P. Singhania and Co., Chartered Accountants.

9. Our Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.

10. The Floor Price for the Issue is Rs.266.24 per Equity Share of face value of Rs.10 each on NSE. The Floor price calculated as per clause 13A.3 of the SEBI Guidelines.

**FINANCIAL STATEMENTS**

## AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To
The Board of Directors
**GODAWARI POWER AND ISPAT LIMITED**

Dear Sirs,

1. We have examined the attached Financial Information of Godawari Power and Ispat Limited and it's Subsidiary as set out in paragraph 2 below, stamped and initialed by us for identification, which have been prepared in accordance with the provisions of Clause 13 A.7.2 read with Items 11.a to 11.h of Schedule XXIA to, the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as 'the SEBI Guidelines') issued by the Securities and Exchange Board of India in pursuance of Section 11 of The Securities and Exchange Board of India Act 1992. The aforesaid Financial Information has been prepared for inclusion in the Final Placement Document to be submitted to the Stock Exchanges by the Company in connection with its proposed offering of Equity Shares of Rs.10/- each of the Company to Qualified Institutional Buyers pursuant to the Guidelines for Qualified Institutions Placement under Chapter XIII – A of the SEBI Guidelines.

2. The Financial Information represents the Balance Sheet of the Company as at March 31, 2007 and March 31, 2006 and the related Statement of Profit and Loss and Cash Flow Statements for each of the years/period ended on those dates together with Notes on Accounts thereon including significant accounting policies.

3. The aforesaid Financial Information have been extracted from the financial statements of the Company for each of the two years ended March 31, 2007 and March 31, 2006 which have been audited by us. These financial statements for the year ended March 31, 2006 and March 31, 2007 have been adopted by the members of the Company. We report that there are no qualifications in the Auditors' Reports in respect of above financial years which require adjustments to the said Financial Information.

4. In our opinion and according to the information and explanations given to us, the Financial Information as stated in the above paragraphs, are in accordance with Clause 13 A.7.2 read with Items 11.a to 11.h of Schedule XXIA of the SEBI Guidelines.

5. This report is intended solely for your information and inclusion in the Preliminary / Final Placement Document for submission to the Stock Exchanges in connection with the proposed private placement of equity shares as referred to in paragraph 1 above and is not to be used, referred to or distributed to any other parties for any other purpose without our prior written consent.

For **M/s. O P Singhania & Co.**
Chartered Accountants

**O. P. Singhania**
Partner
Membership No. 51909

**Place:** Raipur
**Date:** December 4, 2007

## CONSOLIDATED BALANCE SHEET

*(Rs. in million)*

| Particulars | Schedules | As at the financial year ended March 31, | |
|---|---|---|---|
| | | **2007** | **2006** |
| **SOURCES OF FUNDS** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 1 | 237.19 | 150.24 |
| Reserves and surplus | 2 | 1,837.28 | 854.02 |
| | | **2,074.47** | **1,004.26** |
| **Minority Interests** | | **-** | **41.80** |
| **Loan Funds** | | | |
| Secured Loans | 3 | 2,878.26 | 1,533.30 |
| Unsecured Loans | 4 | 15.60 | 192.12 |
| | | **2,893.86** | **1,725.42** |
| Deferred Tax Liabilities (Net) | | 18.59 | 18.95 |
| **Total** | | **4,986.92** | **2,790.43** |
| **APPLICATION OF FUNDS** | | | |
| **Fixed Assets** | 5 | | |
| Gross Block | | 3,116.85 | 1,778.04 |
| Less : Accumulated Depreciation | | 344.15 | 223.23 |
| **Net Block** | | **2,772.70** | **1,554.81** |
| Capital work-in-progress including capital advances | | 1,033.61 | 481.08 |
| | | **3,806.31** | **2,035.89** |
| **Goodwill arising on consolidation** | | **45.62** | **3.95** |
| **Investments** | 6 | **49.11** | **44.40** |
| **Current Assets, Loans and Advances** | | | |
| Inventories | 7 | 761.43 | 483.07 |
| Sundry debtors | 8 | 281.31 | 188.01 |
| Cash and bank balances | 9 | 125.33 | 43.93 |
| Loans and advances | 10 | 406.64 | 252.03 |
| | | **1,574.70** | **967.04** |
| **Less : Current Liabilities and Provisions** | | | |
| Current Liabilities | 11 | 387.84 | 227.31 |
| Provisions | 12 | 101.07 | 42.21 |
| | | **488.91** | **269.52** |
| **Net Current Assets** | | **1,085.79** | **697.52** |
| **Miscellaneous Expenditure** (to the extent not written off or adjusted) | 13 | 0.09 | 8.67 |
| **Total** | | **4,986.92** | **2,790.43** |

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

*(Rs. in million)*

| Particulars | Schedules | For the financial year ended March 31, 2007 | 2006 |
|---|---|---|---|
| **INCOME** | | | |
| Turnover (Gross) | 14 | 5,508.70 | 3,621.73 |
| Less: Excise duty | | 734.23 | 491.02 |
| **Turnover (Net)** | | **4,774.47** | **3,130.72** |
| Other Income | 15 | 23.77 | 14.07 |
| Increase/(Decrease) in Stock in trade | 16 | (36.04) | 65.02 |
| **Total Income** | | **4,762.20** | **3,209.81** |
| **EXPENDITURE** | | | |
| Purchase of Trading Goods | | 4.63 | - |
| Raw material consumed | 17 | 3,392.68 | 2,452.61 |
| Personnel expenses | 18 | 56.40 | 37.27 |
| Operating and other expenses | 19 | 436.29 | 303.14 |
| Depreciation | | 122.13 | 73.15 |
| Financial expenses | 20 | 129.70 | 69.71 |
| **Total Expenditure** | | **4,141.83** | **2,935.89** |
| **Profit before tax and exceptional items** | | **620.37** | **273.92** |
| Provision for Current Tax | | 77.86 | 24.30 |
| Fringe Benefit Tax | | 1.35 | 0.73 |
| Tax related to earlier year | | 0.06 | 0.65 |
| Provision for Deferred Income Tax | | (0.37) | 4.79 |
| **Total Tax Expense/income** | | **78.90** | **30.47** |
| **Profit after tax and before exceptional items** | | **541.46** | **243.45** |
| Adjustment relating to depreciation on account of change in accounting policy | | - | 148.32 |
| **Net profit** | | **541.46** | **391.78** |
| Balance brought forward from previous year | | 434.06 | 230.27 |
| Add : Share in profit in associate Company | | 0.72 | 0.48 |
| Less : Pre Acquisition Profit | | 8.77 | - |
| Less : Minority Interest | | - | 8.96 |
| **Profit available for appropriation** | | **967.47** | **613.57** |
| **Appropriations:** | | | |
| Transfer to General Reserve | | 150.00 | 150.00 |
| Interim dividend | | 23.72 | - |
| Proposed dividend | | 48.56 | 24.65 |
| Tax on dividend | | 10.45 | 3.48 |
| Adjustment of Miscellaneous Expenditure | | - | 1.37 |
| **Surplus carried to Balance Sheet** | | **734.74** | **434.06** |

**CONSOLIDATED CASH FLOW STATEMENT**

*(Rs. in million)*

| Sr. No. | Particulars | For the Year ended March 31, 2007 | 2006 |
|---|---|---|---|
| **A.** | **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| | Net Profit before Tax | 620.37 | 273.92 |
| | **Adjustments for:** | - | - |
| | Depreciation | 122.13 | 73.15 |
| | Misc. Expenses Written off (Net) | 0.09 | 0.78 |
| | Provision for Gratuity | 2.14 | 1.47 |
| | Interest Charges | 129.70 | 69.71 |
| | Interest Received | (5.54) | (1.39) |
| | Dividend Received | (0.12) | (0.07) |
| | (Profit)/Loss on sale of Investments | - | (9.72) |
| | (Profit)/Loss on sale of Fixed Assets | 0.60 | 0.15 |
| | **OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES** | **869.36** | **408.01** |
| | **Adjustments for:** | | |
| | (Increase)/Decrease in Receivables and Advances | (247.91) | (201.70) |
| | (Increase)/Decrease in Inventories | (278.63) | (162.65) |
| | Increase/(Decrease) in Trade payables | 160.53 | 75.68 |
| | CASH GENERATED FROM OPERATIONS | 503.35 | 119.34 |
| | Direct Taxes Paid/Deducted at Source | (50.76) | (17.62) |
| | **NET CASH FROM OPERATING ACTIVITIES** | **452.60** | **101.71** |
| **B.** | **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| | Purchase of Fixed Assets/Capital Expenditure | (1,899.66) | (783.87) |
| | Proceeds from Sale of Fixed Assets | 6.51 | 0.43 |
| | Interest received | 5.54 | 1.39 |
| | Dividend Received | 0.12 | 0.07 |
| | Sale of Investments | - | 13.12 |
| | (Increase)/Decrease in Investments | (115.47) | (4.49) |
| | **NET CASH USED IN INVESTING ACTIVITIES** | **(2,002.96)** | **(773.35)** |
| **C.** | **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| | Proceeds from issue of equity shares including premium | 704.30 | - |
| | Proceeds/(Payment) of Long Term Borrowings from Banks | 1,067.30 | 605.44 |
| | Proceeds/(Payment) of Short Term Borrowings from Banks | 277.66 | 76.42 |
| | Proceeds/(Payment) of Other Borrowings | (176.51) | 109.62 |
| | Share Issue Expenses | (57.07) | (6.40) |
| | Refund of Share Application Money | - | (10.00) |
| | Dividend and tax thereon Paid | (54.22) | (3.85) |
| | Interest Charges | (129.70) | (69.71) |
| | **NET CASH USED IN FINANCING ACTIVITIES** | **1,631.77** | **701.51** |
| | **NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)** | **81.40** | **29.87** |
| | Cash and Cash Equivalents at the beginning of the year | 43.93 | 14.06 |
| | **Cash and Cash Equivalents at the end of the year** | **125.33** | **43.93** |

**SCHEDULE 1 - SHARE CAPITAL**

*(Rs. in million)*

| Particulars | As at the year ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| **Authorized** | | |
| 2,50,00,000 (Previous Year: 2,50,00,000) Equity Shares of Rs.10/- each | 250.00 | 250.00 |
| **Issued** | | |
| 23,719,000 (Previous year: 1,50,24,000) equity shares of Rs.10/- each | 237.19 | 150.24 |
| **Subscribed & Paid up** | | |
| 23,719,000 (Previous year: 1,50,24,000) equity shares of Rs.10/- each fully paid | 237.19 | 150.24 |

**SCHEDULE 2 – RESERVES AND SURPLUS**

*(Rs. in million)*

| | As at the year ended March 31, | |
|---|---|---|
| **Particulars** | **2007** | **2006** |
| **Securities Premium** | | |
| Balance as per last account | 158.00 | 158.60 |
| Add: On account of Public Issue during the year | 617.35 | - |
| Less: Utilized against Share Issue Expenses | 65.55 | - |
| Less: Adjustment on consolidation | 19.21 | 0.60 |
| | **690.58** | **158.00** |
| **General Reserve** | | |
| Balance as per last account | 250.00 | 100.00 |
| Add: Transferred from Profit and Loss Account | 150.00 | 150.00 |
| | **400.00** | **250.00** |
| **Profit and Loss Account** | **734.74** | **434.06** |
| **Share in Reserves of Associate Company** | | |
| **Capital Reserve** | | |
| As per last Balance Sheet | 11.97 | - |
| Add : Addition during the year | - | 11.97 |
| | **11.97** | **11.97** |
| **Grand Total** | **1,837.28** | **854.02** |

**SCHEDULE 3 – SECURED LOANS**

*(Rs. in million)*

| | As at the year ended March 31, | |
|---|---|---|
| **Particulars** | **2007** | **2006** |
| Loans and advances from banks | | |
| - Cash Credit Facilities | 581.54 | 303.88 |
| - Term Loans | 1,995.74 | 1,130.84 |
| - Foreign Currency Buyers Credit facility | 62.81 | 94.57 |
| - External Commercial Borrowings | 217.85 | - |
| Other Loans & Advances | 19.33 | 4.02 |
| Interest accrued & due on Term Loan | 1.00 | - |
| **Grand Total** | **2,878.26** | **1,533.30** |

**SCHEDULE 4 – UNSECURED LOANS**

*(Rs. in million)*

| Particulars | As at the year ended March 31, 2007 | 2006 |
|---|---|---|
| Other loans and advances | | |
| - From Body Corporates | 14.53 | 187.04 |
| Securities Deposits from parties | 1.08 | 5.08 |
| **Grand Total** | **15.60** | **192.12** |

**SCHEDULE 5 – FIXED ASSETS**

*(Rs. in million)*

| Particulars | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2006 | Additions | Dedu-ctions | As at March 31, 2007 | Upto March 31, 2006 | During for the year | Dedu-ction | Upto March 31, 2007 | As at March 31, 2007 | As at March 31, 2006 |
| Freehold Land | 19.45 | 8.06 | - | 27.50 | - | - | - | - | 27.50 | 19.45 |
| Leasehold Land | 6.80 | 0.19 | - | 6.99 | - | - | - | - | 6.99 | 6.80 |
| Site & Land Development | 2.86 | 28.68 | - | 31.53 | - | - | - | - | 31.53 | 2.86 |
| Factory Shed & Building | 180.86 | 18.16 | - | 199.02 | 10.52 | 6.17 | - | 16.69 | 182.34 | 170.35 |
| Plant & Machinery | 1,552.09 | 1,265.82 | 8.32 | 2,809.59 | 209.39 | 113.66 | 1.21 | 321.84 | 2,487.75 | 1,342.70 |
| Furniture & Fixture | 3.95 | 2.33 | - | 6.28 | 0.76 | 0.34 | - | 1.09 | 5.19 | 3.20 |
| Vehilces | 12.04 | 11.11 | - | 23.15 | 2.57 | 1.73 | - | 4.29 | 18.85 | 9.47 |
| Railway Siding & Lighting System | - | 12.79 | - | 12.79 | - | 0.24 | - | 0.24 | 12.55 | - |
| **Total** | 1,778.04 | 1,347.13 | 8.32 | 3,116.85 | 223.23 | 122.13 | 1.21 | 344.15 | 2,772.70 | 1,554.81 |
| Previous Year | 821.86 | 957.14 | 0.95 | 1,778.04 | 298.78 | 73.15 | 148.70 | 223.23 | 1,554.81 | 523.08 |
| **Capital Work in Progress & Pre-operative Exp. incl. capital advances** | 481.08 | 1,871.79 | 1,319.25 | 1,033.61 | - | - | - | - | 1,033.61 | 481.08 |
| Previous Year | 655.34 | 756.55 | 930.80 | 481.08 | - | - | - | - | 481.08 | 655.34 |

**SCHEDULE 6 - INVSETMENTS**

*(Rs. in million)*

| Particulars | As at the year ended March 31, 2007 | 2006 |
|---|---|---|
| **Long Term Investment** (At cost) | | |
| **A. Trade** | | |
| **In Associates** | | |
| Equity Shares Unquoted | 35.09 | 34.84 |
| **In other Companies** | | |
| Equity Shares Unquoted | 5.47 | 4.95 |
| **B. Other than trade** | | |
| **In other Companies** | | |
| Equity Shares quoted | 3.32 | 3.32 |
| Equity Shares Unquoted | 0.29 | 0.29 |
| **In Mutual Funds Units** | 2.00 | 1.00 |
| **C. Share Application Money Pending for Allotment** | 2.94 | - |
| **Grand Total** | **49.11** | **44.40** |

**SCHEDULE 7 – INVENTORIES**

***(Rs. in million)***

| Particulars | As at the year ended March 31, | |
|---|---|---|
| | **2007** | **2006** |
| Raw materials and components | 610.01 | 284.52 |
| Stores and spares | 37.62 | 34.75 |
| Work-in-progress | 5.24 | 4.92 |
| Finished Goods and By-Products | 105.64 | 158.88 |
| Trading Goods | 2.92 | - |
| **Grand Total** | **761.43** | **483.07** |

**SCHEDULE 8 – SUNDRY DEBTORS**

***(Rs. in million)***

| Particulars | As at the year ended March 31, | |
|---|---|---|
| | **2007** | **2006** |
| (Unsecured, Considered good) | | |
| Debts outstanding for a period exceeding six months | 46.41 | 12.63 |
| Others | 234.90 | 175.38 |
| **Grand Total** | **281.31** | **188.01** |

**SCHEDULE 9 – CASH AND BANK BALANCE**

***(Rs. in million)***

| Particulars | As at the year ended March 31, | |
|---|---|---|
| | **2007** | **2006** |
| Cash in hand | 5.88 | 11.54 |
| Balances with Scheduled Banks | | |
| On current accounts | 13.02 | 6.44 |
| On deposits accounts* | 105.28 | 25.95 |
| On Unpaid dividend account | 0.93 | - |
| On Public Issue Refund account | 0.22 | - |
| **Grand Total** | **125.33** | **43.93** |

**SCHEDULE 10 – LOANS AND ADVANCES**

***(Rs. in million)***

| Particulars | As at the year ended March 31, | |
|---|---|---|
| | **2007** | **2006** |
| (Unsecured considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 218.49 | 195.20 |
| Inter Corporate Loans | 34.72 | - |
| Balances with Custom, Excise etc. | 73.44 | 27.14 |
| Deposits others | 15.04 | 14.13 |
| Others | 64.95 | 15.56 |
| **Grand Total** | **406.64** | **252.03** |

**SCHEDULE 11 – CURRENT LIABILITIES**

*(Rs. in million)*

| Particulars | As at the year ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| Acceptances | 44.75 | 44.17 |
| Sundry Creditors | 183.63 | 120.77 |
| Advance from customers | 29.16 | 10.13 |
| Creditors for capital goods | 71.13 | 29.15 |
| Investor Education and Protection Fund shall be credited by namely (As & when due) | | |
| (a) Unclaimed dividend | 0.93 | - |
| (b) Unclaimed Public Issue Refund of application money | 0.22 | - |
| Interest accrued but not due on loans | 21.09 | 7.30 |
| Others | 36.94 | 15.80 |
| **Grand Total** | **387.84** | **227.31** |

**SCHEDULE 12 – PROVISIONS**

*(Rs. in million)*

| Particulars | As at the year ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| Provision for taxation (net of advance payments) | 40.57 | 12.18 |
| Provision for gratuity | 3.84 | 1.70 |
| Proposed dividend | 49.69 | 24.84 |
| Tax on proposed dividend | 6.97 | 3.48 |
| **Grand Total** | **101.07** | **42.21** |

**SCHEDULE 13 – MISCELLANEOUS EXPENDITURE**

*(Rs. in million)*

| Particulars | As at the year ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| (to the extent not written off or adjusted) | | |
| **Share issue expenses** | | |
| Balance as per last account | 8.49 | 8.49 |
| Add: On account of Public Issue | 57.07 | - |
| Less: Written off against Securities Premium Account (refer note No.3 ) | 65.55 | - |
| **Sub Total** | **-** | **8.49** |
| **Loan processing & documentation charges** | **0.09** | **0.18** |
| **Grand Total** | **0.09** | **8.67** |

**SCHEDULE 14 – GROSS TURNOVER**

*(Rs. in million)*

| Particulars | For the year ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| Sale of Manufacturing Goods | 5,446.16 | 3,602.20 |
| Sale of Trading Goods | 1.09 | - |
| Sale of Electricity | 8.95 | 18.33 |
| Sale of Carbon Emission Reduction Credit | 52.51 | - |
| Conversion Charges & other revenues | - | 1.21 |
| **Grand Total** | **5,508.70** | **3,621.73** |

**SCHEDULE 15 – OTHER INCOME**

*(Rs. in million)*

| Particulars | For the year ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| **Interest** | | |
| Bank deposits | 4.97 | 0.92 |
| Security deposit with CSEB | 0.42 | 0.48 |
| From Advances | 0.15 | - |
| **Dividend income** | | |
| Trade investments-Long-term | 0.12 | 0.07 |
| Profit on disposal of long-term (trade) investments | - | 9.72 |
| Gain on Currency Hedge transactions | 14.03 | 2.35 |
| Miscellaneous Income | 4.08 | 0.55 |
| **Grand Total** | **23.77** | **14.07** |

**SCHEDULE 16 – INCRESE / (DECREASE) IN STOCK IN TRADE**

*(Rs. in million)*

| Particulars | For the year ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| Closing Stock | | |
| - Work-in-progress | 5.24 | 4.92 |
| - Finished Goods & By-Products | 105.64 | 158.88 |
| - Traded Goods | 2.92 | - |
| **Sub Total (A)** | **113.80** | **163.80** |
| Opening Stock | | |
| - Work-in-progress | 4.92 | - |
| - Finished Goods & By-Products | 158.88 | 87.91 |
| **Sub Total (B)** | **163.80** | **87.91** |
| Net Increase/(Decrease) in Stock in trade (A-B) | (50.00) | 75.89 |
| Excise Duty on Stocks (Refer Note No.14 of Schedule-22) | 13.96 | (10.87) |
| **Grand Total** | **(36.04)** | **65.02** |

**SCHEDULE 17 – RAW MATERIAL CONSUMED**

***(Rs. in million)***

| **Particulars** | **For the year ended March 31,** | |
|---|---|---|
| | **2007** | **2006** |
| Opening Stock | 284.52 | 203.28 |
| Add: Purchases | 3,718.16 | 2,533.86 |
| Less: Closing Stock | 610.01 | 284.52 |
| **Grand Total** | **3,392.68** | **2,452.61** |

**SCHEDULE 18 – PERSONNEL EXPENSES**

***(Rs. in million)***

| **Particulars** | **For the year ended March 31,** | |
|---|---|---|
| | **2007** | **2006** |
| Salaries, wages and bonus | 44.75 | 32.51 |
| Contribution to provident fund | 2.99 | 1.77 |
| Contribution to gratuity | 2.19 | 1.49 |
| Contribution to other funds | 1.37 | 0.83 |
| Workmen and staff welfare expenses | 5.11 | 0.68 |
| **Grand Total** | **56.40** | **37.27** |

**SCHEDULE 19 – OPERATING AND OTHER EXPENSES**

***(Rs. in million)***

| | **For the year ended March 31,** | |
|---|---|---|
| **Particulars** | **2007** | **2006** |
| Consumption of stores and spares | 139.67 | 127.70 |
| Process charges | 11.51 | 11.37 |
| Power charges | 81.92 | 65.28 |
| Water Charges | 10.93 | 4.21 |
| Other manufacturing expenses | 45.73 | 33.13 |
| CDM Expenses | 7.73 | 0.77 |
| Rent | 1.75 | 0.90 |
| **Rates and taxes** | | |
| - Sales tax | 2.37 | 0.24 |
| - Entry tax | 11.58 | 0.67 |
| - Excise duty | 0.46 | - |
| - Others | 0.15 | 0.16 |
| Insurance | 2.71 | 1.72 |
| **Repairs and Maintenance** | | |
| - Plant and machinery | 70.53 | 29.41 |
| - Buildings | 2.29 | 1.27 |
| - Others | 1.21 | 0.61 |
| Rebate, shortage claims & other deductions | 1.81 | 0.73 |
| **Commission** | | |
| - Other than Sole selling agents | 2.07 | 1.12 |
| Travelling and conveyance | 6.49 | 6.35 |
| Communication costs | 4.10 | 4.08 |

| | | |
|---|---|---|
| Printing and stationery | 1.65 | 1.53 |
| Legal and professional fees | 1.48 | 1.53 |
| Directors' sitting fees | 0.06 | - |
| Directors' remuneration | 5.28 | 1.68 |
| Frieght and forwarding charges | 1.59 | 0.65 |
| Security service charges | 3.81 | 1.43 |
| Loss on sale of fixed assets | 0.60 | 0.15 |
| Miscellaneous expenses | 16.72 | 5.68 |
| Miscellaneous expenditure written off | 0.09 | 0.78 |
| **Grand Total** | **436.29** | **303.14** |

**SCHEDULE 20 – FINANCIAL EXPENSES**

***(Rs. in million)***

| Particulars | For the year ended March 31, | |
|---|---|---|
| | **2007** | **2006** |
| Interest | | |
| - on term loans | 146.21 | 77.18 |
| - on working capital | 33.04 | 28.31 |
| - on others | 1.67 | 1.11 |
| Bank charges | 16.95 | 7.28 |
| | **197.88** | **113.88** |
| Less: Interest capitalized | 68.19 | 44.16 |
| **Grand Total** | **129.70** | **69.71** |

**SCHEDULE 21 – EARNING PER SHARE**

***(Rs. in million)***

| Particulars | For the year ended March 31, | |
|---|---|---|
| | **2007** | **2006** |
| Net profit as per profit and loss account including extra-ordinary items | 542.19 | 392.25 |
| Net profit for calculation of basic EPS & Diluted EPS | 542.19 | 392.25 |
| Net profit as per profit and loss account excluding extra-ordinary items | 542.19 | 243.93 |
| Net profit for calculation of basic EPS & Diluted EPS | 542.19 | 243.93 |
| Weighted average number of equity shares in calculating Basic & Diluted EPS (No. of Equity Shares) | 2,32,66,384 | 1,50,24,000 |
| **Basic & Diluted EPS** | | |
| - Computed on the basis of earnings excluding exceptional items | 23.30 | 16.24 |
| - Computed on the basis of earnings including exceptional items | 23.30 | 26.11 |

**SCHEDULE 22 – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS**

**A. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

**1. PRINCIPLES OF CONSOLIDATION :**

The Consolidated Financial Statements relate to the Godawari Power & Ispat Limited ("the Parent Company"), its Subsidiary Company R. R. Ispat Limited and Joint Ventures Companies viz. Raipur Infrastructure Company Private Limited & Chhattisgarh Captive Coal Mining Limited and an Associate Hira Steel Limited, collectively referred to as 'the Group'. The consolidated financial statements have been prepared on the following basis:

**a.** The Financial Statements of the parent company and its subsidiary company have been combined on a line-by-line basis by adding together the book values of items like assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profit or losses in accordance with the Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. Further in accordance with AS-27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India, the group has accounted for its proportionate share of interest in joint ventures by the proportionate consolidation method.

**b.** In case of associate where the company directly or indirectly through subsidiary holds more than 20% of equity, investments in associates are accounted for using equity method in accordance with Accounting Standard (AS) 23 - "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

**c.** The difference between the cost of investment in the subsidiary, over the net assets at the time of acquisition of shares in the subsidiary is recognized in the financial statements as goodwill or Capital Reserve.

**d.** Minority interest's share in the net assets of the consolidated subsidiary consist of :-

i. The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and

ii. The minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.

**e.** Minority interest's share of net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the company.

**f.** As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the company's separate financial statements except in case of associate where depreciation on fixed assets has been charged on WDV Method instead of SLM Method as used by parent company and its subsidiary.

**2.** Investments other than in subsidiary and associates have been accounted for as per Accounting Standard (AS) 13 on "Accounting for Investments".

**3.** Other Significant Accounting Policies

These are set-out under "Significant Accounting Policies" as given in the unconsolidated financial statements of Godawari Power & Ispat Limited and its subsidiary

## B. NOTES ON ACCOUNTS TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

**1.** The subsidiary company considered in the consolidated financial statements is:

| Name of the Subsidiary | Country of incorporation | Proportion of ownership interest |
|---|---|---|
| R.R. Ispat Limited | India | 100.00% |

**2.** The significant associates company considered in the consolidated financial statements is:

| Name of the Associate | Country of incorporation | Proportion of ownership interest |
|---|---|---|
| Hira Steels Limited | India | 23.30% |

**3.** Joint Venture Operations

The group has, in accordance with AS-27 "Financial Reporting of Interests in Joint Ventures" issued by the ICAI, accounted for its interest in the Joint Ventures by the proportionate consolidation method. Thus, the Group's income statement, balance sheet and the cash flow statement incorporate the Group's share of income, expenses, assets, liabilities and cash flows of the joint venture on a line by line basis.

| Name of the Joint Ventures | Country of incorporation | Proportion of ownership interest |
|---|---|---|
| Raipur Infrastructure Company Pvt. Ltd. | India | 33.33% |
| Chhattisgarh Captive Coal Mining Ltd. | India | 36.20% |

The aggregate amount of assets, liabilities, income and expenses related to the Group's share in the Joint Venture included in these financial statements for the year ended 31st March, 2007 are given below :

**Particulars of Balance Sheet items**

***(Rs. in million)***

| Particulars | As at 31st March, 2007 | As at 31st March, 2006 |
|---|---|---|
| Fixed Assets(including Capital WIP & Pre-operative expenses) | 14.26 | 10.34 |
| Current Assets | 0.50 | 1.43 |
| Loan Fund | 7.65 | 6.50 |
| Current Liabilities | 0.53 | 0.62 |

**Particulars of Profit & Loss Account items**

***(Rs. in million)***

| Particulars | As at 31st March, 2007 | As at 31st March, 2006 |
|---|---|---|
| Profit/(Loss) for the year | 1.04 | - |
| Changes in working capital | 0.84 | 2.53 |
| Changes in investing activities | (3.92) | (5.69) |
| Changes in financing activities | 1.15 | 6.50 |

**4.** The carrying amount of investments in associate includes capital reserve arising on acquisition amounting to Rs.Nil (Previous Year Rs.11.97 million).

**5.** The associate company is using WDV Method for providing depreciation osn its fixed assets whereas the consolidated financial statement has been prepared by using SLM Method. As the details of difference between WDV and SLM Method has not been ascertained, therefore, the effect of the same could not be identified.

**6.** Contingent Liabilities and Capital Commitments are not provided for in respect of :-

i. Counter Guarantees given to banks against Bank guarantees issued by the Company Banker aggregate to Rs.14.87 million (Previous Year Rs.7.87 million)

ii. Disputed liability of Rs.2.07 million (Previous Year Nil) on account of Service Tax, Central Excise Duty Rs.1.17 million (Previous Year Rs.1.17 million) and Sale Tax Rs.5.73 million (Previous Year Rs.5.38 million) against which the company has preferred appeal before higher authorities.

iii. Corporate Guarantees issued in favour of bank aggregating to Rs.1,420 million (Previous Year Rs.1,367 million) in respect of financing facilities granted to other body corporate.

iv. Estimated amount of contracts remaining to be executed on capital accounts Rs.102.5 million (Previous Year Rs.360 million).

**7.** The company has provided gratuity liability as worked out on the basis of the Payment of Gratuity Act, 1972. However, the company is in process of getting the actuarial valuation to comply with the Accounting Standard 15 (revised) as issued by the Institute of Chartered Accountants of India.

**8.** "During the year the Income Tax Department has conducted search operation u/s 132 of the Income Tax Act,1961. No material discrepancies were found during the course of search."

As per Accounting Standard AS-26 (Intangible Assets) the Company has appropriated Rs.Nil (Previous Year Rs.1.37 million) under Miscellaneous Expenditure to the extent not written off from the balance of Profit & Loss Account.

**9.** The previous year figures have been regrouped and/or rearranged wherever necessary.

**10.** The deferred tax adjustment (net) has been given for subsidiary company only and no deferred tax liability/assets is provided in case of holding company for timing difference in depreciation in view of the benefits available u/s 80IA of the Income-tax Act for Power Division of the company and overall minimum alternative tax payable.

**11.** The deferred tax adjustment (net) has been given for subsidiary company only and no deferred tax liability/assets is provided in case of holding company for timing difference in depreciation in view of the benefits available u/s 80IA of the Income-tax Act for Power Division of the company and overall minimum alternative tax payable.

***(Rs. in million)***

| **Particulars** | **Balance carried As at 1st April, 2006** | **Arising during the year** | **Balance carried As at 31st March, 2007** |
|---|---|---|---|
| **Deferred Tax Liabilities** | | | |
| Timing difference between book and tax depreciation | 19.17 | (0.3) | 18.87 |
| **Deferred Tax Assets** | | | |
| Provision for bonus, gratuity and others | 0.21 | 0.07 | 0.28 |
| On account of carry-forward losses as per income-tax | 0.00 | 0.01 | 0.01 |
| **Net Deferred Tax Assets/(Liabilities)** | **(18.96)** | **0.38** | **(18.59)** |

**12.** Miscellaneous expenses includes, payment to Auditors (excluding service tax, as applicable).

***(Rs.in million)***

| **Particulars** | **2006-07** | **2005-06** |
|---|---|---|
| Towards Audit Fees | 0.60 | 0.40 |
| Towards Tax Audit fees | 0.10 | 0.08 |
| Towards certification works | 0.13 | 0.19 |
| Towards taxation matters | 0.03 | 0.05 |

**13.** Information on Related Party as required by Accounting Standard-18, "Related Party Disclosures" issued by The Institute of Chartered Accountants of India, are given below :

**i. Related Parties**

a) Associate - Hira Steels Limited

b) Other Related Enterprises where control exist
- Hira Ferro Alloys Ltd.
- Alok Ferro Alloys Ltd.
- Hira Industries Ltd.
- Shree Hira Exim Ltd.
- Jagdamba Power & Alloys Ltd.
- Chhattisgarh Power & Coal Benefication Ltd.
- Hira Power & Steel Ltd.

c) Joint Ventures - Raipur Infrastructure Company Pvt. Ltd.
Chhattisgarh Captive Coal Mining Ltd.

d) Key Management Personnel - Shri B.L.Agrawal
e) Relatives of Key Management Personnel - Shri Siddarth Agrawal

**ii. Transaction with Related Parties in the ordinary course of business.**

*(Rs. in million)*

| Sr. No. | Relationship | Particulars | 2006-07 | 2005-06 |
|---|---|---|---|---|
| a) | **Associate** | Purchase of Materials | 613.83 | 538.10 |
| | | Sale of Materials | 1,328.95 | 813.93 |
| | | Sale of Electricity | 8.95 | 8.01 |
| | | Loans Received | - | 30.00 |
| | | Repayment of Loans | 30.00 | - |
| | | Security Deposit refunded | - | 50.00 |
| | | **Outstanding** | | |
| | | Receivables | 44.76 | 9.12 |
| | | Unsecured Loans | - | 30.00 |
| b) | **Other Related Enterprises** | Purchase of Materials | 310.81 | 162.97 |
| | **where control exist** | Sale of Materials | 57.17 | 18.58 |
| | | Sale of Fixed Assets | 7.41 | - |
| | | Job Charges received | 0.01 | - |
| | | Rent paid | 0.13 | - |
| | | Service Charges Paid | 66.22 | 66.20 |
| | | Power Purchased | 20.81 | - |
| | | Investment During the year | - | - |
| | | Sale of Investments | - | 7.86 |
| | | Repayment of Loans | 141.27 | 32.70 |
| | | Loans Given | 1.10 | 30.50 |
| | | Loans Received | - | 203.21 |
| | | **Outstanding** | | |
| | | Receivables | 71.73 | 13.15 |
| | | Payables | 3.15 | 3.56 |
| | | Loans Receivable | 31.60 | 30.50 |
| | | Unsecured Loans | - | 141.27 |
| c) | **Joint Ventures** | Interest received | 0.22 | - |
| | | Service Charges Paid | 5.65 | - |
| | | Investment during the year | - | 4.63 |
| | | Advances received | 3.72 | - |
| | | Advances given | 2.76 | 5.59 |
| | | **Outstanding** | | |
| | | Investments | 4.66 | 4.66 |
| | | Payables | 5.59 | 5.59 |
| d) | **Key Management** | Remuneration Paid | 2.70 | 0.30 |
| | | Rent Paid | 0.30 | - |
| e) | **Relative of Key Management** | Salary Paid | 0.54 | 0.30 |

**14.** Segment-wise Revenue Results :

**Basis of Preparation:**

i. Business segments of the company have been identified as distinguishable components that are engaged in a group of related product and that are subject to risks and returns different from other business segments.

Accordingly Steel, Electricity and other operations have been identified as the business segments. Other operations segments include Oxygen Gas and Equipment Manufacturing.

ii. The geographic segments identified as secondary segments are "Domestic Market" and "Export Market". Since there is no Export Market Revenue, the same has not been disclosed. The entire capital employed is within India.

**Information about business Segments-Primary**

***(Rs. in million)***

| Particulars | External Sales | | Inter Segment Sales | | Elimination | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2006-07 | 2005-06 | 2006-07 | 2005-06 | 2006-07 | 2005-06 | 2006-07 | 2005-06 |
| **A) REVENUE** | | | | | | | | |
| Steel Segment | 5,396.13 | 3,598.96 | 24.34 | 15.27 | (24.34) | (15.27) | 5,396.13 | - |
| Electricity Segment | 61.45 | 8.48 | 555.92 | 336.70 | (554.33) | (325.35) | 63.05 | 11.34 |
| Other Operations | 38.27 | 2.61 | 14.02 | 1.41 | (2.76) | (1.07) | 49.53 | 0.35 |
| **Total Segment Revenue** | 5,495.85 | 3,610.04 | 594.28 | 353.38 | (581.43) | (341.69) | 5,508.70 | 11.69 |
| **B) RESULTS** | | | | | | | | |
| **Segment Operational Profit** | | | | | | | | |
| Steel Segment | | | | | | | 252.70 | 161.21 |
| Electricity Segment | | | | | | | 441.43 | 201.51 |
| Other Operations | | | | | | | 69.32 | (0.47) |
| **Total Segment Results** | | | | | | | **763.45** | **362.25** |
| Un-allocated expenditure net off unallocated income | | | | | | | (13.38) | (18.62) |
| **Operating Profit** | | | | | | | **750.06** | **343.64** |
| Interest Expenses | | | | | | | (129.70) | (69.71) |
| Income-tax & Fringe Benefit Tax Paid/Provided | | | | | | | (79.27) | (25.68) |
| Deferred Tax Adjustment (Net) | | | | | | | 0.37 | (4.79) |
| Profit after taxation and before extra-ordinary items | | | | | | | 541.46 | 243.45 |
| Adjustment for depreciation for the earlier years | | | | | | | - | 148.32 |
| **Net Profit** | | | | | | | **541.46** | **391.78** |
| **C) OTHER INFORMATION** | | | | | | | | |
| **Segment Assets** | | | | | | | | |
| Steel Segment | | | | | | | 3,348.12 | 2,008.61 |
| Electricity Segment | | | | | | | 1,375.90 | 760.09 |
| Other Operations | | | | | | | 69.98 | 59.81 |
| **Total Segment Assets** | | | | | | | **4,793.99** | **2,828.51** |
| Un-allocable Assets | | | | | | | 681.75 | 222.77 |
| **Total Assets** | | | | | | | **5,475.74** | **3,051.27** |
| Segment Liabilities and Provisions | | | | | | | | |
| Steel Segment | | | | | | | 1,926.00 | 1,321.17 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Electricity Segment | | | | | | | 681.86 | 584.35 |
| Other Operations | | | | | | | 2.78 | 2.96 |
| **Total Segment Liabilities & Provisions** | | | | | | | **2,610.63** | **1,908.48** |
| Un-allocable Liabilities and Provisions | | | | | | | 772.14 | 86.45 |
| **Total Liabilities and Provisions** | | | | | | | **3,382.77** | **1,994.94** |
| Capital Expenditure | | | | | | | - | - |
| Steel Segment | | | | | | | 1,072.88 | 333.80 |
| Electricity Segment | | | | | | | 647.84 | 380.84 |
| Other Operations | | | | | | | 32.59 | 11.46 |
| Un-allocable Capital Expenditure | | | | | | | 146.35 | 56.79 |
| **Total Capital Expenditure** | | | | | | | **1,899.66** | **782.88** |
| Depreciation | | | | | | | - | - |
| Steel Segment | | | | | | | 79.23 | 45.72 |
| Electricity Segment | | | | | | | 41.34 | 25.63 |
| Other Operations | | | | | | | 1.56 | 1.81 |
| **Total Segment Depreciation** | | | | | | | **122.13** | **73.15** |

**UNAUDITED STANDALONE BALANCE SHEET AS AT THE HALF YEAR ENDED SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006**

***(Rs. in million)***

| Particulars | Schedules | As at the half year ended September 30, | |
|---|---|---|---|
| | | **2007** | **2006** |
| **SOURCES OF FUNDS** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 1 | 248.44 | 248.44 |
| Reserves and surplus | 2 | 2,226.38 | 1,637.85 |
| | | **2,474.82** | **1,886.29** |
| **Loan Funds** | | | |
| Secured Loans | 3 | 2,738.54 | 1,861.74 |
| Unsecured Loans | 4 | - | 60.40 |
| | | **2,738.54** | **1,922.14** |
| **Total** | | **5,213.36** | **3,808.43** |
| **APPLICATION OF FUNDS** | | | |
| **Fixed Assets** | 5 | | |
| Gross Block | | 3,838.56 | 1,593.04 |
| Less : Accumulated Depreciation | | 393.96 | 226.75 |
| **Net Block** | | 3,444.60 | **1,366.29** |
| Capital work-in-progress including capital advances | | 428.17 | 1,493.92 |
| | | **3,872.77** | **2,860.21** |
| **Investments** | 6 | **207.64** | **95.85** |
| **Current Assets, Loans and Advances** | | | |
| Inventories | 7 | 979.88 | 514.49 |
| Sundry debtors | 8 | 275.86 | 213.40 |
| Cash and bank balances | 9 | 96.23 | 75.69 |
| Loans and advances | 10 | 340.57 | 325.27 |
| | | **1,692.54** | **1,128.85** |
| **Less : Current Liabilities and Provisions** | | | |
| Current Liabilities | 11 | 468.02 | 222.03 |
| Provisions | 12 | 91.58 | 54.45 |
| | | **559.60** | **276.48** |
| **Net Current Assets** | | **1,132.94** | **852.37** |
| **Miscellaneous Expenditure** (to the extent not written off or adjusted) | 13 | - | **-** |
| **Total** | | **5,213.36** | **3,808.43** |

**UNAUDITED STANDALONE PROFIT & LOSS ACCOUNT FOR THE HALF YEAR ENDED SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006**

*(Rs. in million)*

| Particulars | Schedules | For the half year ended September 30, | |
|---|---|---|---|
| | | 2007 | 2006 |
| **INCOME** | | | |
| Turnover (Gross) | 14 | 4,035.48 | 2,370.42 |
| Less: Excise duty | | 551.25 | 296.88 |
| **Turnover (Net)** | | **3,484.23** | **2,073.54** |
| Other Income | 15 | 6.29 | 9.20 |
| Increase/(Decrease) in Stock in trade | 16 | 178.01 | (31.66) |
| **Total Income** | | **3,668.53** | **2,051.08** |
| **EXPENDITURE** | | | |
| Raw material consumed | 17 | 2,658.84 | 1,475.72 |
| Personnel expenses | 18 | 42.08 | 19.81 |
| Operating and other expenses | 19 | 242.55 | 157.50 |
| Depreciation | | 112.24 | 52.54 |
| Financial expenses | 20 | 134.31 | 49.56 |
| **Total Expenditure** | | **3,190.02** | **1,755.13** |
| **Profit before tax and exceptional items** | | **478.51** | **295.95** |
| Provision for Current Tax | | 54.00 | 23.80 |
| Fringe Benefit Tax | | 0.79 | 0.20 |
| Tax related to earlier year | | - | - |
| Provision for Deferred Income Tax | | - | - |
| **Total Tax Expense/income** | | **54.79** | **24.00** |
| **Profit after tax** | | **423.72** | **271.95** |
| Balance brought forward from previous year | | 711.13 | 423.99 |
| **Profit available for appropriation** | | **1,134.85** | **695.94** |

## CASH FLOW STATEMENT

***(Rs. in million)***

| **Particulars** | **Half year ended September 30,** | |
|---|---|---|
| | **2007** | **2006** |
| **Cash flow from operating activities** | | |
| Net Profit before Tax | 478.51 | 295.95 |
| **Adjustments for:** | | |
| Depreciation | 112.24 | 52.54 |
| Misc. Expenses Written off (Net) | 0.09 | - |
| Provision for Gratuity | - | - |
| Interest Charges | 134.31 | 49.56 |
| Interest Received | (1.51) | (4.23) |
| (Profit)/Loss on sale of Investments | (0.21) | - |
| **Operating Profit Before Working Capital Changes** | **723.43** | **393.81** |
| **Adjustments for:** | | |
| (Increase)/Decrease in Receivables and Advances | (55.50) | (182.56) |
| (Increase)/Decrease in Inventories | (268.92) | (92.54) |
| Increase/(Decrease) in Trade payables | 90.58 | 51.62 |
| **Cash Generated from Operations** | **489.59** | **170.33** |
| Direct Taxes Paid/Deducted at Source | (21.23) | (10.14) |
| **Net cash from operating activities – (A)** | **468.36** | **160.19** |
| **Cash flow from investing activities** | | |
| Purchase of Fixed Assets/Capital Expenditure | (324.52) | (1,079.65) |
| Interest received | 1.51 | 4.23 |
| Dividend Received | - | - |
| (Increase)/Decrease in Investments | 1.21 | (2.26) |
| **Net cash cash flow from investing activities – (B)** | **(321.80)** | **(1,077.67)** |
| **Cash flow from financing activities** | | |
| Proceeds from issue of equity shares including premium | - | 704.30 |
| Proceeds/(Payment) of Long Term Borrowings | (37.18) | 401.88 |
| Proceeds/(Payment) of Short Term Borrowings | - | (112.60) |
| Proceeds/(Payment) of Other Borrowings | 0.82 | 17.90 |
| Interest Charges | (134.31) | (49.56) |
| **Net cash flow from financing activities – (C)** | **(170.67)** | **961.92** |
| **Net increase/(decrease) in cash & cash equivalents (A+B+C)** | **(24.11)** | **44.44** |
| Cash and Cash Equivalents at the beginning of the year | 120.34 | 31.25 |
| **Cash and Cash Equivalents at the end of the period** | **96.23** | **75.69** |

## SCHEDULE 1 - SHARE CAPITAL

*(Rs. in million)*

| Particulars | As at the Half ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| **Authorized** | | |
| 2,50,00,000 (Previous year: 2,50,00,000) equity shares of Rs.10/- each | 250.00 | 250.00 |
| **Issued** | | |
| 24,844,000 (Previous year: 24,844,000) equity shares of Rs.10/- each | 248.44 | 248.44 |
| **Subscribed & Paid up** | | |
| 24,844,000 (Previous year: 24,844,000) equity shares of Rs.10/- each fully paid | 248.44 | 248.44 |

## SCHEDULE 2 – RESERVES AND SURPLUS

*(Rs. in million)*

| | As at the Half ended September 30, | |
|---|---|---|
| **Particulars** | **2007** | **2006** |
| **Securities Premium** | | |
| Balance as per last account | 691.53 | 139.74 |
| Add: On account of Public Issue during the year | - | 617.35 |
| Less: Utilized against Share Issue Expenses | - | 65.19 |
| | **691.53** | **691.91** |
| **General Reserve** | | |
| Balance as per last account | 400.00 | 250.00 |
| Add: Transferred from Profit and Loss Account | - | - |
| | **400.00** | **250.00** |
| **Profit and Loss Account** | **1,134.85** | **695.94** |
| **Grand Total** | **2,226.38** | **1,637.85** |

## SCHEDULE 3 – SECURED LOANS

*(Rs. in million)*

| | As at the Half ended September 30, | |
|---|---|---|
| **Particulars** | **2007** | **2006** |
| Loans and advances from banks | | |
| - Cash Credit Facilities | 556.92 | 294.93 |
| - Term Loans | 1,898.45 | 1,468.21 |
| - Foreign Currency Buyers Credit facility | 47.12 | 78.03 |
| - External Commercial Borrowings | 217.85 | - |
| Other Loans & Advances | 18.20 | 20.58 |
| **Grand Total** | **2,738.54** | **1,861.76** |

## SCHEDULE 4 – UNSECURED LOANS

*(Rs. in million)*

| | As at the half ended September 30, | |
|---|---|---|
| **Particulars** | **2007** | **2006** |
| Other loans and advances | | |
| - From Body Corporates | - | 58.40 |
| Securities Deposits from parties | - | 2.00 |
| **Grand Total** | **-** | **60.40** |

**SCHEDULE 5 – FIXED ASSETS**

***(Rs. in million)***

| Particulars | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2007 | Additions | Dedu-ctions | As at September 30, 2007 | Upto March 31, 2007 | During for the period | Dedu-ction | Upto September 30, 2007 | As at September 30, 2007 | As at September 30, 2006 |
| Freehold Land | 26.32 | 12.48 | - | 38.81 | - | - | - | - | 38.81 | 18.26 |
| Leasehold Land | 6.54 | - | - | 6.54 | - | - | - | - | 6.54 | 6.35 |
| Site & Land Development | 28.52 | - | - | 28.52 | - | - | - | - | 28.52 | 0.60 |
| Factory Shed & Building | 181.76 | 35.67 | - | 217.42 | 14.31 | 3.38 | - | 17.69 | 199.74 | 152.78 |
| Plant & Machinery | 2,645.91 | 875.33 | 1.77 | 3,519.47 | 263.73 | 107.83 | - | 371.56 | 3,147.91 | 1,180.89 |
| Furniture & Fixture | 4.69 | 2.88 | - | 7.57 | 0.98 | 0.17 | - | 1.15 | 6.42 | 2.11 |
| Vehilces | 16.56 | 3.66 | - | 20.23 | 2.70 | 0.87 | - | 3.56 | 16.66 | 5.30 |
| **Total** | **2,910.31** | **930.03** | **1.77** | **3,838.56** | **281.72** | **112.24** | **-** | **393.96** | **3,444.60** | **1,366.29** |
| **Capital Work in Progress & Pre-operative Expenses including capital advances** | **1,031.82** | **313.90** | **917.54** | **428.17** | **-** | **-** | **-** | **-** | **428.17** | **1,493.92** |

**SCHEDULE 6 - INVESTMENTS**

***(Rs. in million)***

| Particulars | As at the Half year ended September 30, | |
|---|---|---|
| | **2007** | **2006** |
| **Long Term Investment** (At cost) | | |
| **A. In Subsidiary Company** | | |
| Equity Shares – Unquoted | 141.01 | 30.00 |
| Preference Shares- Unquoted | 31.49 | 31.49 |
| **B. In other Companies** | | |
| Equity Shares quoted | | |
| Equity Shares Unquoted | 31.20 | 31.10 |
| **C. In Mutual Funds Units** | 1.00 | 1.00 |
| **D. Share application money pending allotment** | 2.94 | 2.26 |
| **Grand Total** | **207.64** | **95.85** |

**SCHEDULE 7 – INVENTORIES**

***(Rs. in million)***

| Particulars | As at the Half year ended September 30, | |
|---|---|---|
| | **2007** | **2006** |
| Raw materials and components | 650.21 | 381.05 |
| Stores and spares | 36.50 | 32.50 |
| Work-in-progress | 8.69 | 5.00 |
| Finished Goods and By-Products | 284.48 | 95.94 |
| **Grand Total** | **979.88** | **514.49** |

**SCHEDULE 8 – SUNDRY DEBTORS**

***(Rs. in million)***

| Particulars | As at the Half year ended September 30, | |
|---|---|---|
| | **2007** | **2006** |
| (Unsecured, Considered good) | | |
| Debts outstanding for a period exceeding six months | 44.44 | 13.08 |
| Others | 231.42 | 200.32 |
| **Grand Total** | **275.86** | **213.40** |

**SCHEDULE 9 – CASH AND BANK BALANCE**

***(Rs. in million)***

| Particulars | As at the Half year ended September 30, | |
|---|---|---|
| | **2007** | **2006** |
| Cash in hand | 24.34 | 6.05 |
| Balances with Scheduled Banks | - | |
| On current accounts | 22.29 | 52.56 |
| On deposits accounts | 49.59 | 17.08 |
| **Grand Total** | **96.23** | **75.69** |

**SCHEDULE 10 – LOANS AND ADVANCES**

***(Rs. in million)***

| Particulars | As at the Half year ended September 30, | |
|---|---|---|
| | **2007** | **2006** |
| (Unsecured considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 239.75 | 152.61 |
| Balances with Custom, Excise etc. | - | 1.73 |
| Deposits others | 19.40 | 32.07 |
| Others | 81.42 | 138.86 |
| **Grand Total** | **340.57** | **325.27** |

**SCHEDULE 11 – CURRENT LIABILITIES**

***(Rs. in million)***

| Particulars | As at the Half year ended September 30, | |
|---|---|---|
| | **2007** | **2006** |
| Acceptances | 99.15 | - |
| Sundry Creditors | 151.88 | 116.86 |
| Advance from customers | 75.31 | 16.73 |
| Creditors for capital goods | 25.07 | 53.83 |
| Interest accrued but not due on loans | 12.00 | - |
| Others | 104.62 | 34.61 |
| **Grand Total** | **468.02** | **222.03** |

**SCHEDULE 12 – PROVISIONS**

*(Rs. in million)*

| Particulars | As at the Half year ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| Provision for taxation (net of advance payments) | 63.50 | 33.85 |
| Provision for gratuity | 3.31 | 1.31 |
| Provision for Excise duty on Closing Stock | 17.80 | 15.81 |
| Tax on proposed dividend | 6.97 | 3.48 |
| **Grand Total** | **91.58** | **54.45** |

**SCHEDULE 14 – GROSS TURNOVER**

*(Rs. in million)*

| Particulars | For the year ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| Sale of Manufacturing Goods | 4,021.35 | 2,358.93 |
| Sale of Trading Goods | 2.14 | - |
| Sale of Electricity | 11.99 | 11.49 |
| **Grand Total** | **4,035.48** | **2,370.42** |

**SCHEDULE 15 – OTHER INCOME**

*(Rs. in million)*

| Particulars | For the year ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| **Interest** | | |
| Interest received | 1.51 | 4.23 |
| Profit on sale of investments | 0.21 | - |
| Gain on Currency Hedge transactions | 4.20 | 4.81 |
| Miscellaneous Income | 0.37 | 0.16 |
| **Grand Total** | **6.29** | **9.20** |

**SCHEDULE 16 – INCRESE / (DECREASE) IN STOCK IN TRADE**

*(Rs. in million)*

| Particulars | For the year ended September 30, | |
|---|---|---|
| | 2007 | 2006 |
| **Closing Stock** | | |
| - Work-in-progress | 8.69 | 5.00 |
| - Finished Goods & By-Products | 283.57 | 95.94 |
| - Traded Goods | 0.91 | - |
| **Sub Total (A)** | **293.17** | **100.94** |
| **Opening Stock** | | |
| - Work-in-progress | 5.24 | 4.92 |
| - Finished Goods & By-Products | 95.49 | 127.69 |
| - Traded Goods | 2.92 | - |
| **Sub Total (B)** | **103.65** | **132.60** |

| | | |
|---|---|---|
| **Net Increase/(Decrease) in Stock in trade (A-B)** | **189.52** | (31.66) |
| Excise Duty on Stocks (Refer Note No.14 of Schedule-22) | (11.51) | - |
| **Grand Total** | **178.01** | **(31.66)** |

**SCHEDULE 17 – RAW MATERIAL CONSUMED**

***(Rs. in million)***

| **Particulars** | **For the year ended September 30,** | |
|---|---|---|
| | **2007** | **2006** |
| Opening Stock | 577.89 | 262.19 |
| Add: Purchases | 2731.16 | 1,594.58 |
| Less: Closing Stock | 650.21 | 381.05 |
| **Raw Material Consumed (Net)** | **2,658.84** | **1,475.72** |

**SCHEDULE 18 – PERSONNEL EXPENSES**

***(Rs. in million)***

| **Particulars** | **For the year ended September 30,** | |
|---|---|---|
| | **2007** | **2006** |
| Salary & Other Allowances | 34.06 | 16.38 |
| Bonus | 1.10 | - |
| Contribution to provident fund & E S I C | 2.68 | 1.73 |
| Contribution to gratuity | 1.40 | - |
| Workmen and staff welfare expenses | 2.84 | 1.70 |
| **Grand Total** | **42.08** | **19.81** |

**SCHEDULE 19 – OPERATING AND OTHER EXPENSES**

***(Rs. in million)***

| **Particulars** | **For the year ended September 30,** | |
|---|---|---|
| | **2007** | **2006** |
| Stores & Repair maintenance | 122.47 | 84.98 |
| Process charges | 11.06 | 5.52 |
| Power charges | 23.38 | 19.63 |
| Water Charges | 10.06 | 7.92 |
| Other Manufacturing Expenses | 22.78 | 19.17 |
| CDM Expenses | 0.65 | - |
| Rent | 0.08 | 0.05 |
| Entry tax | 25.99 | - |
| Excise duty others | 0.77 | - |
| Professional Tax | 0.01 | - |
| Insurance | 1.34 | 0.37 |
| Repairs and maintenance Building | 1.30 | 1.02 |
| Repairs and maintenance to Others | 0.76 | - |
| Rebate, shortage claims & other deductions | 0.69 | 0.93 |
| Sales Commission | 2.12 | 0.18 |
| Travelling Exp (Directors) | 0.37 | 0.21 |
| Travelling Exp (Others) | 1.32 | 0.71 |
| Conveyance Expenses | 0.82 | 1.10 |

| | | |
|---|---|---|
| Communication costs | 3.29 | 1.60 |
| Printing and stationery | 0.29 | 0.23 |
| Legal and professional fees | 1.20 | 0.30 |
| Frieght and forwarding charges | 0.01 | - |
| Security service charges | 2.60 | 1.89 |
| Miscellaneous expenses | 9.19 | 11.69 |
| **Grand Total** | **242.55** | **157.50** |

**SCHEDULE 20 – FINANCIAL EXPENSES**

***(Rs. in million)***

| **Particulars** | **For the year ended September 30,** | |
|---|---|---|
| | **2007** | **2006** |
| Interest | | |
| - on Term Loans | 96.49 | 31.80 |
| - on working capital | 28.38 | 13.57 |
| L. C. Opening & Discounting Charges | 8.91 | 4.13 |
| Other Bank Charges | 0.53 | 0.06 |
| **Grand Total** | **134.31** | **49.56** |

## DECLARATION

Our Company certifies that all relevant provisions of Chapter XIII-A of the SEBI Guidelines have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter XIII-A of the SEBI Guidelines and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

**SIGNED BY**

**Mr. B. L. Agrawal**
(Managing Director)

**Mr. Dinesh Gandhi**
(Director - Finance)

**Date:** December 17, 2007

Place: Mumbai

**REGISTERED OFFICE OF OUR COMPANY**

**Godawari Power and Ispat Limited**
Plot No. 428/2,
Phase 1, Industrial Area,
Siltara - 493 111, District Raipur,
Chhattisgarh, India

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