PRELIMINARY PLACEMENT DOCUMENT **Serial No: [●]**
Not for Circulation **Dated: [•], 2007**

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(***Incorporated in the Republic of India under the Indian Companies Act, 1956 with Registration No. 08-19046)***
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PLACEMENT OF [•] EQUITY SHARES OF RS. 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE, INCLUDING A SHARE PREMIUM OF RS. [•] PER EQUITY SHARE, AGGREGATING RS. [•].

ISSUE IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI GUIDELINES

This Preliminary Placement Document (the **"Preliminary Placement Document"**) relates to Placement of Equity Shares by us, Shree Renuka Sugars Limited, of the Equity Shares to Qualified Institutional Buyers as defined under 2.2.2B (v) of SEBI (Disclosure and Investor Protection) Guidelines, 2000 under the provisions of Chapter XIII–A of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (**"SEBI DIP Guidelines"**).

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 PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE 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.

DISCLAIMER: THIS PRELIMINARY PLACEMENT DOCUMENT RELATES TO AN ISSUE TO BE MADE TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AND NO ISSUE OF EQUITY SHARES IS BEING MADE TO THE PUBLIC OR ANY OTHER CLASS OF INVESTORS.

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 (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 prospective 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.

RISKS IN RELATION TO THE ISSUE

The Equity Shares are proposed to be listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The floor price of this Issue is determined by the Company in consultation with the Lead Manager and Sole Book-Runner to the Placement on the basis of clause 13A.3 of Chapter XIII-A of SEBI DIP Guidelines is Rs. 625.71 per share, as described on page 35. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

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.

GENERAL RISKS

Investment in equity and equity related securities involve a high degree of risk and investors should not invest any funds in this issue unless they can afford to take a risk of losing their investment. Investors are advised to read the risk factors for this Placement of Equity Shares carefully before taking an investment decision. For taking an investment decision, Qualified Institutional Buyers must rely on their own examination of the Company and this Placement including the risks involved. The Equity Shares offered in this Placement have not been recommended or approved by Bombay Stock Exchange Limited, National Stock Exchange and Securities and Exchange Board of India ("**SEBI**") nor do they guarantee the accuracy or adequacy of this document. **Specific attention of the QIBs is invited to the statement of Risk Factors beginning on page No.13 of this Preliminary Placement Document.**

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Preliminary Placement Document contains all information with regard to Company and the Placement, as required by Clause 13A.12.2 of SEBI DIP Guidelines; that the information contained in this Preliminary Placement Document is true and correct in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

Applications shall be made for the listing of the equity shares on BSE and NSE. The Equity Shares are proposed to be listed on BSE and NSE. The BSE and NSE 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 the Company or the Equity Shares.

FILING

The Preliminary Placement Document will not be vetted by SEBI or any other Regulator. It will be filed with BSE and NSE for listing and trading permission and with SEBI within 30 days of allotment of Equity shares to QIBs.

LEAD MANAGER AND SOLE BOOKRUNNER

MOTILAL OSWAL
Investment Banking

MOTILAL OSWAL INVESTMENT ADVISORS PRIVATE LIMITED
Registration No. INM000011005
113/114, Bajaj Bhawan, 11th Floor, Nariman Point, Mumbai 400 021, India
Tel: +91 22 3980 4380 Fax: +91 22 3980 4315
email: renukasugar@motilaloswal.com Website: www.motilaloswal.com
Contact Person/s: Mr. R.Anand / Mr. Rupesh Khant

NOTICE TO INVESTORS

The Company accepts responsibility for the information contained in this Preliminary Placement Document and to the best knowledge and belief of the Company, having made all reasonable enquiries, confirms that this Preliminary Placement Document contains all information with respect to the Company and the Equity Shares which is material in the context of this Issue. The statements contained in this Preliminary Placement Document relating to the 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 the Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to the Company and are based on reasonable assumptions. There are no other facts in relation to the 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 the Company to ascertain such facts and to verify the accuracy of all such information and statements.

The Lead Manager and Sole Book-Runner to the Placement has not separately verified the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither Lead Manager and Sole Book-Runner to the Placement nor any member, employee, counsel, officer, director, representative, agent or affiliate of the Lead Manager and Sole Book-Runner to the Placement makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the Lead Manager and Sole Book-Runner to the Placement, 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 Lead Manager and Sole Book-Runner to the Placement nor on any person affiliated with the Lead Manager and Sole Book-Runner to the Placement 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 the Company and the merits and risks involved in investing in the Equity Shares. Prospective 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 the Company or the Lead Manager and Sole Book-Runner to the Placement. 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 Preliminary Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence 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 the Company or the Lead Manager and Sole Book-Runner to the Placement 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 the 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 offering. In addition, neither the Company nor the Lead Manager and Sole Book-Runner to the Placement 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 offering is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the 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 offering also acknowledges that it has been afforded an opportunity to request from the Company and review information relating to the 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 the Company located at Belgaum, Karnataka, India, subject to applicable confidentiality restrictions. All such summaries are qualified in their entirety by this reference.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this 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 this 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 this 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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SECTION I: GLOSSARY OF TERMS/ABBREVIATIONS

"We", **"Our"**, **"Us"**, **"the Company"**, **"the Issuer"**, **"Our Company"**, **" Shree Renuka Sugars"** or **"Shree Renuka Sugars Limited"**	Unless the context otherwise requires, it refers to Shree Renuka Sugars Limited, a company incorporated under the Companies Act, and/or includes its wholly owned subsidiaries
"Lead Manager and Sole Book-Runner to the Placement", "Lead Manager and Sole Book-Runner to the Issue" or "Lead Manager and Sole Book-Runner"	Lead Manager and Sole Book-Runner to the Qualified Institutions Placement of Equity Shares of Shree Renuka Sugars Limited, in this case being Motilal Oswal Investment Advisors Private Limited**.**
"Qualified Institutions Placement", "QIP", "Placement" or "Issue"	Qualified Institutions Placement of Equity Shares to QIBs pursuant to Chapter XIII-A of SEBI (Disclosure and Investor Protection) Guidelines, 2000 of Shree Renuka Sugars 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 2500 lakhs and Pension Funds with a minimum corpus of Rs. 2500 lakhs.

General Terms	
Terms	**Description**
Articles / Articles of Association	Articles of Association of Shree Renuka Sugars Limited
Auditors	M/s. Ashok Kumar, Prabhashankar & Co
Board of Directors, Board, Directors	Board of Directors of Shree Renuka Sugars Limited
Civil Code	The Code of Civil Procedure, 1908 of India
Committee	Committee of Board of Directors of the Company authorized to take decisions on matters related to this Placement
Companies Act	Indian Companies Act, 1956, as amended
Designated Stock Exchange	Bombay Stock Exchange Limited
Directors	Directors of Shree Renuka Sugars Limited, as may be changed from time to time
Equity Shares	Equity Shares with full voting rights of Shree Renuka Sugars Limited of face value of Rs.10 each unless otherwise specified in the context thereof
Equity Shareholders / Shareholders	Persons holding equity shares of Shree Renuka Sugars Limited, unless otherwise specified in the context thereof
Financial Year / Fiscal Year / FY	The twelve months ended September 30 of a particular year
Stock Exchanges	Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd
Memorandum / Memorandum of Association	The Memorandum of Association of Shree Renuka Sugars Limited
Non-Resident Indian(s)	An individual/individuals of Indian nationality or origin residing outside India
Promoter Group	The relatives and associates of the Promoters of Shree Renuka Sugars Limited
Rs., Rupees or Indian Rupees	Legal currency of India
Shareholders	The holders of Shares
Shares	Equity shares with full voting rights of the Company each with a nominal value of Rs.10

Issue Related Terms	
Banker to the Issue / Placement	[•]
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
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 ABN Amro Bank. having its branch at, Fort, Mumbai.
Floor price	Price calculated as per SEBI Guidelines – Rs. 625.71 per equity share
Government (GOI)	Government of India, unless otherwise specified in the context thereof.
Issue/Placement	The present Equity Issue 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 QIB's
Issue Size	[•] Equity Shares of Rs. 10 each to be issued to QIB Investors at the Issue Price of Rs. [•] each
Legal Counsel to the Placement	Khaitan & Co., Advocates, Solicitors, Notaries, Patent & Trademark Attorneys.
Registrar	Karvy Computershare Private Limited
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended
SEBI DIP Guidelines	SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997, as amended

Abbreviations	
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
CDSL	Central Depository Services (India) Limited
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
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
My SAP – ERP	Systems Applications and Product
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
RBI	Reserve Bank of India
SCRA	Securities Contracts (Regulation) Act, 1956 of India
SEZ	Special Economic Zone
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
Acre	Unit of land area measurement. 1 hectare = 2.47 acres
Bagasse	A fibrous residue obtained after the crushing and extraction of juice from sugarcane
Ethanol	Ethyl alcohol produced from fermentation of Molasses.
Free Sale Sugar	That portion of the production of a sugar mill, which can be sold in the open market.
FSQ	Free Sale Sugar Quota
Fuel Ethanol	Dehydrated ethyl alcohol, which contains at least 99.5% ethyl content. This is used for blending in petrol.
Gunta	Unit of land area measurement 1 acre = 40 gunta.
ISMA	Indian Sugar Mills Association
KLPD	Kilo Litre Per Day
KWH	Kilo Watt per Hour
Levy Sugar	That portion of the production of a sugar mill that is procured by the GoI appointed nominees at a fixed price that has to be sold as per Government direction through fair price shops.
Molasses	A thick liquid residue of sugar manufacturing process, which still contains around 50% sugar which cannot be crystallized
MRM	Monthly Release Mechanism
MT	Metric Ton
MW	Mega Watt
PDS	Public Distribution System
PPA	Power Purchase Agreement
Raw Sugar	Sugar with sucrose content less than 99.5%, which is normally processed further before human consumption
Refined Sugar	Sugar produced by refining raw sugar
SDF	Sugar Development Fund
SMP	Statutory Minimum Price
SAP	State Advisory Price
SY or Sugar Year	Sugar Year. A period of twelve months ending September 30 of a particular year
TCD	Tons Crushed per Day
TPD	Tons Per Day

SECTION II: CERTAIN CONVENTIONS; USE OF MARKET DATA

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.

The Company publishes its financial statements in Rupees. Unless stated otherwise, the financial data in this Preliminary Placement Document is derived from our consolidated financial statements for the year ended September 30, 2006, September 30, 2005 and unconsolidated financial statements for the year ended September 30, 2004 and on standalone basis for the years ended September 30, 2006, September 30, 2005 and September 30, 2004 prepared in accordance with Indian GAAP, beginning on page 134 of this Preliminary Placement Document. The Company's fiscal year commences from October 1 and ends on September 30. In this Preliminary Placement Document, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

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

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$", "USD" or "US Dollars" are to United States Dollars, the official currency of the United States of America.

For additional definitions, please refer to the section titled "Definitions & Abbreviations" beginning on page 5 of this Preliminary Placement Document.

Market and Industry Data used in this Preliminary Placement Document has been obtained from publications available in the public domain. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Preliminary Placement Document is reliable; it has not been independently verified.

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 sugar industry has been reproduced from various trade, industry and government publications and websites. 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, we accept responsibility for accurately reproducing such data. However, neither we nor the Lead Manager and Sole Book-Runner have independently verified this data and neither we nor the Lead Manager and Sole Book-Runner 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 Lead Manager and Sole Book-Runner can assure potential investors as to their accuracy.

SECTION III: FORWARD LOOKING STATEMENTS

This Preliminary Placement Document, as well as information included in oral statements or other written statements made, or to be made, by the Company, contain, or will contain, disclosures which are "forward looking statements". Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as "intend", "potential", "may", "should", "believe", "will", "expect", "project", "estimate", "anticipate", "plan" or "continue". These statements include, among other things, statements about our business strategy, market position, future operations, profitability, liquidity and capital resources. These forward looking statements are based on our current plans and expectations, speak only as of the date of this Preliminary Placement Document and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations, speak only as of the date of this Preliminary Placement Document and our future financial condition and results. These factors include, but are not limited to:

- Changes in competitors' pricing and other competitive strategies;
- General economic and political changes and changes in laws and regulations that apply to the sugar 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;
- The loss of any significant customers or financial health of the customers;
- 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 13 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 Overview*" and "*Business Overviews".*

As a consequence, current plans, anticipated actions and our future financial condition and results may differ from those expressed in any forward-looking statements. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented herein. We do not undertake any obligation to update publicly or revise any forward-looking statements.

SECTION IV: ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. All of our Company's Directors except two (Mr. Robert Taylor and Mr. Jonathan Kingsman) are foreign nationals) 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 Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Civil Code 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
- 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 44A 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.

SECTION V: RISK FACTORS

This Preliminary Placement Document contains forward-looking statements that involve risks and uncertainties. Prospective investors should carefully consider the following risk factors as well as other information included in this Preliminary Placement Document prior to making any decision as to whether or not to invest in our Issue Securities. The risks described below and any additional risks and uncertainties not presently known to us or that currently are deemed immaterial could adversely affect our business, financial condition, liquidity or results of operations. As a result, the trading price of our Equity Shares could decline and investors may lose part or all of their investment. Prospective investors should pay particular attention to the fact that we are an Indian company and are subject to a legal and regulatory environment which may differ in certain respects from that of other countries.

Risks relating to the Company

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 sugar and sugar-related products in the Indian and global markets;
- shifting consumer preferences away from certain sweeteners and brands towards other certain types;
- a decrease in international and domestic prices for our products;
- fluctuations in availability of sugarcane in our reserved/assigned area;
- 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;
- a decrease in Indian import tariffs and an increase in domestic duties on sugar and sugar-related products;
- 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 affecting what we must pay for raw materials and the amount of sugar it must sell in India;
- other changes in government policies, including those relating to alcohol and 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.

Risks relating to our sugar business

Sugarcane is the principal raw material used for the production of sugar.

Our business depends on the availability of sugarcane and any shortage of sugarcane may adversely affect our results of operations. For the year ended September 30, 2006 sugarcane comprised 44.7% per cent of our raw material costs, respectively. A variety of factors beyond our control may contribute to a shortage of sugarcane in any given crushing season. Some of the principle factors that could contribute to a shortage of sugarcane are set forth below.

Farmers are not required to grow sugarcane and may cultivate other crops.

We do not own any land for cultivation of sugarcane and we purchase all of our sugarcane directly from farmers in the command area. Under Indian law, any farmer who grows sugarcane in the area comprised within a 15 kilometre radius of our sugar plants, known as our reserved area, is required to sell the sugarcane to us and we are bound by law to purchase any sugarcane grown within our reserved area. However, the farmers within our reserved area have no legal or contractual obligation to cultivate and supply sugarcane and may instead grow other more profitable crops. If the farmers within our reserved area cultivate other crops, or otherwise limit their cultivation of sugarcane, we may face a shortage of raw material. Any reduction in the supply of sugarcane may adversely affect our financial condition and results of operations.

Sugarcane grown within our reserved area may be sold for other uses like fodder, jaggery or to other sugar factories instead of us.

We work with the farmers in our reserved area to determine the harvesting schedule. However, if the farmers are able to realise a higher price from the sale of sugarcane to other sugar factories or other users, they may have an incentive to sell the sugarcane to parties other than us. Further, farmers may want to harvest the crop earlier than we have scheduled or grow other crops, thereby disrupting our operations. To ensure that the farmers remain interested in selling sugarcane to us, we need to provide financial and other incentives to the farmers. Diversion of sugarcane within our cane area to other uses or other sugar plants reduces the sugarcane available to us and may adversely affect our financial condition and results of operation.

Adverse weather conditions, crop disease, pest attacks or similar factors may adversely affect sugarcane crop yields and sugar recovery rates for any given harvest.

Our sugar production depends on the volume and sucrose content of the sugarcane that is supplied to us. Crop yields and sucrose content depends primarily on the variety of sugarcane grown, the presence of any crop disease and weather conditions such as adequate rainfall and temperature, which vary. In the past, adverse weather conditions have caused crop failures and reduced harvests and resulted in volatility in the sugar and ethanol industries and consequently in our results of operations. Flood, drought or frost can adversely affect the supply and pricing of the agricultural commodities that we sell and use in our business. There can be no assurance that future weather patterns, potential crop disease or the cultivation of certain sugarcane crop varieties will not reduce the amount of sugarcane or sugar that we are able to recover in any given harvest. Any reduction in the amount of sugar recovered could have a material adverse effect on our results of operations.

Our profitability depends significantly on the cost of and the selling price that we are able to obtain for sugar.

We are not able to set the cost of sugarcane or the selling price for our sugar. Some of the main reasons that contribute to fluctuations in the margin between our raw material cost and the selling price of our sugar are set forth below.

Under the Sugarcane (Control) Order 1966, the Government of India fixes the Statutory Minimum Price ("SMP") for sugarcane each year based on the recommendations of the Commission on Agricultural Costs and Prices, which takes into account factors such as the cost of cultivation, return to factories and average recovery for previous year. The SMP is fixed for a given base level of recovery and is the minimum price that we are required to pay the farmers from whom we purchase cane. We typically pay a price for sugarcane, which is at a premium to the SMP and is a function of overall availability of sugarcane and prices being paid by other plants in the region. We may be adversely affected if the Government of India raises the SMP, which in turn would affect the actual price paid. Such a situation may worsen in the event of a decrease in the selling price of sugar.

A portion of the sugar manufactured by us is bought by the Government of India as "levy sugar" at a price that is fixed by the Government of India. The remaining sugar is known as "free sale sugar" and is sold at a price that is determined by market factors such as availability. The free sale sugar prices are also controlled to some extent by the monthly release mechanism ("MRM"), which is dependent on demand and supply of sugar. On the last day of every month the Company receives a release order indicating the quantity of sugar sold for the next month. We may be adversely affected if free sale sugar prices decline.

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

The sugar industry has historically been subject to commodity cycles and is sensitive to changes in domestic market prices, supply and demand. The market in India has experienced periods of limited supply, causing sugar prices and industry profit margins to increase. Sugar imports are governed by the Government of India's policy, which currently applies a 60 per cent customs duty and other import tariffs on imported white crystal sugar. India is a member of the World Trade Organization, which, under the framework of GATT, is likely to reduce tariff and non-tariff barriers. If the Government of India creates incentives for sugar imports or reduces import tariffs, we may face increased competition in the domestic market from foreign producers. This could lead to increased competition from imported sugar and could cause a reduction in domestic sugar prices which may lead to lower profits for us in the future.

Conversely, years of low production and declining sugar stocks may be followed by years of excess production that result in oversupply of sugar to the domestic market, causing a decline in sugar prices and industry profit margins. At present the Indian sugar industry is facing an oversupply situation, bolstered by excess production capacity being available, which has resulted in a nearly 25 per cent decline in sugar prices from September 06 to June 2007.

The prices we are able to obtain for the sugar that we produce depend largely on prevailing market prices.

The wholesale price of sugar has a significant impact on our profits. Sugar is subject to price fluctuations resulting from weather, natural disasters, domestic and foreign trade policies, shifts in supply and demand and other factors beyond our control. In addition, approximately 30 per cent. of total worldwide sugar production is traded on futures exchanges and is thus subject to speculation, which could affect the price of sugar worldwide and our results of operations. As a result, any prolonged decrease in sugar prices could have a material adverse effect on our results of operations.

Sugar is a regulated industry.

Sugar is an essential commodity, and is covered by the Essential Commodities Act, 1955 and consequently, its production supply and distribution are regulated by the state and central government. The Cane Commissioner of each state reserves and assigns areas for the supply of sugarcane to factories on an equitable basis.

The purchase price of sugarcane is regulated and the central government fixes the SMP, which must mandatorily be paid by sugar producers to sugarcane growers, within a specified time. The Government of India, through the Sugar Directorate, can further fix the quantity and quality of sugar that may be produced by a factory during any year and can also regulate the sale of sugar.

Sugar mills must sell a specified percentage of sugar (free sale sugar), which is currently at 90 per cent. of their production in the open market and are therefore subject to the forces of demand and supply. However, the quantity of free sale sugar to be sold is based on the release mechanism governed by the Sugar Directorate. s10% Levy sugar must be sold as per government directions through fair price shops and the public distribution system at government notified prices, which may be set below the cost of production, however exports are not subject to this release mechanism as stated above.

Various taxes and levies are also imposed on the purchase, use, consumption and sale of sugarcane. Any change in government policies or present regulations to our detriment may adversely affect our business, financial condition and results of operations.

Rising inventory levels are likely to keep sugar prices depressed and thereby affect the results of our operation

The closing stock of sugar for FY2004, FY2005, FY2006, and FY2007 was 8.5 million tons, 4.7 million tons, 4.4 million tons and 10.9 million tons respectively. Even assuming that the sugar companies would move towards direct ethanol production, the closing stock of sugar for FY2008 and FY2009 is expected to be 13.4 million tons and 8.6 million tons respectively. Source:ISMA and Citi .As such, rising inventory levels are likely to keep sugar prices depressed thereby affecting the results of our operations.

We are substantially dependent on our revenues from sugar.

We are substantially dependent on revenues from sugar and any decline in our revenues from sugar will adversely impact our profit margins .Although our strategy is to actively grow our other lines of business , our sugar business will continue to constitute a significant portion of our revenues and operating profit and any decline in our sugar revenues will adversely affect the results of our operations.

Risks relating to our cogeneration business

Bagasse, which is derived from sugarcane, and other biomass based fuels are the basic raw materials for our cogeneration business. Any constraint in the availability of or fluctuations in the price of, sugarcane may affect the current or future capacity utilisation of our cogeneration plant.

Bagasse and other biomass based products such as rice husk, cane trash and mustard stalk/husk woodchips are the principal raw materials for the cogeneration business. The availability of bagasse is dependent on the supply of sugarcane. Further, these raw materials are also used in certain other industries such as paper and paperboard.

The availability of bagasse and other biomass based raw materials for cogeneration is also subject to changes in consumption patterns and market forces in such other industries.

Additionally, other industries may offer higher prices which may divert the supply of externally sourced raw material, which may in turn adversely affect the availability or pricing of these raw materials and could impact our cogeneration business and our profitability. Any constraint in the availability of sugarcane will also adversely affect the availability of bagasse and consequently, the business of our cogeneration plant.

Risks relating to our proposed bio-fuel business

Our distillery business is based on molasses, which is derived from sugarcane. Any constraint in the availability of sugarcane may affect the current or future capacity utilisation of the distillery business.

One of the by-products of sugar production is molasses. Our distillery uses molasses as the principal raw material for the production of ethanol. In the past we have resorted to the purchase of molasses from other sugar mills to support our distillery business. Any constraint in the availability of molasses will adversely affect our distillery business.

Development of bio-fuel production plants may be adversely impacted by unforeseen contingencies.

Our development of bio-fuel production plants may be adversely impacted by numerous issues including, but not limited to, land access, title and environmental legislation, industrial disputes, cost overruns, government approval, licensing and approval processed and other unforeseen contingencies. Such issues could render development uneconomical, result in a need to cease development of a plant, adversely impact on the operating and financial performance of a plant.

Changes in regulatory support for bio-fuel may occur.

Ethanol demand and price largely depend on Government policy towards cleaner fuels. The Government has mandated oil companies to blend five per cent ethanol in gasoline in all Indian states and union territories except north eastern states and Jammu and Kashmir (the “Ethanol Blending Programme”).

However, Government policy may change. If Government regulations were to no longer mandate oil companies to blend five per cent. ethanol in gasoline, the demand for ethanol could decrease which in turn would adversely affect our ethanol operations and may have a material adverse impact on our results of operations and profitability.

While it has been reported that the Government of India may increase the amount of ethanol that should be blended with petrol to 10 per cent., there is no certainty that, this will be implemented or that the current Ethanol Blending Programme will continue.

In addition, the introduction of new legislation or amendments to existing legislation by the Government could impact adversely on our assets, operations and ultimately, the financial performance.

Bio-fuel prices are subject to market forces.

The prices we receive for our bio-fuel are subject to market forces which are beyond our control. In particular, our revenues and profits are likely to be significantly affected by movements in the global crude oil price, as this is expected to affect the prices we can achieve for bio-fuel sales.

If the market prices for bio-fuel fall to uneconomical levels, our financial performance will be materially adversely affected.

Based on actual demand and experience to date, we believe there is market capacity to sell all its planned production of bio-fuel. However, if we fail to secure contracts for the uncontracted balance of our forecast production or we do not satisfy conditions in our off take agreements, this may adversely affect our financial condition and performance.

If we are, for whatever reason, unable to enter into agreements for the sale of a substantial proportion of the bio-fuel that we intend to produce or have to source alternative arrangements for the sale of our bio-fuel, this will adversely impact our financial condition and results of operation. No assurances can be given that such agreements or alternative arrangements will be entered into on favourable terms or at all.

The price of raw materials used in the production of bio-fuel is cyclical.

The principal raw material used by us for the manufacture of bio-fuel is molasses. The cyclical nature of raw material markets may lead to changes or volatility in raw material prices which may adversely affect our revenue. Our business may also be adversely affected by the reduced availability of low cost raw material and an upward pressure on raw material prices reflecting increasing competition for raw material from other bio-fuel producers and/or other businesses. We may also be affected if there are any shortages of supply of the raw materials required to manufacture bio-fuel.

We operate in a market that is dominated by incumbent traditional fuel producers.

We will be operating in a market that is dominated by incumbent traditional fuel producers. Although we believe that our product has a number of significant advantages over traditional fuel and should be considered complementary to the traditional fuel market, other competitive products or fuel alternatives unknown to us may emerge from time to time. The introduction of new products or fuel alternatives or a more aggressive competitive response from existing participants, both traditional fuel and bio-fuel producers, may adversely affect our operating performance. There is no assurance that we will be able to compete successfully in such a market place.

The Ethanol Blending Programme may fail to take off for want of co-ordinated efforts by the Central and State Government .

The Ethanol Blending Programme was earlier launched in nine states and four union territories in 2003 and again revived in 2006. However a very little ethanol off take has been witnessed since then. The varying duty structure in each state has significantly affected off take of this Programme nationally. For various states pushing the Ethanol Blending Programme is a call between earning higher duties from alcohol. This is because pushing the Ethanol Blending Programme would mean lesser production of alcohol in respective states and loss of revenues for local governments. If the Ethanol Blending Programme fails to take off, the results of our operations would be adversely affected. Any change in government policies relating to ethanol blending could adversely affect the results of our operations.

New Government measures may not necessarily result in improving the long term profit margins

Government has announced a variety measures like compulsory 5% ethanol blending and mandatory 10% ethanol blending from October 2008, priced at Rs.21.5 /litre nationwide for the next three years, permitted direct conversion of cane juice to ethanol and extended export subsidies for another year to provide relief to the sugar industry. These measures would be implemented only after 5% blending becomes mandatory and new Government measures may not necessarily result in improving the long term profit margins.

Cane prices will continue to determine near term margins from ethanol production.

Unless there is an alignment of cane costs with sugar prices, the Government reforms may not help to significantly improve our margins in the long term. Given the political pressures, a reduction in cane prices is unlikely. The Government policy of direct conversion may not have the desired effect at current cane costs.

Delays in offtake by OMCs are likely to result in additional carrying costs

Although, we have entered into an arrangement for 217 million litres with OMC for the next 3 years, the off take is usually delayed.

Enough molasses may not be available to support 10% blending

The estimates indicate a shortfall of molasses to support 10% blending .Further, the gestation period of a new distillation capacity is usually 12-15 months. Hence, any new capacity planned today will be ready for production only in 12-15 months .Hence, despite Government mandating 10% ethanol blending, unless adequate capacities are installed and cane prices are aligned, the Programme may not actually take of as expected which may adversely affect the results of our operations from ethanol activity.

Risks associated with the expansion of our business

Any delay in the establishment of our sugar refining capacities at Athani or commencement of operations at the new refining facility being built at Haldia, West Bengal or the expansion of our cogeneration capacity may affect our ability to operate at a planned capacity in the next season which may, in turn, affect our profitability.

We have made strategic decision to set up a port-based refinery in Haldia, West Bengal, which will produce 2,000 tons per day ("TPD") of refined European grade sugar. We have also decided to set up another refinery with 1,000 TPD capacity, which will be integrated with our plant in Athani and will also be able to produce European grade sugar. In addition, our Board has decided to increase our focus on cogeneration by deciding to increase our power capacity by 25.5 MW to 129 MW.

Timely commencement of fully implemented commercial operations will have a critical bearing on our financial performance. Any delay in the completion of these plans may materially and adversely impact our results of operations in the next season and may affect our ability to service our indebtedness, including the Equity Shares, and may also materially and adversely affect the market price of the Shares and the Equity Shares.

If we do not receive the requisite approvals for our expansion plans or if the approvals are delayed, our operations and proposed expansion plans may be adversely affected.

In connection with the new refineries being set up at Haldia and Athani and the increase of our cogeneration capacity by 25.5 MW and any other sites we may decide to invest in, certain regulatory approvals will be necessary. There can be no assurance that we will receive the approvals on a timely basis, or at all. If we do not receive the requisite approvals, or if such approvals are delayed, its operations and proposed expansion plans may be materially and adversely affected.

We may not be able to successfully integrate the new refineries at Haldia and Athani and expanded operations into our existing business.

Integration of the new refineries at Haldia and Athani and expanded operations may require considerable management and financial resources. There may be unforeseen operating difficulties and expenditure. They may also require significant management attention that would otherwise be available for on-going development of our existing business. Our inability to manage and finance such undertakings, while managing our existing operations, may have a material adverse impact on our overall operations and its financial condition. Any failure to integrate the new facilities and expanded operations into our existing business or any failure to manage these successfully could materially and adversely affect our financial performance.

We may not be able to secure the requisite amount of financing for, or manage our expansion process and this could have a material adverse effect on our business, financial condition and results of operations.

We expect to experience significant growth through increasing the current operating capacities. Our continued growth will depend, among other things, on our ability to secure significant amounts of financing, to manage our expansion process, to make timely capital investments, to control input costs and to maintain sufficient operational and financial controls. Our inability to secure the required financing or to manage the expansion process could have an adverse effect on our business, financial condition and results of operations. Even if we expand in a timely manner, we may still financially over-extend itself, especially if the expansion is followed by a period of lower than projected product prices or increased costs. This may impact our ability to service our indebtedness, including the Equity Shares.

Other Risks

Inability to manage our growth could disrupt our business and reduce our profitability.

As part of our business strategy, we are rapidly expanding our operations by enhancing our existing sugar refining capacity, cogeneration and bio-fuel production capacity and distillery capacity. We are also proposing to acquire and lease more sugar plants.

We have experienced high growth in recent years, averaging a consolidated compound annual growth rate ("CAGR") of 121 percent over the past three years and expect our business to grow significantly as a result of our capacity expansion plans and increased focus on bio-fuel production. We expect this growth to place significant demands on us and require us to continuously evolve and improve our operational, financial and internal controls. Any inability to manage our growth may have an adverse effect on our business and financial results.

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

For each of our products namely sugar, ethanol and cogeneration, we derive a significant portion of our revenues from a limited number of customers.

We derive a significant portion of our sugar sales from large corporate customers, such as Nestle, Cadbury, Britannia Industries Ltd and Coca Cola. In fiscal 2005 and 2006, our ten largest clients accounted for 72.57 per cent and 73.01 per cent., respectively, of our sugar sales. We have fixed period contracts for sugar sales with these customers and there is no certainty that such contracts will be renewed.

Our cogeneration business is currently dependent on Reliance Power Trading Corporation Limited, and the Hubli Electricity Supply Company Limited ("HESCOM"). Their ability to purchase power from us and make timely payments determines the profitability of our cogeneration business. While the Indian Electricity Act, 2003 allows "open access" and hence allows us to sell to third parties, currently Reliance Power Trading Corporation Limited and HESCOM are the only purchasers of power from us. Hence, any default by either of them and/or any inability on their part to pay us for the power supplied to them, will adversely affect our business and profitability.

We derive a significant portion of our ethanol revenues from Oil marketing companies and potable alcohol from large corporate customers. In fiscal 2006, our top three customers accounted for 100 per cent of our ethanol sales since ethanol is only sold to OMC viz, Indian Oil Corporation, Bharat Petroleum Corporation and Hindustan Petroleum Corporation Limited. Since there are a number of suppliers of ethanol and supply contracts (that are typically for a period of one year) are awarded through competitive tender process, the revenues from these customers could vary during each year and further there is no certainty that we will be awarded these contracts. The loss of, or a significant reduction in sales to these customers, may adversely affect our business and results of operations.

The success of our business is substantially dependent upon the services of a few management personnel, the loss of any of whom could adversely affect our business.

We are currently managed by a relatively small number of senior management and key personnel, many of whom have many years of experience with the Company and in the sugar, ethanol/bio-fuel and cogeneration industries and who would be difficult to replace. Our senior managers have extensive knowledge of our business, industry and operations. Any loss or interruption of the services of our key senior personnel, or our inability to recruit sufficient qualified personnel, could adversely affect our business, financial condition and results of operations.

In addition, certain aspects of our production processes depend upon highly skilled employees. We devote considerable resources to recruiting and developing such individuals and encouraging such individuals to remain employed by us. While we believes that we have been successful in securing the loyalty of our key employees, it is possible that in the future we may experience personnel changes and may have difficulty in retaining sufficient numbers of skilled employees.

We face competition in our principal markets.

We face significant competition in the markets in which we operate. Competition in the sugar and ethanol/bio-fuel industries is based upon a number of considerations, including location, product quality, product innovation, distribution capabilities and price. In the sugar industry, in addition to competition from many smaller competitors, we face strong competition from larger companies, including Bajaj Hindusthan Limited, Balrampur Chini Mills Limited, and Dhampur Sugar Mills Limited. In the ethanol/bio-fuel alcohol industry our principal competitors are Bannari Amman Sugars Limited, Balrampur Chinni Mills Limited, Bajaj Hindustan Limited etc.

Some of our competitors are substantially larger and have greater financial, personnel and marketing resources than us and therefore may have certain competitive advantages. Although we have broad product lines and continue to develop our products, there can be no assurance that we will be able to compete effectively in the markets in which we currently operate or in which we propose to operate in the future.

We may face potential adverse effects on its results of operations from competition by alternative sweeteners.

We believe that the use of alternative sweeteners, especially artificial sweeteners such as saccharine and high fructose corn syrup, has reduced the demand for sugar in some places outside India. Soft drink producers and confectioners in many countries have switched away from sugar. A substantial decrease in sugar consumption, or the increased use of alternative or artificial sweeteners in India could have a material adverse effect on our results of operations and financial condition.

Our level of debt could adversely affect its financial health, make it more vulnerable to adverse economic conditions and prevent it from fulfilling its obligations under the financing agreements.

We currently have a high level of debt, which may increase in the future, making us more susceptible to sudden changes in domestic and global economic conditions. As of September 30, 2007, we had -consolidated borrowings in the form of loans for amounts aggregating Rs.5674.28 million. Changes in interest rates, stock exchange indices and other financial and economic rates could have a material adverse effect upon our ability to meet our financial and business obligations.

Our significant shareholders and lenders will continue to have considerable influence over our business.

The significant shareholders include global investors like Morgan Stanley, Merrill Lynch and Citigroup.

We have has entered into various financing arrangements that grant lenders certain rights to determine how the Company is operated. Most of this financing is secured by substantially all of the movable and immovable assets of the Company. Pursuant to certain of these agreements, we require the consent of the lenders to undertake significant actions, including, making new investments and acquiring or operating new businesses. In addition, consent is also required in certain circumstances to set up new entities or subsidiaries or assume additional debt or issue Shares. . While we have obtained consents from lenders in the past to undertake certain actions, there can be no assurance that lenders will grant us any required consents. Failure to obtain such consents may lead to the termination of credit facilities and acceleration of all amounts due under the relevant facilities.

Both our significant shareholders and lenders have, and will continue to have, considerable influence over the Company's business and may take actions that do not reflect the will or best interests of the other shareholders, or our best interests.

There are numerous legal proceedings and disputes against us.

We are party to numerous legal proceedings before judicial authorities. These proceedings involve substantial potential liability for us and could materially and adversely effect our financial condition, results of operations and our ability to meet our obligation under the Equity Shares. 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

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 made an application dated May 3, 2005 for the registration of the logo of our Company, which is pending before the Trademarks Registry at Mumbai. In the event that the logo is not registered or there is a delay in the registration, it may affect us.

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 strategy to grow and optimise its existing operations in the various sectors in which we operate is contingent upon, among other factors, receipt 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 and 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.

We may not have adequate insurance coverage.

As at September 30, 2007, all of our manufacturing facilities and plant and machinery were insured under an umbrella insurance policy on a first loss basis where insurance claims under the policy are covered up to a limit of Rs.9834.9 million per year and covering the total value of each equipment, although our claims in the past five financial years have not exceeded maximum of Rs.10 million in a year.

There can be no assurance that our insurance coverage will cover actual losses incurred. To the extent that actual losses incurred by us exceed the amount insured, we could have to bear substantial losses, which may have a material adverse effect on its financial position and results of operations. In line with industry practice, we operate with certain business risks uninsured, including business interruptions and loss of profit or revenue. To the extent that uninsured risks materialise, we may be materially and adversely affected.

If we fail to comply with environmental, employee-related or health and safety laws and regulations or any other local laws or regulations in the countries in which we operate, this 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 sugar manufacturing, power generation and Ethanol projects are subject to, amongst other laws, environmental laws and regulations promulgated by the Ministry of Environment of the Government of India, the Maharashtra State Pollution Control Board and Karnataka 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 in the countries in which we operate may result in our incurring significant costs in order to maintain compliance with such laws and regulations.

We have contingent liabilities under the Indian Accounting Standards, which may adversely affect our financial conditions.

The Company has the following contingent liabilities for which no provisions have been made in the books of accounts of the Company for the period ended June 30, 2007, which are as under:

Particulars	**Rs. in million**
Corporate Guarantees	15.00
Bank Guarantees	800.80
Pending execution contracts	777.36
Total	**1593.16**

Members of our Promoter Group will continue to hold significant control over the Company and which will allow them to influence the outcome of matters submitted to shareholders for approval.

Upon completion of this Issue, members of our Promoter Group will beneficially own approximately 39.1% of our post-Issue equity share capital. As a result, the Promoter Group will have the ability to exercise significant influence over all matters requiring shareholders' approval, including the election of directors and approval of significant corporate transactions. The Promoter Group will also be in a position to influence any shareholder action or approval requiring a majority vote, except where they are required by applicable laws to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control.

Our business is dependent upon our manufacturing facilities. The loss of 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. We carry out planned shutdowns of our plants for maintenance.

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.

One of our Directors has served on the Board of Directors of Duck Tarpaulins Limited in the past, who is currently on the RBI list of wilful defaulters.

Mr Sanjay K Asher was a director in the Board of Director of Duck Tarpaulins Limited. Duck Tarpaulins Limited appears on the RBI's list of wilful defaulters from the period January 1, 2002 – March 31, 2002 onwards. Duck Tarpaulins Limited has defaulted in payments of Rs 28.6 million to ICICI Bank Limited. Mr Sanjay K Asher has resigned as a director of Duck Tarpaulins Limited way back in 1998.

If we have difficulty in identifying acquisition targets or obtaining satisfactory acquisition financing, we may not be able to implement any acquisition plans.

We may acquire or make strategic investments in complementary businesses or products, or enter into strategic partnerships or alliances with third parties in order to enhance our business. It is possible that we may not identify suitable acquisition, strategic investment or strategic partnerships, we may not complete those transactions on terms commercially acceptable to us or at all.

Our acquisition strategy may require us to obtain additional debt or equity financing, resulting in additional leverage, or increased debt obligations as compared to equity, and dilution of ownership. We may not be able to finance acquisitions on terms satisfactory to us. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may affect our competitiveness and our growth prospects.

Failure to manage any of our acquisitions may cause our profitability to suffer.

We continuously evaluate merger and acquisition opportunities and may decide to undertake mergers or acquisitions in the future, if suitable opportunities arise. These may require significant investments which may not result in favourable returns. Acquisitions involve risks, including:

- unforeseen contingent risks or latent liabilities relating to these businesses that may only become apparent after the merger or acquisition is finalised;
- potential difficulties in the integration and management of the operations and systems;
- potential difficulties in the retention of select personnel;
- potential difficulties in the co-ordination of sales and marketing efforts; and
- diversion of our management's attention from other ongoing business concerns.

If we are unable to integrate the operations of an acquired business successfully or manage such future acquisitions profitably, our growth plans may not be met and our revenue and profitability may decline.

Risks Relating to India

All of the Company’s assets and employees are located in India. Consequently, the Company’s financial position and the market price of the Equity Shares and the Shares will be affected by certain risks relating to India, including the following:

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 sugar, could adversely affect the Company’s source of raw materials and contractual counterparties, its business, its financial performance and the trading price of the Equity Shares.

Continuing high prices of crude oil could adversely affect the Indian economy, which could adversely affect the Company’s business.

India imports approximately 70 per cent of its crude oil requirements. The sharp increase in global crude oil prices during fiscal 2001 adversely affected the Indian economy in terms of volatile interest and exchange rates. This adversely affected the overall state of liquidity in the banking system leading to intervention by the RBI. During 2004 and the first eight months of 2005 crude oil prices have been extremely volatile due to increased global demand, continued tension in the Middle East where most of the world’s oil production facilities are located and certain negative events in other major oil-producing countries. Continuing or further tensions or hostilities could lead to further increases in oil prices or greater volatility in oil prices. The Government of India subsidises the retail prices of petrol and diesel, but has been forced to raise prices recently in response to rising oil prices.

Continued high oil prices or further increases in oil prices could affect the Indian economy and the Indian banking and financial system. This could adversely affect the Company’s business, including its ability to grow, the quality of its assets, its financial performance and the trading price of the Equity Shares.

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.

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.

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.

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

The Indian securities markets are more volatile than the securities markets in certain countries which are members of the Organisation for Economic Co-operation and Development ("OECD"). 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.

There is a lower level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants than in certain OECD countries. SEBI received statutory powers in 1992 to assist it in carrying out its responsibility for improving disclosure and other regulatory standards for the Indian securities markets. Subsequently, SEBI has prescribed certain regulations and guidelines in relation to disclosure requirements, insider dealing and other matters relevant to the Indian securities markets. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in certain OECD countries.

Trade deficits could have a negative effect on the Company's business and the trading price of the Equity Shares.

India's trade relationships with other countries can influence Indian economic conditions. In 2007, India experienced a trade deficit of U.S.$81 billion, an increase of U.S.$17 billion from 2006. If India's trade deficits increase or become unmanageable, the Indian economy, and therefore the Company's business, its future financial performance and the trading price of the Equity Shares, could be adversely affected

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could have an adverse impact on the Company.

India's foreign exchange reserves increased by U.S.$9.7 billion or 7 per cent., in 2005 to U.S.$145.1 billion, by U.S.$46.8 billion or 32.3 per cent. in 2006 and by U.S.$23.1 billion or 12 per cent. in 2007. A sharp decline in these reserves could result in reduced liquidity and higher interest rates in the Indian economy. Reduced liquidity or an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect the Company's business, its future financial performance and the trading price of the Equity Shares.

There may be less company information available in the Indian securities markets than securities markets in developed countries.

There may be differences between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of the markets in the United States and other more developed countries. SEBI is responsible for approving and improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed countries.

SECTION VI: SUMMARY OF BUSINESS

The summary below is intended only to provide a limited overview of information described in more detail elsewhere in this Preliminary Placement Document. As it is a summary, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Preliminary Placement Document shall have the same meanings when used in this summary. In addition, you should carefully consider the risks discussed under section titled "Risk Factors" for an understanding of the risks associated with our company. Prospective investors should therefore read this Preliminary Placement Document in its entirety.

Overview

We are a fully integrated sugar company focused on sugar manufacturing and trading with by products such as power, ethanol and bio-fertilizer. Our company has three owned sugar units in Karnataka and three leased sugar units in Maharashtra and Karnataka. Our key manufacturing facility is located at Munoli, Athani & Havalga in Karnataka and three leased facilities at Ajara & Arag in Maharashtra and at Aland in Karnataka. our Company's Munoli & Athani units are an integrated zero percent wastage integrated sugar-manufacturing unit.

In fiscal 1998, we have acquired a sugar mill at Hindupur in Andhra Pradesh with a capacity of 1,250 TCD from the Government of Andhra Pradesh. This unit was moved to Munoli, Karnataka and expanded the manufacturing capacity to 2,500 TCD with an 11.2 MW co-generation plant and trial production took place in 1999. We have subsequently increased the co-generation capacity from 11.2 MW to 20.5 MW.

In fiscal 2002, we ventured into manufacture of ethanol by setting up a distillery with a capacity of 60 KLPD at our Munoli unit. In 2003, we set up a refinery to process raw sugar with a processing capacity of 250 TPD at Munoli and subsequently increased to 1,000 TPD.

In 2004, our Company acquired on lease, a loss-making co-operative sugar mill in Ajara, Maharashtra with a manufacturing capacity of 2,500 TCD and added another lease facility of 2,500 TCD in Arag, Maharashtra and subsequently which got commissioned in the ongoing crushing season and Arag Plant was further expanded to 4,000 TCD in 2006. In 2005, our Company has acquired from M/s. Haripriya Sugars, a green-field project at Athani with land and licenses and successfully commissioned 6,000 TCD plant in March, 2007 with co-generation facility of 37 MW and distillery of 120 KLPD. During the same period we have also acquired a sick sugar mill in Sindhkheda, Dhule, Maharashtra of 2500 TCD from Sitson India Private Limited which was dismantled and relocated & expanded to 4,000 TCD at Havalga, Afzalpur, Karnataka. our Company acquired another lease unit, a loss-making co-operative sugar mill in Aland, Karnataka with a 1,250 TCD plant. Our crushing capacity of Munoli plant increased to 7,500 TCD along with an additional co-generation capacity of 15 MW and additional Ethanol capacity of 60 KL.

Our current manufacturing capacity of Sugar, Energy and Ethanol is 25,250 TCD, 103.5 MW and 450 KLPD respectively at various locations in the state of Karnataka, Maharashtra and West Bengal. Our refining capacity of raw sugar is 4,000 TPD at Munoli, Athani and Haldia.

our Company's merchant export division is the second largest sugar exporter out of India. We have built a capability in sugar trade business and incorporated a wholly owned overseas subsidiary, Renuka Commodities DMCC in Dubai. In the first year of incorporation (FY05), Renuka Commodities DMCC posted a profit of Rs.153 million and achieved a turnover of Rs.1, 562 million.

Our company came out with an Initial Public Offer (IPO) at an issue price of Rs.285/- per share aggregating to Rs.1,100 million. Our Company was listed with NSE and BSE on October 31, 2005 at 9% premium to the issue price. our Company has nearly 9,000 farmers as its shareholders. These farmers were allotted these equity shares of 500 shares each at par during the initial stage of implementation of operations of our Company.

Our Company's consolidated net revenue and profit after tax has increased at a CAGR of 121% and 212% respectively over a period of last three years. Our company has achieved a revenue of Rs.6,957 million for the nine months ended June 30, 2007. Our export sales contributed 37% and 44% of total sales for the fiscal 2005 and fiscal 2006 respectively. Our export sales contributes 38% of total sales on a stand alone basis for the year ended September 30, 2006 and 46% for the nine months ended June 30, 2007 on a stand alone basis.

Our Vision

To become the most efficient processor of sugar and the largest marketer of sugar and ethanol in the country.

Our Business Segment

Our Company's business operation can be segregated into five divisions are as below:

- Sugar Milling Division
- Ethanol Division
- Power Division
- Sugar Refining Division

Competitive Strengths

We believe that we have distinct and different competitive strengths in our businesses.

1. We are a fully integrated player

As opposed to a conventional sugar mill, where the primary product is sugar and the by-products, bagasse and molasses are sold to third parties, an integrated sugar mill is able to extract the maximum value out of sugarcane by being able to produce value added products like Ethanol, Power, and Bio fertilisers from molasses, bagasse and press mud respectively. Our Company is able to process sugar cane into all three co – products i.e. Sugar, power and ethanol. Further, our Company's integrated distillery provides several advantages such as -

a. We need not have to sell molasses to third parties
b. Ready power and steam is available for the ethanol from the co-generation plant
c. A number of sugar mills in the region do not have attached distilleries. This enables our Company to have access and buy molasses as and when required.

2. Reduced impact of seasonality by processing of raw sugar

Our manufacturing process at Munoli and Athani facilities are designed as such that we can produce sugar not only from sugarcane but also from raw sugar.

The uniqueness of our Company's business model is that its operations can run on two feed stocks - cane and/or raw sugar. our Company, in the intermediate stage, extracts raw sugar from cane and then processes this intermediate raw sugar into refined white sugar. In the off-crushing season, our Company runs the second intermediate process, producing refined white sugar on a raw sugar feed. The benefits of such dual feeding are Multi- pronged -

a. Greater fixed asset utilisation and distribution of fixed overheads; and
b. Reduced impact of seasonality of the sugarcane crops.
c. Higher level of operations.

Our Company is one of the few mills in the country to leverage double feed operations.

3. We have superior utilization of fixed assets

We achieve higher capacity utilization and asset turnover as compared to industry due to longer operating season in our region, higher sugar content in available cane, and dual raw material capability. All India average for duration of crushing was 96 days in SY 2005 and 126 days in SY 2006 *[Source: Indian Sugar, Vol. LVII, July 2007]*. We were able to operate our factory for a longer period. We operated our mills for 208 days in SY 2004, 329 days (including sugar refining) in SY 2005 and 230 days in SY 2006. During the nine months ended June 30, 2007, we have already operated for 269 days (including sugar refining).

4. We have access to superior technology for refining of sugar

We have a tie-up for technical expertise in our refining operations with Tate & Lyle Industries Pte of UK, which is a GBP 4.07 billion company and one of Europe's largest sugar refiner. Our sugar refinery was set up with technical assistance from Tate & Lyle. We have entered into a Memorandum of Understanding with Tate & Lyle whereby they will render technical assistance on an ongoing basis for further development of refining capability and development of value-added products.

5. Our sales are focused towards corporate and industrial buyers

Sugar traditionally was sold in the wholesale market to agents and dealers. We believe in marketing sugar directly to corporate and industrial buyers to capture a larger market share. Dealing with corporate and industrial buyers has several benefits like:

- Committed and timely off-take of sugar;
- Scope to fix prices in advance and reduce price risk;
- Reduced working capital cost due to increased comfort for working capital lenders; and
- Reduced dependence on brokers for sale of sugar.

We supply sugar to multinational companies who manufacture carbonated soft drinks, fruit juices, chocolates, baby food and dairy products. Corporate sales constituted 20% of our gross sugar sales in SY 2006 on stand alone basis and 31.80% of our gross sales in nine months ended June 30, 2007. Some of our key corporate buyers of sugar are Hindustan Coca Cola Beverages Private Limited, Pepsico, ITC Ltd, Britannia Industries Limited, Nestle' India Limited, Cadbury India Limited, to name a few.

6. We have a prominent trading presence in India's international sugar trade

Our Company is active in international trading of sugar from India. We exported 558,297 MT of sugar between 2002-2007 and are ranked 2nd *(Source: Indian Sugar Mills Association)*in terms of overall exports of Indian sugar in terms of quantity. We have imported 381,458 MT of raw sugar between 2002-2007. Our international subsidiary, Renuka Commodities DMCC is active in third country trade of sugar, which gives us a continuous presence in India's key export markets. We have also been awarded a 2 star export house status by the Director General of Foreign Trade (DGFT), Government of India. Trading in sugar gives our Company an enhanced trade flow much larger than its own manufactured sugar. This translates into a deeper and wider exposure to price trends and customer buying patterns in both domestic and international sugar markets.

7. Locational Advantage

Another strong positive for our Company is the advantage of being located in south India. Sugar companies in South India are inherently at an advantage over northern India mills as:

a. They have a longer crushing season.
b. The market for co-generated power has matured in these states with proven stability in offtake and payments from the electricity distribution companies.
c. our Company, located in South India, are closer to ports and that opens up a cost-effective option of extending sugar-producing capacity through the raw sugar-refining route.
d. They operate in a free market compared to north Indian sugar mills.

Moreover, we operate in the "high recovery area" of southwest India, where sucrose content of cane is 10%-20% more than elsewhere in the country. South Indian mills have far higher yields as compared to the north Indian belt of Haryana and Uttar Pradesh. This is due to a far longer crushing season for south Indian mills and also higher sucrose content in cane crushed in southwest India.

Our Company plants are located close to the ports of Goa and Karwar (approximately 160 km. and 200 km. respectively). The average door-to-door shipment is less than 24 hours, compared to around 3-4 days for a north Indian mill. Transport costs for a near-coast mill like our Company are about Rs.500–Rs.600/ MT of sugar versus a north India based mill, for which it costs around Rs.1,000–Rs.1,200/ MT. This translates to a cost ratio of around 1:2. Our Company has set up Renuka Commodities DMCC, as a wholly owned overseas subsidiary company, based in Dubai for third country exports of sugar.

8. We have excellent relationship with sugarcane farmers.

We believe that we have excellent relationship with sugar cane farmers.. As shareholders, the farmers enjoy benefits of sharing profits of our Company. We also make sure that payments to sugarcane farmers are made in a timely manner. We have formed a trust, Shree Renuka Sugars Development Foundation, which mainly focuses on promotion of education, healthcare and overall betterment of the farmers and the local community. We believe this strong relationship is a significant competitive advantage because farmers have no obligation to grow sugarcane and may switch to crops that may be more profitable. We also coordinate and manage the harvesting and transportation of cane, which saves the farmers effort, time and money. This also enables us to get fresh and mature sugarcane, which increases the yield of sugar.

9. We have an elaborate sugarcane collection network.

In order to carry out cane development and cane procurement activities effectively and smoothly, we have a dedicated cane department to control and supervise the cane development and procurement activities. We purchase sugarcane directly from the farmers without involvement of any intermediaries. Based on the age of the crop, variety and maturity, a harvesting program is chalked out for desired quantity and quality of cane to be procured on a day-to-day basis. The Cane Managers issue cutting orders / harvesting permits based on date-wise cum pre-harvesting maturity survey. Accordingly cane transporting vehicles along with harvesting groups are allotted for harvesting and transporting cane to the mill.

10. Committed and experienced management team

Mr. Narendra Murkumbi, Managing Director is a post graduate from IIM Ahmedabad and was inducted on the Board of ICICI Bank Limited in recognition of his expertise and involvement in the sugar industry in India. He is highly committed to our business and forwarding looking. This is reflected in the way the management is planning our future growth and taking advantage of the improving dynamics of the sugar industry. Since inception our Company has gone about in a systematic manner to increase the manufacturing capacities to gain advantages of economies of scale. Mr. Murkumbi pioneered the strategy of acquiring and putting to use leased assets for sugar manufacturing from the loss making co-operative mills at very low costs. This helped our Company to scale up our operations within a short span of time.

11. Human resources

We have a highly qualified and well-trained workforce of 1,233 employees as at September 30, 2007. This includes over 650 technically qualified workforce which constitute 53% of our workforce. We believe that we are one of the few sugar companies in India to have in place an employee stock option plan (“ESOP”) which rewards the performance of our employees.

12. 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 also actively engage in the analysis and identification of sugar mills which we believe would maximize our returns, and accord priority to such mills.

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

13. We operate integrated ethanol facilities

Integrated ethanol facilities provides us with several advantages like:

- We are able to add value to molasses produced from our plants, and we need not sell any molasses to third parties
- Cheap power and steam is available for the distillery from the co-generation plant
- Effluent (spent-wash) can be processed with press mud into bio-fertilizers and compost
- A number of sugar mills in our region do not have attached distilleries. This enables us to buy molasses, if required

14. We have a fuel ethanol plants attached to our distillery

We are one of the few distilleries, which are equipped to manufacture fuel ethanol from ethanol. Fuel ethanol is gaining momentum due to rising oil prices. The GoI is encouraging the use of fuel ethanol as a motor fuel since it is considered to be less polluting and also a renewable source of energy (since it is sourced from an agricultural product, which can be re-grown). Subject to fulfillment of certain conditions, GoI has mandated blending of 5% ethanol in petrol across the country except North East, Jammu & Kashmir and Island territories. We supply fuel ethanol to various oil companies such as IOCL, HPCL and BPCL for blending in petrol.

15. ***Government policy encourages co-generation.***

The Government of India has prescribed that a certain percentage of energy from alternative sources has to be purchased by distribution companies and has also allowed open access, which will enable us to sell power to third parties also. The electricity regulatory commissions of Maharashtra and Karnataka have also prescribed preferential tariffs for electricity produced from renewable energy sources including co-generation.

OUR STRATEGY

Our corporate vision is to be the most efficient processor of sugarcane and the largest marketer of sugar and ethanol in the country. Our strategies for meeting these objectives are as follows:

1. ***Bio-fuels strategy:*** To consolidate its leadership position in the fuel-ethanol market, we have taken the following steps:

   i. ***Consolidate leadership in Fuel ethanol market*** **-** We are the market leaders in the fuel-ethanol market in India. During the tenders which were brought out by the oil marketing companies (OMCs) for the blending 5% ethanol with petrol, we were able to garner 20% market share in the process. This meant that we would be supplying 217 million litres of ethanol to the OMCs over a period of 3 years at a fixed price of Rs.21.50 per litre.

   We intend to consolidate our leadership position in the fuel-ethanol market, when the blending increases to 10%, which the government is planning to introduce shortly. As part of this plan, we have also announced new capex which would take our production capacity to 900 KLPD from 450 KLPD over the next two years.

   ii. ***Acquisition of ethanol manufacturing assets to cater fuel ethanol market:*** We have acquired a stand-alone ethanol plant with a capacity of 100 KLPD which could be expanded to 300 KLPD. This will help our Company in cutting down transportation costs for supply of Ethanol contracts to the Oil Marketing Companies (OMC) located in coastal States of Goa, Karnataka and Kerala and for export purpose. We have firm orders from Oil Marketing Companies for supply of ethanol over the next 3 years. We intend to increase the manufacturing capacity of ethanol from 100 KLPD to 300 KLPD, to cater to the fuel ethanol market in southern States of India..

   iii. ***Acquisition of ethanol EPC & equipment manufacturing capability*** **–** We have acquired a majority stake of KBK Chem-Engineering Pvt. Ltd. (KBK) for a consideration of Rs 400 million . KBK is an engineering Company, primarily engaged in providing turnkey solutions (EPC Contracts) in the field of Distilleries, Ethanol plants and Bio-fuels and about 50% of its revenues are from overseas projects. This acquisition provides a platform for leading the innovation into flexi production, new feed stocks and cellulosic processes. It also enables to undertake Research & development on design and development of process technology.

   iv. ***Overseas acquisitions and investments*****:** We are also evaluating potential overseas acquisitions and investments in the Biofuels space to take advantage of the fast growing global Biofuels market. There is a global interest in Biofuel blending programme and our company intends to have its presence in the international market.

2. ***Expand our installed capacity for an increased market presence***

   We intend to enhance our manufacturing capacity of ethanol from 450 KLPD to 900 KLPD and power generation capacity from 103.5 MW to 129 MW with an exportable surplus of 70 MW. This expansion will help us to leverage the capacities for the increased blending programmes announced by the government of India and to be an active power trading player.

3. ***To Set up a state- of- art refinery capacity***

   We intend to set up a state-of-the-art manufacturing capacity of 2,000 TPD port-based refinery in Haldia, West Bengal. This refinery would use raw sugar and convert it into European grade sugar which fetches a premium in the world market. This refinery is strategically placed for servicing domestic and export markets and can operate round the year on combination of domestic and imported raw material. The facility has capacity to process up to 700,000 Tons of sugar per year.

We have a refinery of 1,000 TPD capacity at our existing plant in Munoli, Karnataka and has been operating the same for the last three years. Now, we intend to set up refineries of 1,000 TPD capacity at Athani and 2000 TDP at Haldia. These s refineries would also be able to produce European grade sugar.

4. ***Achieve greater raw material security.***

We pursue cane development initiatives and facilitate crop loans to increase cane production in our reserve area. Our acquisitions / leasing of other sugar mills allow us to cover more cane areas. We provide quality seeds, other agri-inputs, fertilizer subsidies to farmers. We have taken steps to educate the farmers about the economics of growing cane as compared to other crops. We have taken initiatives for development of irrigation sources as well as taking up land development to bring additional acreage under cultivation, which is either barren or unsuitable for growing cane. We have facilitated commercial banks and government agencies to provide soft loans for sugarcane farmers.

5. ***Increase our focus on corporate and high-value customers***

We intend to be the ***"supplier of choice"*** for our industrial buyers. We are actively looking to enhance our presence within industrial buyers in the FMCG sector by continually upgrading our processes and quality systems. We supply our product to the corporate players in the FMCG sector like Hindustan Coca Cola Beverages Private Limited, Pepsico, ITC Ltd, Britannia Industries Limited, Nestle' India Limited, Cadbury India Limited, Hindustan Lever Limited to name a few. We are the preferred supplier to most of the corporate players in India.

6. ***To reduce price risk in sugar by hedging***

We intend to use our large trade flow, which consists of our sales of manufactured and traded sugar to manage price risk. We have membership at the National Commodities and Derivatives Exchange (NCDEX). We will actively utilize NCDEX and international commodity exchanges to fix the prices of our sugar for forward sales. The percentage of forward cover is decided by our internal risk management team and is driven by our perception of trends in the market. This hedging strategy provides us a protection to the price volatility in commodity market and stable revenue flows.

7. ***Maintain a strong presence in the export markets***

We are one of the largest exporter of sugar in India. We have exported 46% of our sugar during the nine months ended June 30, 2007. We intend to be a prominent supplier of high quality European grade sugar within Asia where we will be in a position to supply not only our in-house manufactured sugar but also traded sugar.

8. ***Entitlement to carbon credits in the Cogeneration plant***

Bagasse based cogeneration plant at Munoli has qualified as a Clean Development Mechanism (CDM) project which entitles us to generate Carbon Credits under KYOTO protocol. This project will be eligible for Carbon Credits based on the units of power sold from our Munoli co-generation plant. We have also applied for the other projects at Athani and Havalga to be eligible as a CDM project and are expecting to receive the eligibility certificates soon, which would help us to sell/trade carbon credits from all the units on an ongoing basis.

Recent developments:

During the last nine months the following proposals were approved and informed to the Exchange:

- Our Company has contracted to supply 217.32 million litres of Ethanol to the Oil Marketing Companies (IOC, HPCL & BPCL) for a period of three years upto October, 2009. We have a 20.48% share of the total tendered quantity of 1061 million litres making us the market leaders in India.

- The "Compensation Committee" of the Board of Directors has approved, by circulation on 28th June, 2007, grant of 2,38,000 Stock Options to our employees/Directors under the ESOS -2006. The price per share to be allotted on exercise of Options is Rs.591 Vesting of option is as under :- (1) 50% of the options granted to the employees shall vest on 28th June, 2010. (2) 50% of the options granted to the employees shall vest on 28th March, 2012. The options shall be exercised within three years from the date of vesting or Five years from the date of granting, whichever is later.

- our Company has acquired a 54% stake in KBK, an engineering company primarily engaged in providing turnkey solutions in the field of distilleries, Ethanol plants and bio-fuels. The above acquisition was made for a consideration of 370 Mn Rs.

- We have completed the acquisition of the Ethanol plant of Dhanuka Petro-Chem, a division of Dhanuka Cold Storage Pvt. Ltd. located at Khopoli, Maharashtra for a total consideration of Rs.60 Million. The said unit is having an installed capacity for manufacture of 100 KLPD of Ethanol and its strategically located near JNPT port. Our Company has plans to increase the ethanol capacity of this unit from 100 KLPD to 300 KLPD, in the near future.

- Our Company has set up a wholly owned subsidiary viz. Shree Renuka Biofuels Holdings FZE in Sharjah International Free Zone (SAIF Zone) for its overseas investments".

- **Expansion Phase 1:**
  1. In the current year we have expanded the cane crushing capacity at our plant in Munoli, Karnataka to 7500 TCD and the cogeneration capacity to 35.5 MW. 2. We have commissioned a 4000 TCD plant at Havalgah, Karnataka. 3.We have enhanced the crushing capacity at our leased facility at Arag, Maharashtra from 2500 TCD to 4000 TCD. 4. Our company has completed a green-field plant and commenced crushing operations at Athani, Karnataka. The plant has a capacity of 6000 TCD and a cogeneration capacity of 38 MW. 5. We have built a 2000 TPD port based refinery at Haldia, West Bengal which will be operational in sugar year 2007 -08. 6. We have taken on lease a sugar manufacturing unit having a capacity of 1250 TCD of Aland Sahakari Sakkare Karkhane (N), District Gulbarga Karnataka State, for a period of seven years starting from sugar season 2005-06 to 2011-12.

  Thus our Sugar crushing capacity has increased to 25250 TCD, Distillery capacity has increased to 450 KLPD and our Co-generation capacity to 103.5 MW as of September 30, 2007. This capacity expansion required a total capex of Rs. 7,010 million.

  Expansion Phase 2:
  In the second phase the co-generation capacity would be increased to 129 MW and the distillery capacity to 900 KLPD by 2009.

Some of the key developments for fiscal year 2006 were:

ERP Implementation : We successfully implemented My SAP- ERP for seamless integration of data from different locations and from cross functional areas of financial, sales, production etc., providing strong foundation for an open and transparent work environment and also providing solid foundation for organized system of information, integration and knowledge management and the company should be able to meet the future requirements of all its business needs and also effective financial reporting.

CDM Project: We became the first bagasse based cogeneration mill in the world to be registered as a clean development mechanism (CDM) project.

SECTION VII: SUMMARY OF ISSUE AND THE INSTRUMENT

This summary should be read in conjunction with, and is qualified in its entirety by more detailed information and Financial Statements, including the notes thereto, appearing on page no. 134 *in this Preliminary Placement Document. Prior to making an investment decision, prospective QIB investor should carefully consider all of the information contained in this Preliminary Placement Document including Risk Factors beginning on page no*13 *of this Preliminary Placement Document.*

Company / Issuer	**Particulars**
Issue *Of which*	**[●]** Equity Shares of Rs. 10 each for cash at a price of Rs. **[●]** per Equity Share **[●]**Equity Shares Reserved for Mutual Funds (Note 1)
Eligible QIBs	Qualified Institutional Buyers as defined in clause 2.2.2B (v) of SEBI DIP Guidelines.
Issue Price	[•]
Authority for the Issue	The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted on July 26, 2007 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 August 25, 2007.
Share Ranking	The Equity Shares offered by the Company will be fully paid up in all respects, including in respect of dividends and voting rights and will rank pari passu with the existing Shares of the Company.
Use of proceeds	Please refer to the section titled "Use of Proceeds" on page No. 42 of this Preliminary Placement Document for a detailed description on the objects of the Issue and use of the issue proceeds.
Transferability of specified securities	Equity Shares allotted pursuant to this Preliminary Placement Document shall not be sold by allottees for a period of one year from the date of allotment, except on a recognized stock exchange or a block / bulk transaction in accordance with the procedures prescribed by SEBI and the Stock Exchanges.

Notes:

(1) Under clause 13A.2.2 of the SEBI DIP 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;

(2) 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;

(3) Investors shall not be allowed to withdraw their bids / applications after closure of the Issue;

(4) 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 will not exceed five times of the Company's net worth at the end of its previous financial year;

(5) The shareholders resolution approving QIP, passed under sub-section (1A) of Section 81 of the Companies Act, 1956, 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;

(6) 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 Shree Renuka Sugars 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. July 26, 2007 is Rs. 478.57 per equity share.

Date	Day	Close Price	High	Low	Average
25-Jul-2007	Wednesday	602.15	619.05	602.15	610.60
24-Jul-2007	Tuesday	616.9			
23-Jul-2007	Monday	618.75			
20-Jul-2007	Friday	612.1			
19-Jul-2007	Thursday	619.05			
18-Jul-2007	Wednesday	621.75	659.9	621.75	640.83
17-Jul-2007	Tuesday	630.6			
16-Jul-2007	Monday	650.4			
13-Jul-2007	Friday	654.8			
12-Jul-2007	Thursday	659.9			
11-Jul-2007	Wednesday	644.15	644.75	639.35	642.05
10-Jul-2007	Tuesday	644.75			
09-Jul-2007	Monday	641.45			
06-Jul-2007	Friday	639.35			
05-Jul-2007	Thursday	639.65			
04-Jul-2007	Wednesday	651.7	652.25	595.6	623.93
03-Jul-2007	Tuesday	640.95			
02-Jul-2007	Monday	649.75			
29-Jun-2007	Friday	652.25			
28-Jun-2007	Thursday	595.6			
27-Jun-2007	Wednesday	591	616.95	590.05	603.50
26-Jun-2007	Tuesday	597.25			
25-Jun-2007	Monday	590.05			
22-Jun-2007	Friday	603.75			
21-Jun-2007	Thursday	616.95			
20-Jun-2007	Wednesday	606.3	613.9	580.8	597.35
19-Jun-2007	Tuesday	580.8			
18-Jun-2007	Monday	589.15			
15-Jun-2007	Friday	609.9			
14-Jun-2007	Thursday	613.9			
13-Jun-2007	Wednesday	612.8	646.4	612.8	629.60
12-Jun-2007	Tuesday	625.5			
11-Jun-2007	Monday	633.3			
08-Jun-2007	Friday	646.4			
07-Jun-2007	Thursday	632.65			
06-Jun-2007	Wednesday	634.1	648.1	586.6	617.35
05-Jun-2007	Tuesday	648.1			
04-Jun-2007	Monday	627.5			
01-Jun-2007	Friday	639			
31-May-2007	Thursday	586.6			
30-May-2007	Wednesday	570.1	599.05	570.1	584.58
29-May-2007	Tuesday	590.1			
28-May-2007	Monday	593.55			
25-May-2007	Friday	591.1			

Date	Day	Close Price	High	Low	Average
24-May-2007	Thursday	599.05			
23-May-2007	Wednesday	592.25	603.5	541.55	572.53
22-May-2007	Tuesday	603.5			
21-May-2007	Monday	596.1			
18-May-2007	Friday	560.9			
17-May-2007	Thursday	541.55			
16-May-2007	Wednesday	541.2	569.95	475.3	522.63
15-May-2007	Tuesday	540.05			
14-May-2007	Monday	569.95			
11-May-2007	Friday	526.8			
10-May-2007	Thursday	475.3			
09-May-2007	Wednesday	479.05	483.25	460.55	471.90
08-May-2007	Tuesday	473.05			
07-May-2007	Monday	482.7			
04-May-2007	Friday	483.25			
03-May-2007	Thursday	460.55			
30-Apr-2007	Monday	439	441.85	438.25	440.05
27-Apr-2007	Friday	441.85			
26-Apr-2007	Thursday	438.25			
25-Apr-2007	Wednesday	434.2	453.6	434.2	443.90
24-Apr-2007	Tuesday	434.8			
23-Apr-2007	Monday	440.2			
20-Apr-2007	Friday	453.6			
19-Apr-2007	Thursday	443.75			
18-Apr-2007	Wednesday	452.3	457.75	446.7	452.23
17-Apr-2007	Tuesday	454.35			
16-Apr-2007	Monday	454.25			
13-Apr-2007	Friday	446.7			
12-Apr-2007	Thursday	457.75			
11-Apr-2007	Wednesday	471.45	483.65	471.45	477.55
10-Apr-2007	Tuesday	478.6			
09-Apr-2007	Monday	482.35			
05-Apr-2007	Thursday	483.65			
04-Apr-2007	Wednesday	490.85	490.85	428.6	459.73
03-Apr-2007	Tuesday	486.1			
02-Apr-2007	Monday	470.85			
30-Mar-2007	Friday	467.45			
29-Mar-2007	Thursday	428.6			
28-Mar-2007	Wednesday	455.7	455.7	382.25	418.98
26-Mar-2007	Monday	429.05			
23-Mar-2007	Friday	395.7			
22-Mar-2007	Thursday	382.25			
21-Mar-2007	Wednesday	371.55	372.9	367.65	370.28
20-Mar-2007	Tuesday	367.65			
19-Mar-2007	Monday	369.5			
16-Mar-2007	Friday	369.75			
15-Mar-2007	Thursday	372.9			
14-Mar-2007	Wednesday	353.3	377.4	333.3	355.35
13-Mar-2007	Tuesday	373.75			
12-Mar-2007	Monday	377.4			
09-Mar-2007	Friday	351.1			
08-Mar-2007	Thursday	333.3			

Date	Day	Close Price	High	Low	Average
07-Mar-2007	Wednesday	321.15	330	303.2	316.60
06-Mar-2007	Tuesday	313.9			
05-Mar-2007	Monday	303.2			
02-Mar-2007	Friday	330			
01-Mar-2007	Thursday	317.6			
28-Feb-2007	Wednesday	302	302	278.7	290.35
27-Feb-2007	Tuesday	290.95			
26-Feb-2007	Monday	284.4			
23-Feb-2007	Friday	278.7			
22-Feb-2007	Thursday	288.45			
21-Feb-2007	Wednesday	297.3	321.4	293.55	307.48
20-Feb-2007	Tuesday	293.55			
19-Feb-2007	Monday	305.4			
15-Feb-2007	Thursday	321.4			
14-Feb-2007	Wednesday	303.25	315.15	299.3	307.23
13-Feb-2007	Tuesday	299.3			
12-Feb-2007	Monday	306.75			
09-Feb-2007	Friday	304.8			
08-Feb-2007	Thursday	315.15			
07-Feb-2007	Wednesday	327.45	334.65	305.35	320.00
06-Feb-2007	Tuesday	334.65			
05-Feb-2007	Monday	318.6			
02-Feb-2007	Friday	312.95			
01-Feb-2007	Thursday	305.35			
31-Jan-2007	Wednesday	332.6	400.15	332.6	366.38
29-Jan-2007	Monday	382.3			
25-Jan-2007	Thursday	400.15			
24-Jan-2007	Wednesday	406.75	415.6	401.15	408.38
23-Jan-2007	Tuesday	401.15			
22-Jan-2007	Monday	409.5			
19-Jan-2007	Friday	415.6			

The following table shows the share price data of Shree Renuka Sugars for two weeks preceding the Relevant Date i.e. July 26, 2007

Date	Day	Close Price	High	Low	Average
25-Jul-2007	Wednesday	602.15	619.05	602.15	610.60
24-Jul-2007	Tuesday	616.9			
23-Jul-2007	Monday	618.75			
20-Jul-2007	Friday	612.1			
19-Jul-2007	Thursday	619.05			
18-Jul-2007	Wednesday	621.75	659.9	621.75	640.83
17-Jul-2007	Tuesday	630.6			
16-Jul-2007	Monday	650.4			
13-Jul-2007	Friday	654.8			
12-Jul-2007	Thursday	659.9			

The average of the weekly high and low of the closing prices of the Equity Shares quoted on NSE during the two weeks preceding the relevant date is Rs. 625.71 per equity share.

The floor price of the issue on the basis of clause 13A.3 of Chapter XIII-A of the SEBI DIP Guidelines is Rs.625.71 per equity share.

SECTION VIII: MARKET PRICE INFORMATION

The Company's Equity Shares have been listed on NSE and BSE since October 31, 2005.

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

NSE							
Year	**Date of High**	**High (Rs.)**	**Volume on date of High (No. of shares)**	**Date of Low**	**Low (Rs.)**	**Volume on date of low (No. of shares)**	**Average Closing (Rs.)**
2005	20.12.2005	570.00	1,563,765	1.11.2005	256.10	805,619	377.08
2006	12.04.2006	1665.00	147,039	27.12.2006	378.00	114,615	833.68
2007 (Jan 1 to Sept 30)	26.09.2007	739.90	1,270,867	28.02.2007	260.10	846,643	499.25

(Source: NSE Website)

BSE							
Year	**Date of High**	**High (Rs.)**	**Volume on date of High (No. of shares)**	**Date of Low**	**Low (Rs.)**	**Volume on date of low (No. of shares)**	**Average Closing (Rs.)**
2005	20.12.2005	571.00	909,942	1.11.2005	256.00	512,603	376.93
2006	12.04.2006	1667.00	106,500	28.12.2006	391.05	210,396	833.31
2007 (Jan 1 to Sept 30)	26.09.2007	740.00	574,403	28.02.2007	272.00	425,290	499.02

(Source: BSE Website)

Monthly high and low prices for the six months preceding period from April 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.)**
April	04.04.2007	510.00	3,330,675	26.04.2007	416.35	376,943	457.74
May	22.05.2006	623.00	1,215,078	22.05.2007	437.15	514,546	545.56
June	06.06.2007	662.95	844,978	06.06.2007	558.70	844,978	616.49
July	13.07.2007	699.80	435,279	26.07.2007	596.20	485,909	633.40
August	01.08.2007	622.00	189,459	22.08.2007	444.25	132,863	512.45
September	26.09.2007	739.90	1,270,867	06.09.2007	515.00	257,117	601.06

(Source: NSE Website)

Monthly high and low prices for the six months preceding period from April 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.)
April	04.04.2007	509.00	1,998,807	26.04.2007	416.2	136,046	457.30
May	22.05.2006	622.00	545,970	03.05.2007	438.05	196,008	545.10
June	06.06.2007	663.90	363,177	19.06.2007	575.55	110,399	616.15
July	13.07.2007	671.10	221,599	26.07.2007	596	210,502	632.98
August	01.08.2007	626.00	101,147	22.08.2007	443	61,336	512.33
September	26.09.2007	740.00	574,403	06.09.2007	516	127,986	600.67

(Source: BSE Website)

Market Price on the first working day following the Board Meeting approving the Qualified Institutional Placement, in this case, July 26, 2007

Date	Open	High	Low	Close
26.07.2007	608	634	596.2	617.95

(Source: NSE Website)

Market Price on the first working day following the Board Meeting approving the Qualified Institutional Placement, in this case, July 26, 2007

Date	Open	High	Low	Close
26.07.2007	591.8	604.8	585.5	596.25

(Source: BSE 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.

Period	Volume
September 2007	18,034,977
August 2007	4,982,641
July 2007	9,422,513
June 2007	17,796,022
May 2007	13,656,807
April 2007	17,983,939

(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.

Period	Volume
September 2007	8,239,491
August 2007	2,317,913
July 2007	4,388,749
June 2007	7,315,000
May 2007	6,685,983
April 2007	10,175,396

(Source: BSE Website)

SECTION IX: CHANGES IN CAPITAL STRUCTURE

Our Equity Share Capital as on September 30, 2007 is set forth below -

Particulars	Nominal Value)
Authorized Capital	Rs. 350,000,000 divided into 35,000,000 Equity shares of Rs.10 each and Rs. 700,000,000 divided into 70,000,000 Preference Shares of Rs. 10/- each
Issued, Subscribed and Paid Up Capital	Rs. 248,096,490 divided into 24,809,649 equity shares of Rs.10 each.

Changes in the Authorised Share Capital of the Company since inception

Date of the meeting	Particulars
Since Incorporation	9,500,000
September 28, 1998	40,000,000
April 30, 1998	150,000,000
September 30, 1999	250,000,000
May 4, 2004	400,000,000
December 28, 2006	1,050,000,000

Changes in the paid-up capital

Date of allotment/ Fully paid-up / Buy-back	No. of Equity Shares	Cumulative number of Equity shares	Face Value (Rs.)	Issue Price	Share Premium	Nature of payment of Consideration	Particulars	Cumulative Share Premium (Rs.)
October 25, 1995	70	70	10	10	NIL	Cash	Subscribers to the Memorandum	NIL
December 24, 1998	1,670,500	1,670,570	10	10	NIL	Cash	Further issue of shares	NIL
March 5, 1999	287,000	1,957,570	10	10	NIL	Cash	Further issue of shares	NIL
September 6, 1999	4,306,430	6,264,000	10	10	NIL	Cash	Further issue of shares	NIL
December 6, 1999	2,000,000	8,264,000	10	10	NIL	Cash	Allotted to Karnataka State Industrial Investment & Development Corporation Limited.	NIL
December 4, 2000	3,009,500	11,273,500	10	10	NIL	Cash	Further issue of shares	NIL
August 21, 2001	636,000	11,909,500	10	10	NIL	Cash	Further issue of shares	NIL
June 26, 2002	846,500	12,756,000	10	10	NIL	Cash	Further issue of shares	NIL
March 29, 2003	447,000	13,203,000	10	10	NIL	Cash	Further issue of shares	NIL
June 28, 2003	99,700	13,302,700	10	10	NIL	Cash	Further issue of shares	NIL
November 19, 2003	279,500	13,582,200	10	10	NIL	Cash	Further issue of shares	NIL

Date of allotment/ Fully paid-up / Buy-back	No. of Equity Shares	Cumulative number of Equity shares	Face Value (Rs.)	Issue Price	Share Premium	Nature of payment of Consideration	Particulars	Cumulative Share Premium (Rs.)
September 24th, 2004	1,125,000	14,707,200	10	10	NIL	Cash	Further issue of shares	NIL
December 6, 2004	195,000	14,902,200	10	10	NIL	Cash	Further issue of shares	NIL
March 1 2005	786,000	15,688,200	10	10	NIL	Cash	Further issue of shares	NIL
May 9 2005	4,311,800	20,000,000	10	10	NIL	Cash	Further issue of shares	NIL
October 26, 2005	3,508,772	23,508,772	10	10	NIL	Cash	IPO	NIL
November 29, 2005	300,877	23,809,649	10	10	NIL	Cash	Green Shoe option	NIL
September 7, 2007	1,000,000	24,809,649	10	10	NIL	Cash	Preferential allotment of shares	NIL
TOTAL	**24,809,649**							

Note: Murkumbi Bioagro Private Limited and Murkumbi Industries Private Limited made applications to the Company for 2,50,00,000 and 3,50,00,000 9% Cumulative Redeemable Preference Shares of Rs. 10/- each. Vide resolution dated December 29, 2006 the Committee of Board of Directors of our Company allotted such preference shares at par to these applicants. All these preference shares are redeemed by the Company on August 25, 2007.

SECTION X: LEAD MANAGER AND SOLE BOOKRUNNER AND OTHER ADVISORS TO THE PLACEMENT

Issuer
Shree Renuka Sugars Limited Registered office: BC 105 Havelock Road, Camp, Belgaum 590 001. Tel: +91 831 240 4000 Fax: +91 831 240 4961; Contact Person: Mr. R.H. Sadekar E-mail:; Website: www.renukasugars.com Corporate Office: 7th floor, Devchand House, Shiv Sagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400 018 Tel: +91 022 2497 7744 Fax: +91 022 2497 7747; Contact Person: Mr. C. Dwaraka Nath Acharya.
Lead Manager and Sole Book-Runner
Motilal Oswal Investment Advisors Private Limited 113/114, 11th Floor, Bajaj Bhawan, Nariman Point Mumbai 400 021, India Tel: 022 3980 4380; Fax: 022 3980 4315 Email: renukasugar@motilaloswal.com Contact Person: R. Anand / Rupesh Khant
Legal Advisor to the Issue
Khaitan & Co., Advocates, Solicitors, Notaries, Patent & Trademark Attorneys. 4th & 5th Floor, Meher Chambers R.K Marg, Ballard Estate, Mumbai 400 038, India Tel: (022) 6636 5000; Fax: (022) 6636 5050 Email: bom@khaitanco.com
Registrar to the Placement
Karvy Computershare Private Limited Plot No 17-24, Vithal Rao Nagar, Madhapur, Hyderabad -500 081. Tel: +91-40 23440627; Fax: +91-040 23311968 E-mail: renukasugars@karvy.com Contact Person: Mr. K.S.Reddy
Bankers to the Placement
[•]
Auditor
Ashok Kumar, Prabhashankar & Co SF-7,Business Point, 137, Brigade Road Bangalore 560 025, India Tel: +91-080_2223 7045; Fax: +91-080 2224 1084 Email: kn_ps@vsnl.com Contact Person: Mr. K.N.Prabhashankar

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.

	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

(Source: Federal Reserve Bank of New York)

SECTION XI: 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. [•].

The company intends to use the net proceeds received from the issue towards capital expenditure, investment in subsidiaries, general corporate purposes, including working capital and strategic initiatives and acquisitions.

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

SECTION XII: CAPITALIZATION STATEMENT

The table below sets forth the Company's unaudited capitalization and indebtedness as on June 30, 2007 as adjusted to account for the issue of equity shares. The capitalization statement is based on the Limited review for the period ended June 30, 2007 as adjusted to reflect the receipt of the net proceeds of the Placement and the application thereof.

(Rs. in million)

Particulars	**Before QIP**	**As adjusted following issue of shares pursuant to QIP**
Secured Loans as on June 30, 2007	5439.14	[•]
Unsecured Loans as on June 30, 2007	335.34	[•]
Total Debt (A)	**5774.48**	[•]
Authorized Equity Share Capital (having face value of Rs.10/- each)	350.00	[•]
Authorized Preference Share Capital (preference shares having face value of Rs.10/- each)	700.00	[•]
Paid Up Equity Capital	238.10	[•]
Paid Up Preference Capital (9% cumulative redeemable preference shares having face value of Rs.10/- each)	600.00	[•]
Reserves and Surplus (Net of Misc. Exp.) as on June 30, 2007	3483.89	[•]
Amount raised via QIP	**-**	**[•]**
Total Shareholders' Funds (B)	**4321.99**	[•]
Total Capitalization (A+B)	**10096.47**	[•]

SECTION XIII: DIVIDENDS

Under the Companies Act, an Indian company pays dividends upon a recommendation by the board of directors and approval by a 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 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, 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 his Shares is outstanding. Dividends are payable within 30 days of approval by shareholders at the annual general meeting.

The 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 dividends declared by us on Equity Shares during the last three Fiscal years have been presented below.

	Fiscal 2007	**Fiscal 2006**	**Fiscal 2005**
Face value of Equity Shares (Rs. Per share)	-	Rs.10/-	Rs.10/-
Dividend (Rs. in million)	-	47.62	47.62
Dividend Tax (Rs. in million)	-	6.68	6.68
Dividend per Equity Share (Rs.)	-	Rs.2/-	Rs.2/-
Dividend Rate (%)	-	20%	20%

The dividends declared by us on our cumulative Redeemable Preference Shares during the last three Fiscal years have been presented below.

	Fiscal 2007	**Fiscal 2006**	**Fiscal 2005**
Face value of Preference Shares (Rs per share)	Rs.10/-	-	Rs.10/-
Dividend (Rs. in million)	35.51	-	0.12
Dividend Tax (Rs. in million)	6.03	-	0.02
Dividend per Preference Share (Rs.)	Rs.0.59	-	Rs.0.14
Dividend Rate (%)	9%	-	2%

We recognise 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 I. T. 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.

SECTION XIV: SELECTED FINANCIAL INFORMATION

The selected consolidated financial information as of and for the three years ended September 30, 2006, September 30, 2005 and September 30, 2004 and unaudited stand alone financial results for nine months ended June 30, 2007 and 2006 as set forth below have been derived from the audited and unaudited financial statements beginning on page 134 of this Preliminary Placement Document. The financial information of the 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 the 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business Overview" and the audited financial statements beginning on pages 48, 68 and 134 respectively of this Preliminary Placement Document.

Summary of Consolidated Income Statement for the last three financial years

(Rs. In million)

		As at	**As at**	**As at**
Particulars		**30.09.2004**	**30.09.2005**	**30.09.2006**
INCOME				
	Sales	2260.86	7954.85	11046.74
	Other Income	13.76	23.16	64.09
	TOTAL INCOME	**22274.62**	**7978.01**	**11110.83**
EXPENDITURE				
	Consumption of Raw Material	1183.16	3413.46	3964.05
	Cost of traded goods	652.08	3163.15	4548.46
	Payments & Benefits to Employees	35.17	81.97	122.24
	Financial Expenses	113.25	148.55	187.87
	Other Expenses	249.18	487.90	929.74
	Depreciation	70.75	79.97	87.86
	Misc.Expenses written off	1.79	16.31	11.19
	(Increase)/Decrease in Stocks	-180.71	-57.52	-128.28
	TOTAL EXPENDITURE	**2122.88**	**7333.79**	**9723.13**
PROFIT FOR THE YEAR BEFORE TAXATION		151.74	644.22	1387.70
	Less : Provision for Taxation for the year	8.8	75.80	164.00
	Provision for Taxation - Earlier Years	0	10.00	7.20
	Provision for Deferred Tax for the year	20.23	7.03	16.39
	Provision for Fringe Benefit Tax	0	0.35	2.44
	Depreciation - Earlier Years	0	7.58	0
	Others	0	55.13	0
	Profit After Tax	**122.71**	**488.33**	**1197.67**
	Surplus brought forward	15.10	9.06	334.35
	Less : Loss Carried forward from previous year	0.00	0.00	0.00
	Amount available for appropriation	137.81	497.39	1532.02
APPROPRIATIONS		0.00	0.00	0.00
	Transfer to General Reserve	50.00	100.00	300.00
	Transfer to Capital Redemption Reserve	63.22	8.50	0.00
	Proposed Dividend	13.74	47.84	47.62
	Dividend Tax	1.80	6.70	6.68
	Surplus Carried to Balance Sheet	9.06	334.35	1177.72
TOTAL		137.81	497.39	1532.02

(*) 2004 number are on stand alone basis

Summary of Consolidated Balance Sheet for the last three financial years

(Rs. In million)

		As at	As at	As at
Particulars		**30.09.2004**	**30.09.2005**	**30.09.2006**
SOURCES OF FUNDS :				
A.	Shareholders Funds :			
	Share Capital	155.57	200.00	238.10
	Reserves & Surplus	157.09	590.88	2781.90
B.	Loan Funds :			
	Secured Loans	679.58	711.91	3544.39
	Unsecured Loans	224.43	152.18	166.92
	Deferred Tax Liability	33.43	40.46	56.85
TOTAL		**1250.10**	**1695.43**	**6788.16**
APPLICATION OF FUNDS :				
A.	Fixed Assets :			
	Gross Block	1223.29	1403.32	1629.72
	Less: Depreciation	261.26	348.21	436.06
	Net Block of Fixed Assets	962.03	1055.11	1193.66
	Capital Work-in-Progress	0.00	81.73	3323.06
B.	Investments	0.05	0.55	0.57
C.	Current Assets and Loans and Advances :			
	a. Inventories	493.08	1123.46	1121.83
	b. Sundry Debtors	83.34	319.72	614.95
	c. Cash and Bank Balances	321.93	659.35	899.26
	d. Loans and Advances	80.99	118.96	774.66
	e. Other Current Assets	83.91	117.53	33.1
	Gross Current Assets	1063.25	2339.02	3443.80
	Less: Current Liabilities and Provisions	776.43	1781.66	1248.7
	Net Current Assets	286.82	557.36	2195.10
D	Miscellaneous Expenditure	1.20	0.68	75.77
	(To the extent not written off)			
TOTAL		**1250.10**	**1695.43**	**6788.16**

(*) 2004 number are on stand alone basis

Unaudited consolidated financial results for nine months ended June 30, 2007 and 2006

(Rs. In million)

Sr. No	Particulars	Quarter ended	Quarter ended	Nine Months ended	Nine Months ended	Year Ended
		30.06.2007	**30.06.2006**	**30.06.2007**	**30.06.2006**	**30.09.2006**
1	Net Sales/Income from operations.	2554.00	3418.00	6957.00	7793.00	11047.00
2	Other Income	218.00	2.00	233.00	51.00	64.00
3	Total Expenditure					
	a. (-Increase) / decrease in stock in trade	-127.00	99.00	-474.00	-1354.00	-128.00
	b. Consumption of raw materials	1798.00	2609.00	5418.00	7103.00	8513.00
	c. Staff Cost	81.00	32.00	190.00	100.00	122.00
	d. Other Expenditure	411.00	222.00	893.00	605.00	940.00
4	Interest	42.00	59.00	81.00	125.00	188.00
5	Depreciation	72.00	24.00	145.00	66.00	88.00
6	Profit before Tax	495.00	375.00	937.00	1199.00	1388.00
7	Provision for Taxation	128.00	30.00	235.00	191.00	183.00
	Provision for Taxation - Earlier Years		0.00	0.00	0.00	7.00
	Provision for Deferred Tax	0.00	0.00	0.00	0.00	0.00
8	**Net Profit**	**367.00**	**345.00**	**702.00**	**1008.00**	**1198.00**
9	Paid-up Equity Share Capital	238.10	238.10	238.10	238.10	238.10
10	Reserves excluding revaluation reserves	3485.00	2646.00	3484.00	2646.00	2782.00
11	Basic and Diluted Earnings					
	per share for the period	15.41	14.48	29.48	43.15	51.34
12	Aggregate of Non-Promoter Shareholding					
	No. of shares	14186999	12648199	14186999	12648199	12566699
	Percentage of Shareholding	59.59	53.12	59.59	53.12	52.78

SECTION XV: 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 consolidated financial statements as of and for year ended September 30 2005 and 2006, unaudited consolidated financial results for nine months ended June 30, 2006 and nine months ended June 30, 2007 referred to in this Placement Document as the "Financial Statements" This discussion should be read together with "Financial Statements" and related annexures 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.

Our fiscal year ends on September 30 of each year, so all references to a particular fiscal year are to the twelve-month period ended September 30 of that year. The term "revenues" or "turnover" or "sales" as used in this discussion refers to the item titled "total sales (net of excise duty)" in our financial statements. The data for the sugar industry is generally available for a Sugar Year (SY), which commences on October 1 and ends on September 30 of the succeeding year, so all references to a particular Sugar Year are to the twelve-month period ended September 30 of that year. Sugar is a seasonal industry. The period in which, sugarcane is processed to produce sugar is termed the "crushing season". In South India, the crushing season typically starts in the months of October/November and extends up to March/April. Therefore, references to a particular crushing season are to the period between October/November of the first fiscal year to the March/April of the following fiscal year. The intervening period between two crushing seasons is termed "off-season".

Overview

We are a fully integrated sugar company focused on sugar manufacturing and trading with by products such as power, ethanol and bio-fertilizer. Our company has three owned sugar units in Karnataka and three leased sugar units in Maharashtra and Karnataka. Our key manufacturing facility is located at Munoli, Athani & Havalga in Karnataka and three leased facilities at Ajara & Arag in Maharashtra and at Aland in Karnataka. Our Company's Munoli & Athani units are an integrated zero percent wastage integrated sugar-manufacturing unit.

In fiscal 1998, we have acquired a sugar mill at Hindupur in Andhra Pradesh with a capacity of 1,250 TCD from the Government of Andhra Pradesh. This unit was moved to Munoli, Karnataka and expanded the manufacturing capacity to 2,500 TCD with an 11.2 MW co-generation plant and trial production took place in 1999. We have subsequently increased the co-generation capacity from 11.2 MW to 20.5 MW.

In fiscal 2002, we ventured into manufacture of ethanol by setting up a distillery with a capacity of 60 KLPD at our Munoli unit. In 2003, we set up a refinery to process raw sugar with a processing capacity of 250 TPD at Munoli and subsequently increased to 1,000 TPD.

In 2004, our Company acquired on lease, a loss-making co-operative sugar mill in Ajara, Maharashtra with a manufacturing capacity of 2,500 TCD and added another lease facility of 2,500 TCD in Arag, Maharashtra and subsequently which got commissioned in the ongoing crushing season and Arag Plant was further expanded to 4,000 TCD in 2006. In 2005, our Company has acquired from M/s. Haripriya Sugars, a green-field project at Athani with land and licenses and successfully commissioned 6,000 TCD plant in March, 2007 with co-generation facility of 37 MW and distillery of 120 KLPD. During the same period we have also acquired a sick sugar mill in Sindhkheda, Dhule, Maharashtra of 2500 TCD from Sitson India Private Limited which was dismantled and relocated & expanded to 4,000 TCD at Havalga, Afzalpur, Karnataka. our Company acquired another unit on a lease basis, a loss-making co-operative sugar mill in Aland, Karnataka with a 1,250 TCD plant.

Our current manufacturing capacity of Sugar, Energy and Distillery is 25,250 TCD, 103.5 MW and 450 KLPD respectively at various locations in the state of Karnataka, Maharashtra and West Bengal. Our refining capacity of raw sugar is 4,000 TPD at Munoli, Athani and Haldia.

Our Company's merchant export division is the second largest sugar exporter out of India. We have built a capability in sugar trade business and incorporated a wholly owned overseas subsidiary, Renuka Commodities DMCC in Dubai. In the first year of incorporation (FY05), Renuka Commodities DMCC posted a profit of Rs.153 million and achieved a turnover of Rs.1,562.97 million.

Our company came out with an Initial Public Offer (IPO) at an issue price of Rs.285/- per share aggregating to Rs.1,100 million. Our Company was listed with NSE and BSE on October 31, 2005 and price at the browser opened at 9% premium to the issue price. Our Company has nearly 9,000 farmers as its shareholders. These farmers were allotted equity shares at par during the initial stage of operations of our Company on private placement basis.

Our Company's consolidated net revenue and profit after tax has increased at a CAGR of 121% and 212% respectively over a period of last three years. Our company has achieved a revenue of Rs.6,957 million for the nine months ended June 30, 2007. Our export sales contributes 38% of total sales on a stand alone basis for the year ended September 30, 2006 and 44% for the nine months ended June 30, 2007 on a stand alone basis.

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 [•] 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 Sugar industry.**

  The Indian government has implemented policies to sustain the growth of the Sugar industry, including policies such as extension of export subsidies to the sugar producer, reduction of custom duty on alcohol and molasses, mandatory blending of ethanol, subsidized loans to sugar mills. Any modification or withdrawal of these policies could adversely impact the profitability of Sugar companies in general and may also adversely affect our financial results and operations.

- **Cost of Raw material and their availability**

  Our results of operations are subject to the availability of raw material from the farmers, its cost and quality to manufacture the sugar. The main raw material used for manufacture of sugar is Sugarcane. Sugarcane price is governed by notifications of the GoI and the respective state governments. The GoI determines the minimum price payable to farmers, known as the Statutory Minimum Price ("SMP"). The availability of sugarcane is based on the monsoon season and weather conditions. Failure to obtain the required quantity of sugarcane at required price is critical for our financial condition and may adversely affect our results of operation.

- **Volatility in the prices of Sugar**

  The price of free sale sugar is determined by market forces. Sugar has been classified as an essential commodity under Essential Commodities Act, 1955. The pricing of a certain percentage of sugar is fixed by the Ministry of Food and Civil Supplies, Government of India for different levy price zones. Such volatility in sugar prices may adversely affect our financial condition and results of operations.

- **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. We primarily face competition from sugar mills located in Karnataka and Maharashtra. Our competition in the industrial sugar segment is primarily with other sugar mills who manufacture refined sugar. 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 consolidated financial statement of our company for the year ending September 30, 2004, September 30, 2005, September 30, 2006 and for the nine months ended June 30, 2007. The table also includes unaudited financial results for the nine months ended June 30, 2007 which have been subjected to a limited review by our auditors.

Key Operational Parameters	For the year ended September 30,			For the nine months ended June 30,	
	2004	2005	2006	2007	2006
Sugar Plant					
Sugarcane Crushed (Tons)	576,730	892,120	1,800,525	2,698,762	1,800,525
No of refinery operation days	208	329	230	269	230
Raw sugar processed (Tons)	44,635	157778	86198	8,630	86,198
Recovery (weighted average)	10.75%	10.55%	11.28%	10.76%	11.28%
Sugar Production					
- From Cane (tons)	61257	94158	203057	262,437	203,057
- From Raw Sugar (tons)	41,625	149318	82044	27,849	82,044
- From Refinery (tons)	-	-	-	7,603	-
Total Sugar produced (tons)	102,882	243476	285101	289,259	285,101
Cogeneration Plant					
Generation of Power (million kwh)	58.22	85.81	98.17	68.68	73.00
Power Exported (million kwh)	31.12	44.91	39.80	28.39	39.53
Captive Consumption (million kwh)	27.73	40.90	58.47	40.29	33.47
Ethanol Plant					
Total Spirit Produced (kiloliters)	12,212	15,655	11,979	21,075	11,979

OUR RESULTS OF OPERATION

(Rs. in Million)

	For the year ended September 30,						For the nine months ended June 30,			
Particulars	**2006**	**% of total Income**	**2005**	**% of total Income**	**2004**	**% of total Income**	**2007**	**% of total Income**	**2006**	**% of total Income**
INCOME										
Consolidated Sales (net of excise duty)	11,047	98.3%	7,955	99.0%	2,261	92.1%	6,957	90.8%	7,793	84.7%
Other Income	64	0.6%	23	0.3%	14	0.6%	233	3.0%	51	0.6%
Increase / (Decrease) in Inventories	128	1.1%	58	0.7%	181	7.4%	474	6.2%	1,354	14.7%
Total Income	**11,239**	**100.0%**	**8,036**	**100.0%**	**2,455**	**100.0%**	**7,664**	**100.0%**	**9,198**	**100.0%**
EXPENDITURE										
Raw Material Consumption	3,964	35.3%	3,413	42.5%	1,183	48.2%	3,299	43.0%	3,998	43.5%
Cost of Goods Traded	4,548	40.5%	3,163	39.4%	652	26.6%	2,119	27.6%	3,105	33.8%
Personnel expenses	122	1.1%	82	1.0%	35	1.4%	190	2.5%	100	1.1%
Operating and other expenses	930	8.3%	488	6.1%	221	9.0%	893	11.7%	605	6.5%

Particulars	For the year ended September 30,						For the nine months ended June 30,			
	2006	% of total Income	2005	% of total Income	2004	% of total Income	2007	% of total Income	2006	% of total Income
Miscellaneous expenses Written off	11	0.1%	16	0.2%	28	1.1%	-	-	-	-
Total Expenditure	**9,576**	**85.2%**	**7,163**	**89.1%**	**2,120**	**86.3%**	**6,501**	**84.8%**	**7,808**	**84.9%**
Earnings Before Interest, Depreciation, Tax and Amortization	**1,663**	**14.80%**	**873**	**10.86%**	**336**	**13.67%**	**1,163**	**15.2%**	**1,390**	**15.1%**
Depreciation/ amortization	88	0.8%	80	1.0%	71	2.9%	145	1.9%	66	0.7%
Interest and Finance charges	188	1.7%	149	1.8%	113	4.6%	81	1.1%	125	1.4%
Profit before tax	**1,388**	**12.3%**	**644**	**8.0%**	**152**	**6.2%**	**937**	**12.2%**	**1,199**	**13.0%**
Provision for tax										
Current Tax	164	1.5%	76	0.9%	9	0.4%	235	3.0%	191	2.1%
Earlier years	7	0.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Fringe benefit tax	2	0.0%	0	0.0%	-	0.0%	-	0.0%	-	0.0%
Deferred Tax	16	0.1%	7	0.1%	20	0.8%	-	0.0%	-	0.0%
Profit after tax before adjustments	**1,205**	**10.7%**	**561**	**7.0%**	**123**	**5.0%**	**702**	**9.2%**	**1,008**	**10.9%**
Less:										
Tax Earlier years	7		10							
- Depreciation earlier years	0		8							
- Others	-		55							
Adjusted Profit After Tax	**1,198**	**10.7%**	**488**	**6.1%**	**123**	**5.0%**	**702**	**9.2%**	**1,008**	**10.9%**

Income Statement

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

	For the year ended September 30,						For the nine months ended June 30,			
	2004		2005		2006		2007		2006	
Division	**Revenue**	**% to total revenue**	**Revenue**	**% to total revenue**	**Revenue**	**% to total revenue**	**Revenue**	**% to total revenue**	**Revenue**	**% to total revenue**
Sugar	1,914	26.8%	5,870	29.4%	7,566	68.5%	4,984	71.6%	5,266	67.6%
Sugar Traded - WOS	-	-	1,563	17.8%	3,031	27.4%	1,336	19.2%	2,167	27.8%
Co-Generation	109	10.5%	166	5.0%	154	1.4%	395	5.7%	154	2.0%
Ethanol		11.4%		5.4%		2.6%	235	3.4%	194	2.5%

	233		350		282					
Bio-Fertilizer	4	0.2%	7	0.1%	14	0.1%	7	0.1%	13	0.2%
Total Revenue	**2,261**	**100%**	**7,955**	**100%**	**11,047**	**100%**	**6,957**	**100%**	**7,793**	**100%**

Our consolidated net revenue for the fiscal 2006 was grown by 28.9% from Rs.7,955 million in 2005 to Rs.11,047 million in fiscal 2005. In 2005, we have set up a wholly owned subsidiary company namely Renuka Commodities DMCC, Dubai for trading of sugar in the world market. Our revenue through our subsidiary company was Rs.1,563 million in 2005 and increased to Rs.3,031 million in fiscal 2006.

Our revenue from Co-generation business increased from Rs.109 million in fiscal 2004 to Rs.154 million in fiscal 2006. Our revenue from ethanol is increased from Rs.233 million in fiscal 2004 to Rs.282 million in fiscal 2006. Our revenue from bio-fertilizer was Rs.4 million in fiscal 2004 and increased to Rs.14 million in fiscal 2006.

Raw Material Cost

Our total expenditure on raw materials in fiscal 2006 was Rs.3,964 million i.e. 35.3% of total income as compared to Rs.1,260 million i.e. 46.7% of total income in fiscal 2005. Our raw material cost was declined by 11.4% of total income mainly on account of increase in volume of business and better utilization of by products received from sugar manufacturing. Our raw material cost comprises mainly Sugarcane only.

The higher crush for fiscal 2004 was due to the late commencement of the crushing season in 2002-2003 as a result of which considerable duration of the crushing season of 2002-2003 spilled over into fiscal 2004. However, the total quantity of sugarcane crushed in the crushing season 2004-2005 was higher than the total quantity of sugarcane crushed by us in the crushing season 2003-2004 by 1.41%.

Debt Structure

Our outstanding Long Term Debt as on September 30, 2006 was Rs.2,575.15 million out of which Rs.217.51 million was a soft loan from Sugar Development Fund and ECB of Rs.1,443.63 million. Unsecured Loans was stood at Rs.166.92 million mainly consists of purchase tax deferment of Rs.149.16 million and Cane Development Loan of Rs.13.75 million. The net working capital borrowing as on September 30, 2006 is Rs.864.23 million. Improvements in credit management and cash management arrangements contributed increased working capital efficiencies during the year.

Our outstanding Long Term Debt as on September 30, 2005 was stood at Rs.367.91 million out of which Rs.187.78 million was a soft loan from Sugar Development Fund. Unsecured Loans was Rs.152.18 million mainly consists of purchase tax deferment of Rs.128.29 million and short-term loans from Co-Op banks of Rs.14.50 million. The net working capital borrowing as on September 30, 2005 was Rs.561.36 million. The company continued to pursue its efforts in optimizing the cost of borrowing during the year. Improvements in credit management and cash management arrangements contributed increased working capital efficiencies during the year.

Fixed Assets:

Our gross block of fixed assets as on September 30, 2006 were at Rs.1,629.72 million as against Rs.1,403.32 million during the corresponding period as on September 30, 2005. The capital expenditure is inclusive of expansion, new projects & acquisitions at various locations.

Our gross block of fixed assets and intangible assets as on September 30, 2005 were at Rs.1,403.32 million as against Rs.1,223.29 million in the previous year.

Dividend:

Our Company has declared a dividend of 20% for the financial year 2005-06 and 2004-05 to our shareholder of equity shares. In financial year 2003-04, our company had declared a dividend of 10% to the equity shareholders.

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 # of this Preliminary Placement Document.

- **Comparison of Financial for the nine months ended June 30, 2007 to the nine months ended June 30, 2006**

Income

Our consolidated net sales for the nine months ended June 30, 2007 is Rs.6,957 million as compared to Rs.7,793 million for the corresponding period ended June 30, 2006. There has been decrease of sales by 10.7% as compared to the corresponding previous year. This decline in sales is primarily on account of reduction in sale price of sugar.

Raw material Consumption

Our raw material cost for the nine months ended June 30, 2007 is Rs.5,418 million i.e. 70.69% as compared to Rs.7,103 million i.e. 77.22% for the nine months ended June 30, 2006. Our raw material cost is reduced by 6.5% of total income in the nine months ended June 30, 2007 mainly on account of lower cost of sugarcane as compared to the corresponding previous period.

Operating & Other Expenses

Our operating expenses mainly comprise of the expenses toward consumption of store & spares, Processing charges, power & fuel, managerial commission and repairs & maintenance. Our Operating and other expenses for the nine months ended 2007 is Rs.893 million i.e. 11.65% of total income vis-à-vis Rs.605 million i.e. 6.58% of total income for the corresponding nine months ended June 30, 2006. Our operating and other expenses are increase by 5.07% of total income in the nine months ended June 30, 2007, mainly on account of significant export volumes and corresponding freight, forwarding and insurance charges.

Personnel Expenses

The personnel expenses for the nine months ended is increased to Rs.190 million i.e. 2.48% of total income from Rs.100 million i.e. 1.09% of total income during the nine months ended June 30, 2006. The reason for increase in personnel expenses as a percentage to total income is mainly on account of lower realization from sale of sugar.

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

Our EBIDTA is Rs.1,390 million i.e. 15.11% of total income and Rs.1,163 million i.e. 15.17% of total income during the nine months ended June 30, 2006 and June 30, 2007 respectively. Inspite of decrease in revenue, our company could able to maintain the EBIDTA margin.

Interest and Financial Charges

Our interest and financial charges is decreased to Rs.81 million for the nine months ended June 30, 2007 from Rs.125 million during the corresponding period ended June 30, 2006. This decline is on account of lesser utilization of working capital facilities in the nine months ended June 30, 2007.

Depreciation and Amortization

Depreciation pertains to the depreciation on Plant & Machinery, Building, Vehicles and Furniture & Fixtures. Depreciation on fixed assets was Rs.145 million in the nine months ended June 30, 2007 vis-à-vis Rs.66 million during the corresponding period ended June 30, 2006. Our sugar manufacturing units, Distillery and Bio-fertilizer units are depreciated using Straight Line Method (SLM), while our power generation facility is depreciated using the Written Down Value (WDV).

Profit After tax

Profit after tax has declined by 1.80% of total income from Rs.1,008 million in the nine months ended June 30, 2006 vis-à-vis Rs.702 million in the corresponding period ended June 30, 2007. The decline in profit margin is primarily on account of low realization from sale of sugar. We have made a provision of Rs.235 million for the current tax as compared to Rs.191 million in the nine months ended June 30, 2006.

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

Income

The consolidated net sales of Rs.11,047 million which has been grown by 39% over the previous corresponding year 2005. The main reason for increase in sales is on account of better realization from sale of sugar. Our total sales for the year 2005-06 constitutes 95.9% from sugar business, 1.4% from power business, 2.6% from ethanol and 0.1% from Bio-fertilizers.

The other income for the year ended September 30, 2007 was Rs.64 million vis-à-vis Rs.23 million in fiscal 2004-05. The other income derived mainly from interest on bank deposits.

Raw Material Consumption

Our total cost of raw material for the fiscal 2006 was Rs.8,513 million as compared to Rs.6,577 million in fiscal 2005. In fiscal 2005-06, the cost of raw material for our manufactured goods was Rs.3,964 million i.e 35.30% of total revenue as compared to Rs.3,413 million i.e. 42.50% of total revenue in fiscal 2004-05. Our cost of raw material for traded goods was Rs.4,548 million as compared to Rs.3,163 million in fiscal 2005.The reason for decline in cost of raw material is mainly on account of excess supply of sugarcane during the year resulting into availability of sugarcane at the cheaper price.

Operating and Other expenses

Our operating expenses mainly comprise of the expenses toward consumption of store & spares, Processing charges, power & fuel, managerial commission and repairs & maintenance. Our company has incurred Rs.931 million i.e. 8.3% of total income for the year 2005-06 as compared to Rs.488 million i.e. 6.1% of total income for the year 2004-05. The reason for increase in operating expenses as a percentage of total income in fiscal 2005-06 was on account of the cost incurred towards freight and forwarding charges for sale of sugar through our subsidiary company, Renuka Commodities DMCC, Dubai.

Personnel Expenses

Personnel expenses mainly comprise of the expenses such as salaries & bonus, contribution towards provident funds Leave encashment & Gratuity. Our personnel expenses for the year 2005-06 was Rs.122 million i.e.1.1% of total income as compared to Rs.82 million i.e. 1.0% 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 in fiscal 2005 was Rs.874 million i.e. 10.9% vis-à-vis Rs.1,663 million i.e. 14.8% of total income in fiscal 2006. Our EBIDTA margin has been improved by 3.9% of total income mainly on account of availability of sugarcane at the cheaper rate.

Interest and Finance charges

The cost towards interest and financial charges has increased from Rs.149 million in fiscal 2005 to Rs.188 million in fiscal 2006. 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.88 million in fiscal 2006 vis-à-vis Rs.80 million in 2005. Our sugar manufacturing units, Distillery / Ethanol and Bio-fertilizer units are depreciated using Straight Line Method (SLM), while our power generation facility is depreciated using the Written Down Value (WDV).

Profit after tax

Profit after tax has improved by 4.6% of total income from Rs.488 million in fiscal 2005 vis-à-vis Rs.1,198 million in fiscal 2006. Our net profit margin has improved primarily on account of better realization from sale of sugar and availability of sugarcane used for manufacturing at the cheaper price. We have made a provision of Rs.164 million for the current tax and Rs.16 million for deferred tax as compared to Rs.76 million and Rs.7 million for current and deferred tax respectively in fiscal 2005.

- **Comparison of Fiscal 2005 to Fiscal 2004**

Income

The consolidated net sales for the fiscal 2005 was Rs.7,955 million which has been grown by 252% over the previous corresponding year 2004. The main reason for increase in sales was both, due to increase in production and also in increase in trading activity, this supported by better realization from sale of sugar as compared to the previous year. Our total sales for the year 2004-05 constitutes 93.4% from sugar business, 2.1% from power business, 4.4% from ethanol and 0.1% from Bio-fertilizers.

The other income for the year ended September 30, 2005 was Rs.23 million vis-à-vis Rs.14 million in fiscal 2003-04. The other income derived mainly from interest on bank deposits.

Raw Material Consumption

Our total cost of raw material for the fiscal 2005 was Rs.6,577 million as compared to Rs.1,835 million in fiscal 2004. In fiscal 2004-05, the cost of raw material for our manufactured goods was Rs.3,413 million i.e 42.50% of total revenue as compared to Rs.1,183 million i.e. 48.20% of total revenue in fiscal 2003-04. Our cost of raw material for traded goods was Rs.3,163 million in fiscal 2005 as compared to Rs.652 million in fiscal 2004. The cost of raw material was declined by 5.7% of total income mainly on account of excess production of sugarcane resulting into reduction in the prices of sugarcane.

Operating and Other expenses

Our operating expenses mainly comprise of the expenses toward consumption of store & spares, Processing charges, power & fuel, managerial commission and repairs & maintenance. Our company has incurred Rs.488 million i.e. 6.1% of total income for the year 2004-05 as compared to Rs.221 million i.e. 9.0% of total income for the year 2003-04. The operating and other expenses is declined by 2.9% of total income primarily on account of better realization from sale of sugar and procurement of raw material from the farmers at cheaper price as compared to the previous year.

Personnel Expenses

Personnel expenses mainly comprise of the expenses such as salaries & bonus, contribution towards provident funds Leave encashment & Gratuity. Our personnel expenses for the year 2004-05 was Rs.82 million i.e.1.0% of total income as compared to Rs.35 million i.e. 1.4% of total income for the year 2003-04. 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 in fiscal 2004 was Rs.336 million i.e. 13.7% vis-à-vis Rs.874 million i.e. 10.9% of total income in fiscal 2005. Our EBIDTA margin is declined by 2.8% of total income mainly on account of revenue generated from trading of sugar through our subsidiary company in fiscal 2005 which gives lower margin as compared to the margin generated from manufacturing and selling of sugar.

Interest and Finance charges

The cost towards interest and financial charges has increased from Rs.113 million in fiscal 2004 to Rs.149 million in fiscal 2005. 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.80 million in fiscal 2005 vis-à-vis Rs.71 million in 2004. Our sugar manufacturing units, Distillery and Bio-fertilizer units are depreciated using Straight Line Method (SLM), while our power generation facility is depreciated using the Written Down Value (WDV).

Profit after tax

Profit after tax has improved by 1.1% of total income from Rs.123 million in fiscal 2004 vis-à-vis Rs.488 million in fiscal 2005. Our net profit margin has improved primarily on account of better realization and availability of sugar at the cheaper rate as compared to the previous year. We have made a provision of Rs.76 million for the current tax and Rs.7 million for deferred tax as compared to Rs.9 million and Rs.20 million for current and deferred tax respectively in fiscal 2004.

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 funds generated from our operations and financing from banks and 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 Consolidated Cash flows

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 September 30,**		
	2006	**2005**	**2004**
Net cash Inflow/ (Outflow) from Operating activities	129.53	796.16	445.58
Net cash Inflow/ (Outflow) from Investing activities	(3,464.23)	(242.41)	(141.32)
Net cash Inflow/ (Outflow) from Financing activities	3,574.61	(189.33)	(20.09)
Net increase/ (decrease) in Cash and Cash equivalents	239.91	337.42	284.13

Operating Activities: Net cash generated from operating activities during the year ended September 30, 2006 was Rs.129.53 million. The operating profit before working capital changes was Rs.1,674.03 million, and the difference was largely due to increase in receivables and inventories and reduction of trade payables.

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

(Rs. in Million)

Net Block	**For the year ended September 30,**		
	2006	**2005**	**2004**
Land	127.16	57.32	57.59
Buildings	254.85	238.00	148.32
Plant and machinery	739.29	731.43	736.21
Furniture and fixtures	45.50	14.23	9.37
Vehicles	26.86	14.13	10.84
Total	**1,193.66**	**1,055.11**	**962.03**
Capital work in progress	**3,323.06**	**81.73**	**-**

Our investments are primarily to purchase fixed assets used in our manufacturing of sugar and power. During the year ended September 30, 2006, Rs.3,323.06 million was deployed towards capital work in progress.

The net cash used for our investment activities in fiscal 2005 was Rs.242.41 million out of which Rs.258.67 million used for purchase of fixed assets and deployment towards capital work in progress.

The net cash used for our investment activities in fiscal 2004 was Rs.141.32 million. We have used Rs.148.34 million for purchase of fixed assets in fiscal 2004.

Financing activities: Net cash generated by financing activities was Rs.3,574.61 million during the year ended September 30, 2006, primarily due to increase in long term loans, unsecured loans and proceeds from issue of equity shares in the public issue. The net cash used for our financing activities in fiscal 2005 was Rs.189.33 million. The cash used mainly towards repayment of short term and long term loans.

Contingent Liabilities

The principal contingent liabilities disclosed in the notes to the financial statements as at September 30, 2006 are as follows.

Particulars	**Amount (Rs. in Million)**
Outstanding Bank Guarantee	416.16
Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	1,923.66
Amount payable for Purchase of Property in Dubai	12.47
Total	**2,352.29**

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. Our companies export's and carbon credit revenue are in foreign currencies of USD and EURO and operations of our subsidiary company, Renuka Commodities DMCC, Dubai are in USD/AED. Our Company manages this risk by taking forward contracts and hedging policies.

- ***Interest Rate Risk***

  Our borrowings also includes LIBOR denominated credit facilities and subject to changes in interest and exchange rates. However, due to different hedging strategies, our company minimizes volatility in the forex market.

- ***Business and Operational Risk***

  Sugar, being a commodity, carries volatility risks associated with the cycle in price and volumes. Our integrated model and bio fuel strategy going forward seeks to derive 45% of revenue from sugar and 55% of revenue from non cyclical products viz. refinery, power and ethanol. Our share of EBITDA from non-sugar co-products is significant as compared to the industry margin level and hence the variation would be lower.

- ***Commodity Price Risk***

  We are one of the largest merchant exporter of Indian sugar. This trading portfolio gives us a deeper insight into domestic and international market and ability to hedge our own manufactured sugar. It also helps our Company to forge relationships with large players in the international market. We have technical and trading tie-up with Tate & Lyle Industries Pte, UK which is and one of the Europe's largest sugar refiner with a revenues of EURO 4.07 billion in 2007. We have set up an overseas subsidiary based in Dubai for trading in sugar and to establish a continuous presence in the world sugar market to get global access. This strategy will significantly de-risk us in our business model and also derive benefits of arbitrage trading.

SECTION XVI: INDUSTRY OVERVIEW

The information in this section is derived from various government publications and other industry sources viz. www.fas.usda.gov, indiansugar.com, F.O. Lichts World Sugar Yearbook 2007, KPMG analysis, KPMG – Sugar Sector Roadmap 2017, Indian Sugar Magazine December 2004, published by ISMA, The Hindu Business Line, December 12, 2006, The Economic Times and other publicly available information . Neither we nor any other person connected with the Issue have verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information.

Global Overview

World Sugar Market

World sugar production for the 2007-08 marketing year is forecast at 163.3 million tons, raw value, up 2 million tons from the revised 2006/07 estimate. Consumption is forecast at 149.4 million tons, up 513,000 tons from a year earlier. Exports are forecast at 50.8 million tons, up 2.1 million tons; and ending stocks are forecast at 45 million tons, up 6.1 million tons.

Forecast increases in 2007-08 world production and trade are mainly due to higher production in Brazil at 32.9 million tons, up 1.3 million tons, India at 28.8 million tons, up 1.4 million tons, China at 13 million tons, up 335,000 tons, and Thailand at 6.9 million tons, up 300,000 tons. Production in the EU is forecast to decline by 1.1 million tons, despite the accession of Romania and Bulgaria and an extended marketing year. Last year the EU changed the beginning month for their crop year from June to October. The decline is in response to the reforms coming into effect in June 2007. The EU is forecast to be a net sugar importer beginning 2006-07. Exports from Brazil for 2007-08 are forecast at 21.8 million tons, an increase of 1.6 million tons. Thailand is forecast to export 4.5 million tons, an additional 200,000 tons from the previous year, and India may export 2.5 million tons, an increase of 1.4 million tons from last year. Exports from Australia are forecast at 4.1 million tons up by 200,000 tons.

World sugar production for the 2006-07 marketing year is estimated at 161.3 million tons, raw value, up 6.1 million tons from the revised November 2006 estimate. Consumption is estimated at 148.9 million tons, up 2.9 million tons from a year earlier. Exports are forecast at 48.8 million tons, up 1.1 million tons; and ending stocks are forecast at 39.3 million tons, up 6.1 million tons.
(Source: www.fas.usda.gov)

World Sugar Balance

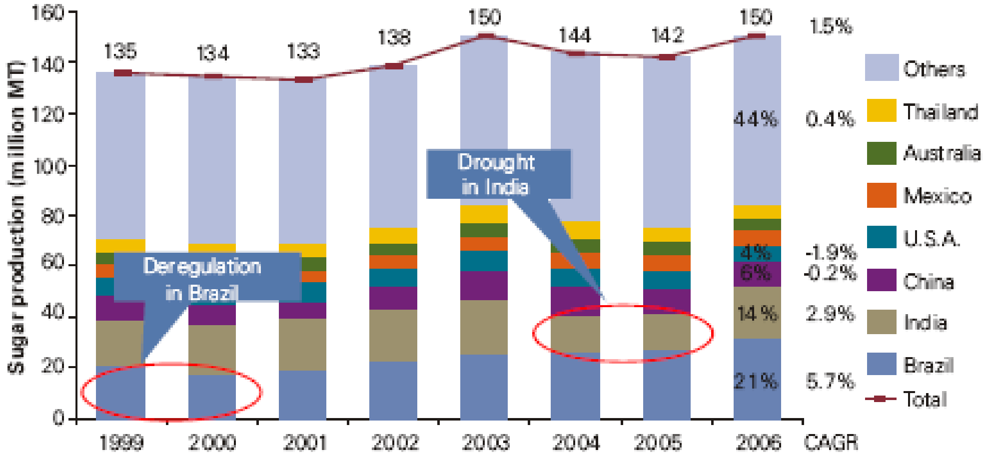
(Million Tons)

Particulars	2006/07	2005/06
Production	162.621	152.079
Consumption	153.506	149.859
Surplus / Deficit	9.115	2.220
Import demand	44.438	46.676
Export availability	47.492	46.689
End Stocks	65.825	59.764
Stocks/Consumption ratio in%	42.88	39.88

(www.indiansugar.com)

Production

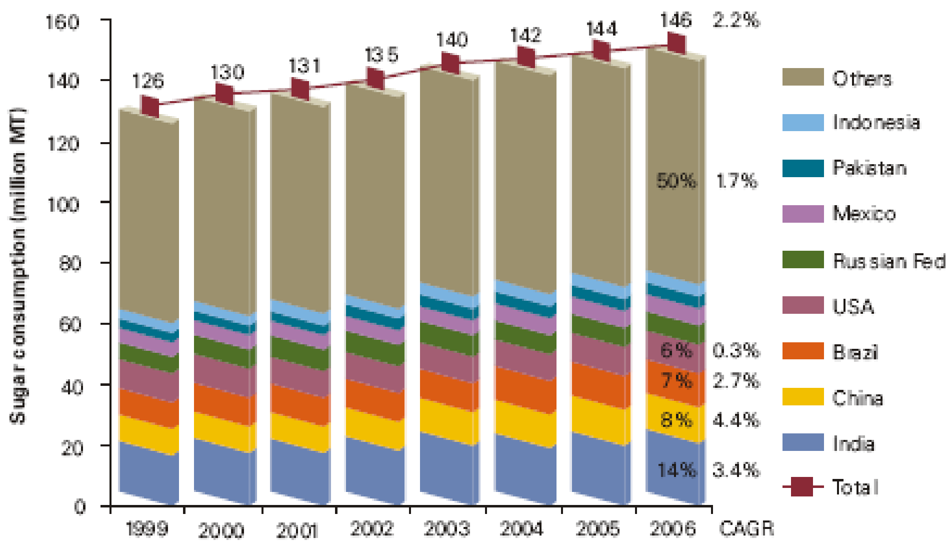
The world sugar production has been increasing steadily at a CAGR of 1.5 percent. Currently the total world sugar production stands at 150 million MT of sugar. Brazil, India, China and U.S.A are the major sugar producing countries accounting for 45 percent of the total sugar production. EU collectively produces around 14 percent of the total sugar production. Brazil is the largest producer of sugar and has increased its production by 5.7 percent CAGR over the last 7 years since deregulation in 1999- 2000. India is the second largest producer and its sugar production has increased consistently except in years which were drought affected.



(Source: *F.O. Lichts World Sugar Yearbook 2007, KPMG analysis)*

Consumption

The total world consumption is at 146 million MT of sugar. India is the largest consumer of sugar followed by China, Brazil, USA and the Russian federation. Consumption in China, India and Brazil is growing at a higher rate than the world average of 2.2 percent. Consequently, these geographies are expected to play a larger role in the global sugar trade in the coming years.



(Source: *F.O. Lichts World Sugar Yearbook 2007, KPMG analysis)*

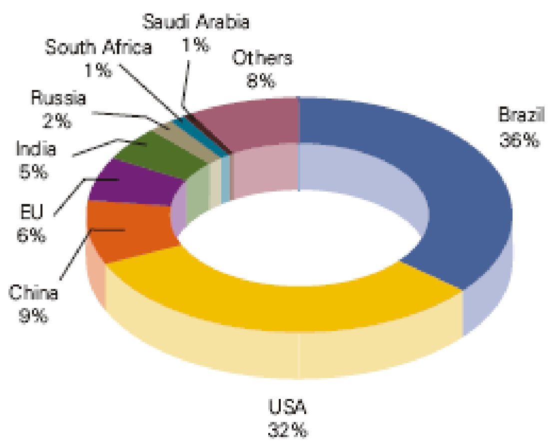
Sugar Pricing

The world raw and refined sugar prices usually move in sync with an average USD 60 differential between the raw and the refined prices. There are two major sugar exchanges that support global trade and serve as price benchmarks. These are NYBOT for raw sugar and LIFFE for white sugar. The world sugar prices are highly influenced by Brazil, as it is the largest exporter and the least cost producer among the major exporting nations.

Thus, given the high influence of Brazil, large sugar exporters typically generate higher margins from domestic sales as compared to the exports. Government intervention and regulations are used to maintain high domestic prices in these countries, when compared with the current world sugar price. This is a key feature of the sugar trade worldwide. India is unique in this respect, due to its low reliance on exports, and has one of the lowest retail prices of sugar amongst the key geographies.

By Products – Emergence of Ethanol

The major sugar producing countries are also the major ethanol producers, as sugarcane is a major raw material for ethanol production. Brazil and USA together produce more than 68 percent of the total world ethanol production. USA and Brazil are the major consumers of ethanol as well.



Domestic Overview *(Source: KPMG – Sugar Sector Roadmap 2017)*

The Indian sugar industry is a key driver of rural development, supporting India's economic growth. Sugarcane is primarily grown in nine states of India: Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Uttar Pradesh and Tamil Nadu. Indian sugar industry is the second largest agro based industry in India and supports 50 million farmers and their families across India. The industry is at a cross roads today, where it can leverage opportunities created by global shifts in sugar trade as well as the emergence of sugarcane as a source of renewable energy, through ethanol and cogeneration. While some of these opportunities have been well researched in the past, there was a need to assess the potential for India and to develop a comprehensive and actionable roadmap that could enable the Indian industry to take its rightful place as a food and energy producer for one of the world's leading economies.

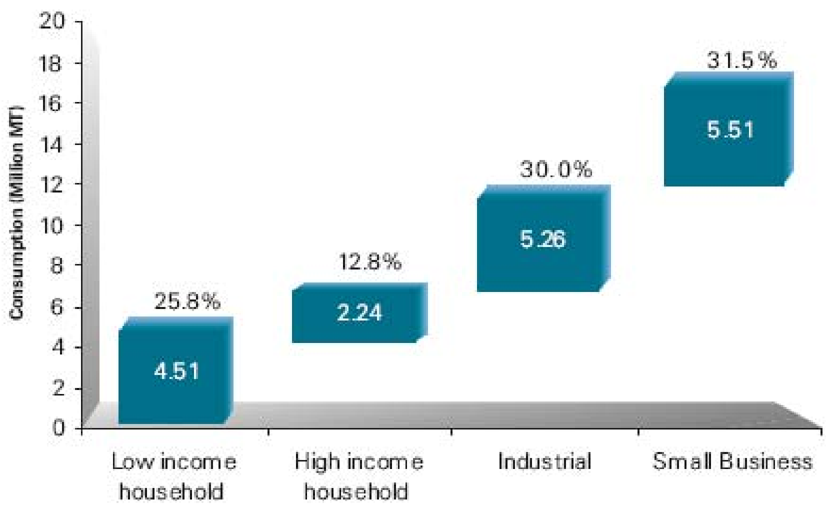
Emerging businesses like fuel ethanol and structural changes globally including the removal of EU subsidies have provided new horizons for the sector. The sector today has transformational opportunities that would enable it not only to continue to service the domestic markets but also emerge as a significant carbon credit and power producer and support an Ethanol Blending Programme of E10 and beyond.

Demand Opportunity

In 2007, the domestic sugar consumption is estimated to be 19.5 million MT. It is expected that the drivers for consumption i.e. the GDP growth and population growth would continue to grow at current rates. Based on the past ten years' growth in consumption and estimates from various independent sources, it is expected that in 2017, the domestic sugar consumption would be approximately 28.5 million MT. Given the high cost of imports and the strategic importance of food security, India would need to target its production in excess of domestic consumption. Given the past trend in production cyclicality, sugar equivalent to 1.5 months of consumption i.e. an additional 3.5 million MT of sugar would need to be produced by 2017.

Consumption

The Indian sugar consumption has steadily increased at 3.5 percent since 1996. Typically, sugar consumption is driven by the GDP growth and this has been the case for India as well. The per capita consumption has seen a steady growth of 2.1 percent CAGR over this period, while the population has grown at a CAGR of 1.4 percent.

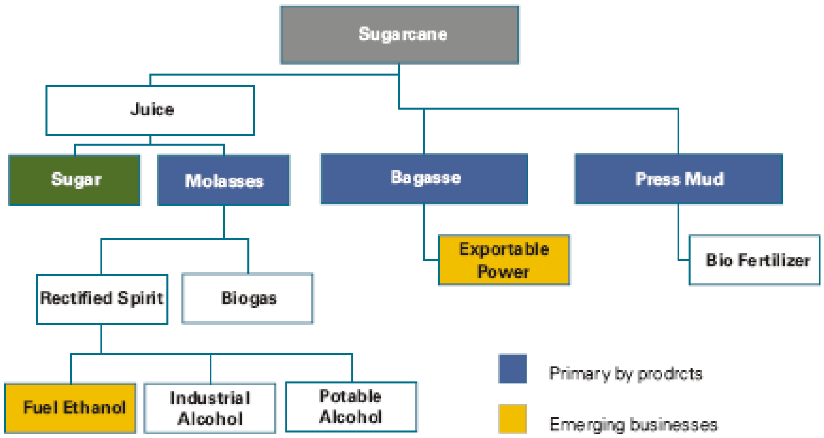


International Trade Opportunity

International trade is of strategic importance to India as it can help maintain stability in the domestic market, despite the cyclicality in production. If there is a sugar surplus either due to excess production or due to greater economic attractiveness of cane for ethanol and cogen in the future, exports could be used if the surplus cannot be managed in the domestic market. Acceptability as a credible exporter will provide the Indian sector an alternate set of markets for diverting surplus production. Similarly, in case of deficits, raw sugar imports could help bridge the supply gap.

By Product Opportunity

The sugar industry is beginning to diversify into multiple by-products, to enhance the value addition for every MT of cane that is crushed.

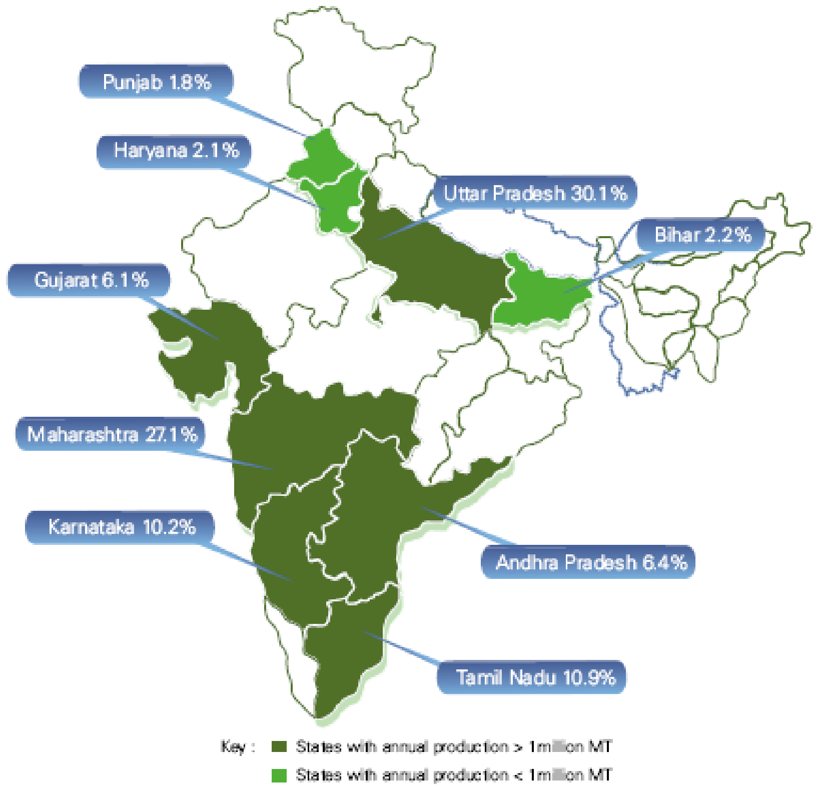


Fuel ethanol and surplus power production through cogeneration provide the two key by-products' related opportunities. Bagasse based cogeneration for exportable power is an emerging trend in the sugar industry. Bagasse generated by a sugar mill enables the mill to export power after meeting its captive power and steam requirements.

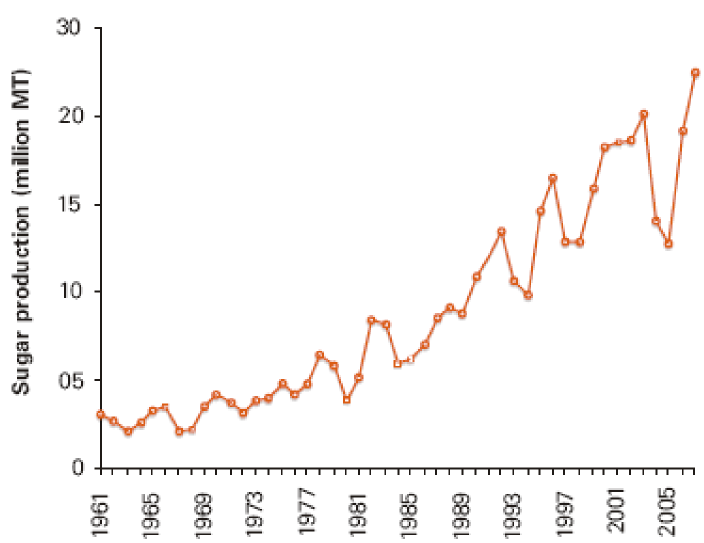
Globally energy security and environmental concerns are driving the adoption of fuel ethanol across countries. Leading countries including Brazil, U.S., Europe, Australia, Canada and Japan have established fuel ethanol programmes. In the future, global fuel ethanol demand is likely to grow exponentially. Global ethanol exports, currently at 6.5 billion litres are expected to increase to 50 to 200 billion litres by 2020. This increase would largely depend on world crude prices and regulatory evolution.

Sugar Production

Sugar is produced in India primarily in nine major states. In 2006, the six states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Uttar Pradesh and Tamil Nadu produced more than 1 million MT of sugar per annum each, with the three states of Bihar, Punjab and Haryana producing less than 1 million MT of sugar. In 2006, these states accounted for 94 percent of the total sugar production in India with Maharashtra and Uttar Pradesh leading with 27 percent and 30 percent of the total production.



The Indian sugar production has grown at a CAGR of 4.9 percent over the last 46 years. Private Mills have increased their share of production while the share of cooperative mills has reduced The Indian sugar sector is composed of three distinct categories - public mills, private mills and cooperative mills. Public mills account for around 6 percent of the total mills in operation while the private mills account for approximately 40 percent and the cooperative mills account for approximately 53 percent. At present, the sugar production from the private mills accounts for more than 54 percent of the total production while the share of production from the cooperative mills has come down to 43 percent from 57 percent in 2001.This is due to the fact that the number of operational private mills has been steadily increasing since 2001, while the number of cooperative mills has remained stagnant.



State-wise Sugar Production

(Million Tons)

States	2002-03	% of total	2003-04	% of total	2004-05	% of total	2005-06E	% of total
Uttar Pradesh	5.65	28.0%	4.55	33.6%	5.04	39.6%	6.00	32.1%
Maharashtra	6.22	30.9%	3.18	23.5%	2.21	17.3%	5.00	26.7%
Karnataka	1.87	9.3%	1.12	8.3%	1.10	8.7%	1.60	8.6%
Gujarat	1.25	6.2%	1.07	7.9%	0.80	6.3%	1.15	6.1%
Tamil Nadu	1.64	8.1%	0.92	6.8%	1.10	8.7%	1.80	9.6%
Andhra Pradesh	1.21	6.0%	0.89	6.6%	0.98	7.7%	1.15	6.1%
Haryana	0.64	3.2%	0.58	4.3%	0.45	3.5%	0.60	3.2%
Punjab	0.59	2.9%	0.39	2.9%	0.32	2.5%	0.45	2.4%
Uttarakhand	0.5	2.5%	0.39	2.9%	0.38	3.0%	0.45	2.4%
Bihar	0.41	2.0%	0.27	2.0%	0.25	2.0%	0.33	1.7%
Others	0.17	0.8%	0.2	1.5%	0.09	0.7%	0.18	0.9%
Total	**20.15**	**100.0%**	**13.56**	**100.0%**	**12.72**	**100.0%**	**18.70**	**100.0%**

Source: Indian Sugar Magazine December 2004, published by ISMA.
Source: The Hindu Business Line, December 12, 2006

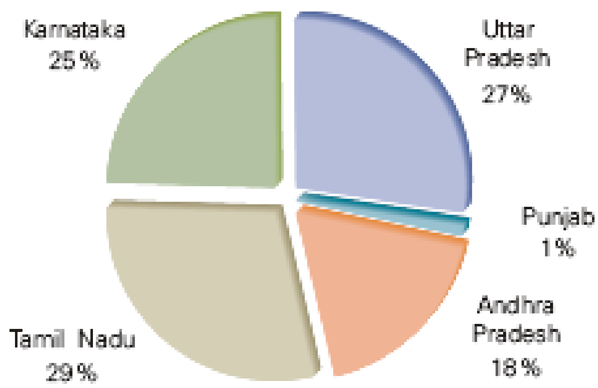
Sugar production is estimated to increase by 47 per cent to 187 lakh Tons during the sugar season 2005-06 (October-November) from 127.15 lakh Tons recorded during the last season 2004-05.

Sugar recovery rate in Maharashtra has improved to 11 per cent this season. The overall production scenario is good. There are reports of some crop damage in South Maharashtra due to recent flood but it is fully compensated by higher recovery.

Sugarcane crushing during the first two months of the season 2005-06 has increased to 66.93 lakh Tons, almost double from 32.58 lakh Tons. Also, sugar production is expected to increase to 6.42 lakh Tons, up from just 2.96 lakh Tons due to increase in recovery rate from 9.71 per cent to 10.11 per cent. About 129 sugar factories are in operation as on November 30,2006 compared with 84 factories in the previous season.

Co- Generation - Overview

Co-generation is the concept of simultaneously producing two forms of energy. One of the forms of energy must always be heat and the other may be electricity or mechanical energy. In a conventional power plant, fuel is burnt in a boiler to generate steam. This steam is used to drive a turbine, which in turn drives an alternator to produce electric power. The exhaust steam is generally condensed to water, which goes back to the boiler. However, in a co-generation plant, some amount of steam may be extracted from the turbine at the required pressure and temperature for use in the manufacturing process. The power produced by co-generation is used in internal industry processes, and excess power is sold to State Utilities/ Distribution Companies. The realization from the exportable power is dependent on the long term power purchase agreements with government and power companies. Cogeneration also has proven revenue potential in Clean Development Mechanism (CDM) based carbon credits. The present exportable power generated by the sugar industry is 847 MW, but this could increase to approximately 9,700 MW by 2017. Cogeneration can enable India to meet the goals for "green energy" from renewable and sustainable biomass. Cogeneration can be a small, but certain step to bridge the availability gap for power. Consistent policy would be needed to encourage investments in cogeneration capacities.



Benefits of Co-generation Systems:

a) Provides economic competitive advantages through a maximized return on investment by utilizing the same fuel to provide heat and electricity;
b) Environment friendly because of reduced air emissions of Green House Gases, sulphur dioxide, nitrogen oxides, and particulate matters;
c) A reliable source of power and process steam or heat;
d) Onsite electricity generation can reduce transmission and distribution losses; and
e) Low gestation period.

Ethyl Alcohol – Overview

Ethyl alcohol is one of the other by-products of the sugar industry. It is made from molasses, which still contain some sugar, but this sugar cannot be extracted using current technologies. These molasses are fermented with yeast to give ethyl alcohol. The mixture is then distilled to separate the alcohol from the mixture.

Ethanol blending would lead to savings for the national economy, through lower dependence on crude oil imports and reduction in subsidy expense for gasoline. Savings for oil marketing companies through lower excise duties on ethanol and lower cost of ethanol as compared to motor spirit would also be accrued. The environmental benefits caused due to green fuel and lower emissions would benefit the national economy in the long term.

To realize these benefits, investments would be needed. In 2017, to meet E-5 needs, additional distillery capacity of 96 million litres would be needed at an estimated 74 investment of Rs.3.20 billions. To meet the additional alcohol requirement for E-10, additional distillery capacity of 965 million litres would be needed at an estimated investment of Rs.32.00 billions.

Regulatory Evolution

Sugar is regulated both at the central and state levels. Sugar has historically been classified as an essential commodity and hence it has been regulated across the value chain. However, since 1993 the regulatory environment has been progressively eased. The key regulatory milestones include de-licensing of the industry in 1998 and the removal of control on storage and distribution in 2002.There have been two detailed studies in the past decade on the sugar industry, initiated by the government Mahajan Committee in 1998 and Tuteja Committee in 2004.

The pricing and supply of cane is regulated through reservation of cane area and the mandatory cane price is fixed by the government. On the market side, the monthly release mechanism restricts mills from controlling the quantity of sugar that can be sold. International trade is controlled through tariff and non-tariff restrictions, while 10 percent of the mill's production is bought by the government for distribution through the PDS at a price that is typically below the free market price.

The Cabinet Committee of Economic Affairs (CCEA) announced on October 10, 2007, a slew of measures to provide relief to the ailing sugar industry, including:

- Mandatory 5% blending of ethanol across the country except North East, Jammu and Kashmir and Island territories.

- A 10% optional ethanol blending that will become mandatory from October, 2008.
- Uniform nationwide ethanol purchase price of Rs.21.5/litre for the next three years.
- Approval of producing ethanol directly from sugarcane juice.
- Provision of subsidised loans to sugar mills to clear their cane arrears. CCEA approved provision of loans to sugar mills from banks, under some special guidelines. Amount of loan to these mills will be equivalent to the central excise duty paid by them.
- Extension of export subsidy by one more year from April 19, 2008 to April 18, 2009.
- Reduction of custom duty on denatured alcohol (from 7.5% to 5%) and molasses (from 10% to 5%). However, these measures will be implemented only after 5% blending becomes mandatory.

(Source: The Economic Times – October 10, 2007)

SECTION XVII: 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 document. In this section only, any reference to "we", "us" or "our" refers to Shree Renuka Sugars Limited

Overview

We are a fully integrated sugar company focused on sugar manufacturing and trading with by products such as power, ethanol and bio-fertilizer. Our company has three owned sugar units in Karnataka and three leased sugar units in Maharashtra and Karnataka. Our key manufacturing facilities are located at Munoli, Athani & Havalga in Karnataka and three leased facilities at Ajara & Arag in Maharashtra and at Aland in Karnataka. Our Company's Munoli & Athani units are an integrated zero percent wastage sugar-manufacturing unit.

In fiscal 1998, we have acquired a sugar mill at Hindupur in Andhra Pradesh with a capacity of 1,250 TCD from the Government of Andhra Pradesh. This unit was moved to Munoli, Karnataka and expanded the manufacturing capacity to 2,500 TCD with an 11.2 MW co-generation plant and trial production took place in 1999. We have subsequently increased the co-generation capacity from 11.2 MW to 20.5 MW.

In fiscal 2002, we ventured into manufacture of ethanol by setting up a distillery with a capacity of 60 KLPD at our Munoli unit. In 2003, we set up a refinery to process raw sugar with a processing capacity of 250 TPD at Munoli and subsequently increased to 1,000 TPD.

In 2004, our Company acquired on lease, a loss-making co-operative sugar mill in Ajara, Maharashtra with a manufacturing capacity of 2,500 TCD and added another lease facility of 2,500 TCD in Arag, Maharashtra and subsequently which got commissioned in the ongoing crushing season and Arag Plant was further expanded to 4,000 TCD in 2006. In 2005, our Company has acquired from M/s. Haripriya Sugars, a green-field project at Athani with land and licenses and successfully commissioned 6,000 TCD plant in March, 2007 with co-generation facility of 37 MW and distillery of 120 KLPD. During the same period we have also acquired a sick sugar mill in Sindhkheda, Dhule, Maharashtra of 2500 TCD from Sitson India Private Limited which was dismantled and relocated & expanded to 4,000 TCD at Havalga, Afzalpur, Karnataka. our Company acquired another lease unit, a loss-making co-operative sugar mill in Aland, Karnataka with a 1,250 TCD plant. Our crushing capacity of Munoli plant increased to 7,500 TCD along with an additional co-generation capacity of 15 MW and additional Ethanol capacity of 60 KL.

Our current manufacturing capacity of Sugar, Energy and Ethanol is 25,250 TCD, 103.5 MW and 450 KLPD respectively at various locations in the state of Karnataka, Maharashtra and West Bengal. Our refining capacity of raw sugar is 4,000 TPD at Munoli, Athani and Haldia.

Our Company's merchant export division is the second largest sugar exporter out of India. We have built a capability in sugar trade business and incorporated a wholly owned overseas subsidiary, Renuka Commodities DMCC in Dubai. In the first year of incorporation (FY05), Renuka Commodities DMCC posted a profit of Rs.153 million and achieved a turnover of Rs.1,562 million.

Our company came out with an Initial Public Offer (IPO) at an issue price of Rs.285/- per share aggregating to Rs.1,100 million. Our Company was listed with NSE and BSE on October 31, 2005 and the price at the browser opened at 9% premium to the issue price. Our Company has nearly 9,000 farmers as its shareholders. These farmers were allotted equity shares at par during the initial stage of implementation of operations of our Company on private placement basis.

Our Company's consolidated net revenue and profit after tax has increased at a CAGR of 121% and 212% respectively over a period of last three years. Our company has achieved a revenue of Rs.6,957 million for the nine months ended June 30, 2007. Our export sales contributed 27%, 37% and 44% of total sales for the fiscal 2005 and fiscal 2006 respectively. Our export sales contributes 38% of total sales on a stand alone basis for the year ended September 30, 2006 and 44% for the nine months ended June 30, 2007 on a stand alone basis.

Our Vision

To become the most efficient processor of sugar and the largest marketer of sugar and ethanol in the country.

Our Business Segment

Our Company's business operation can be segregated into five divisions are as below:

- Sugar Milling Division
- Ethanol Division
- Power Division
- Sugar Refining Division

We believe that we have distinct and different competitive strengths in our businesses.

1. We are a fully integrated player

As opposed to a conventional sugar mill, where the primary product is sugar and the by-products, bagasse and molasses are sold to third parties, an integrated sugar mill is able to extract the maximum value out of sugarcane by being able to produce value added products like Ethanol, Power, and Bio fertilisers from molasses, bagasse and press mud respectively. our Company is able to process sugar cane into all three co – products i.e. Sugar, power and ethanol. Further, our Company's integrated distillery provides several advantages such as -

(a) We need not have to sell molasses to third parties
(b) Ready power and steam is available for the ethanol from the co-generation plant
(c) A number of sugar mills in the region do not have attached distilleries. This enables our Company to have access and buy molasses as and when required.

2. Reduced impact of seasonality by processing of raw sugar

Our manufacturing process at Munoli and Athani facilities are designed as such that we can produce sugar not only from sugarcane but also from raw sugar.

The uniqueness of our Company's business model is that its operations can run on two feed stocks - cane and/or raw sugar. our Company, in the intermediate stage, extracts raw sugar from cane and then processes this intermediate raw sugar into refined white sugar. In the off-crushing season, our Company runs the second intermediate process, producing refined white sugar on a raw sugar feed. The benefits of such dual feeding are Multi- pronged -

(a) Greater fixed asset utilisation and distribution of fixed overheads; and
(b) Reduced impact of seasonality of the sugarcane crops.
(c) Higher level of operations.

Our Company is one of the few mills in the country to leverage double feed operations.

3. We have superior utilization of fixed assets

We achieve higher capacity utilization and asset turnover as compared to industry due to longer operating season in our region, higher sugar content in available cane, and dual raw material capability. All India average for duration of crushing was 96 days in SY 2005 and 126 days in SY 2006 *[Source: Indian Sugar, Vol. LVII, July 2007]*. We were able to operate our factory for a longer period. We operated our mills for 208 days in SY 2004, 329 days (including sugar refining) in SY 2005 and 230 days in SY 2006. During the nine months ended June 30, 2007, we have already operated for 269 days (including sugar refining).

4. We have access to superior technology for refining of sugar

We have a tie-up for technical expertise in our refining operations, with Tate & Lyle Industries Pte of UK, which is a GBP 4.07 billion company and one of Europe's largest sugar refiner. Our sugar refinery was set up with technical assistance from Tate & Lyle. We have entered into a Memorandum of Understanding with Tate & Lyle whereby they will render technical assistance on an ongoing basis for further development of refining capability and development of value-added products.

5. Our sales are focused towards corporate and industrial buyers

Sugar traditionally was sold in the wholesale market to agents and dealers. We believe in marketing sugar directly to corporate and industrial buyers to capture a larger market share. Dealing with corporate and industrial buyers has several benefits like:

(a) Committed and timely off-take of sugar;
(b) Scope to fix prices in advance and reduce price risk;
(c) Reduced working capital cost due to increased comfort for working capital lenders; and
(d) Reduced dependence on brokers for sale of sugar.

We supply sugar to multinational companies who manufacture carbonated soft drinks, fruit juices, chocolates, baby food and dairy products. Corporate sales constituted 20% of our gross sugar sales in SY 2006 on stand alone basis and 31.8% of our gross sales in nine months ended June 30, 2007. Some of our key corporate buyers of sugar are Hindustan Coca Cola Beverages Private Limited, Pepsico, ITC Ltd, Britannia Industries Limited, Nestle' India Limited, Cadbury India Limited, to name a few.

6. We have a prominent trading presence in India's international sugar trade

Our Company is active in international trading of sugar from India. We exported 558,297 MT of sugar between 2002-2007 and are ranked 2nd *source: Indian Sugar Mills Association* in terms of overall exports of Indian sugar in terms of quantity. We have imported 381,458 MT of raw sugar between 2002-2007. Our international subsidiary, Renuka Commodities DMCC is active in third country trade of sugar, which gives us a continuous presence in India's key export markets. We have also been awarded a 2 star export house status by the Director General of Foreign Trade (DGFT), Government of India. Trading in sugar gives our Company an enhanced trade flow much larger than its own manufactured sugar. This translates into a deeper and wider exposure to price trends and customer buying patterns in both domestic and international sugar markets.

7. Locational Advantage

Another strong positive for our Company is the advantage of being located in south India. Sugar companies in South India are inherently at an advantage over northern India mills as:
(a) They have a longer crushing season.
(b) The market for co-generated power has matured in these states with proven stability in offtake and payments from the electricity distribution companies.
(c) our Company, located in South India, are closer to ports and that opens up a cost-effective option of extending sugar-producing capacity through the raw sugar-refining route.
(d) They operate in a free market compared to north Indian sugar mills.

Moreover, we operate in the "high recovery area" of southwest India, where sucrose content of cane is 10-20% more than elsewhere in the country. South Indian mills have far higher yields as compared to the north Indian belt of Haryana and Uttar Pradesh. This is due to a far longer crushing season for south Indian mills and also higher sucrose content in cane crushed in southwest India.

Our Munoli plant is 60 Km from Belgaum, plants at Athani and Arag are located near Miraj (approx 50 Km and 25 Km respectively) and plant at Ajara is located near Kolhapur, Maharashtra (approx 70 Km). Our other plants of Havalga and Aland are located near Gulbarga (approx. 30 Km). It is pertinent to note that our company's units are located close to the ports of Goa and Karwar (approx 160 Km and 200 Km respectively) which give us a competitive edge.

The average door-to-door shipment is less than 24 hours, compared to around 3-4 days for a north Indian mill. Transport costs for a near-coast mill like our Company are about Rs.500–Rs.600/ MT of sugar versus a north India based mill, for which it costs around Rs.1,000–Rs.1,200/ MT. This translates to a cost ratio of around 1:2. Our Company has set up Renuka Commodities DMCC, as a wholly owned overseas subsidiary company, based in Dubai for third country exports of sugar.

8. We have excellent relationship with sugarcane farmers.

We believe that we have excellent relationship with sugar cane farmers. As shareholders, the farmers enjoy benefits of sharing profits of our Company. We also make sure that payments to sugarcane farmers are made in a timely manner. We have formed a trust, Shree Renuka Sugars Development Foundation, which mainly focuses on promotion of education, healthcare and overall betterment of the farmers and the local community. We believe this strong relationship is a significant competitive advantage because farmers have no obligation to grow sugarcane and may switch to crops that may be more profitable. We also coordinate and manage the harvesting and transportation of cane, which saves the farmers effort, time and money. This also enables us to get fresh and mature sugarcane, which increases the yield of sugar.

9. We have an elaborate sugarcane collection network.

In order to carry out cane development and cane procurement activities effectively and smoothly, we have a dedicated cane department to control and supervise the cane development and procurement activities. We purchase sugarcane directly from the farmers without involvement of any intermediaries. Based on the age of the crop, variety and maturity, a harvesting program is chalked out for desired quantity and quality of cane to be procured on a day-to-day basis. The Cane Managers issue cutting orders / harvesting permits based on date-wise cum pre-harvesting maturity survey. Accordingly cane transporting vehicles along with harvesting groups are allotted for harvesting and transporting cane to the mill.

10. Committed and experienced management team

Mr. Narendra Murkumbi, Managing Director is a post graduate from IIM Ahmedabad and was inducted on the Board of ICICI Bank Ltd in recognition of his expertise and involvement in the sugar industry in India. He is highly committed to our business and forward looking. This is reflected in the way the management is planning our future growth and taking advantage of the improving dynamics of the sugar industry. Since inception our Company has gone about in a systematic manner to increase the manufacturing capacities to gain advantages of economies of scale. Mr. Murkumbi pioneered the strategy of acquiring and putting to use leased assets for sugar manufacturing from the loss making co-operative mills at very low costs. This helped our Company to scale up our operations within a short span of time.

11. Human resources

We have a highly qualified and well-trained workforce of 1,233 employees as at September 30, 2007. This includes over 650 technically qualified workforce which constitute 53% of our workforce. We believe that we are one of the few sugar companies in India to have in place an employee stock option plan ("ESOP") which rewards the performance of our employees.

12. 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 also actively engage in the analysis and identification of sugar mills which we believe would maximize our returns, and accord priority to such mills.

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

13. We operate integrated ethanol facilities

Integrated ethanol facilities provide us with several advantages like:

(a) We are able to add value to molasses produced from our plants, and we need not sell any molasses to third parties

(b) Cheap power and steam is available for the distillery from the co-generation plant
(c) Effluent (spent-wash) can be processed with press mud into bio-fertilizers and compost
(d) A number of sugar mills in our region do not have attached distilleries. This enables us to buy molasses, if required

14. We have a fuel ethanol plants attached to our distillery

We are one of the few distilleries, which are equipped to manufacture fuel ethanol from ethanol. Fuel ethanol is gaining momentum due to rising oil prices. The GoI is encouraging the use of fuel ethanol as a motor fuel since it is considered to be less polluting and also a renewable source of energy (since it is sourced from an agricultural product, which can be re-grown). Subject to fulfillment of certain conditions, GoI has mandated blending of 5% ethanol in petrol across the country except North East, Jammu & Kashmir and Island territories. We supply fuel ethanol to various oil companies such as IOCL, HPCL and BPCL for blending in petrol.

15. Government policy encourages co-generation.

The Government of India has prescribed that a certain percentage of energy from alternative sources has to be purchased by distribution companies and has also allowed open access, which will enable us to sell power to third parties also. The electricity regulatory commissions of Maharashtra and Karnataka have also prescribed preferential tariffs for electricity produced from renewable energy sources including co-generation.

OUR STRATEGY

Our corporate vision is to be the most efficient processor of sugarcane and the largest marketer of sugar and ethanol in the country. Our strategies for meeting these objectives are as follows:

1. ***Bio-fuels strategy:*** To consolidate its leadership position in the fuel-ethanol market, we have taken the following steps:

i. ***Consolidate leadership in Fuel ethanol market -*** We are the market leaders in the fuel-ethanol market in India. During the tenders which were brought out by the oil marketing companies (OMCs) for the blending 5% ethanol with petrol, we were able to garner 20% market share in the process. This meant that we would be supplying 217 million litres of ethanol to the OMCs over a period of 3 years at a fixed price of Rs.21.50 per litre.

We intend to consolidate our leadership position in the fuel-ethanol market, when the blending increases to 10%, which the government is planning to introduce shortly. As part of this plan, we have also announced new capex which would take our production capacity to 900 KLPD from 450 KLPD over the next two year and intend to be one of the largest player in the domestic market in terms of production capability.

ii. ***Acquisition of ethanol manufacturing assets to cater fuel ethanol market:*** We have acquired a stand-alone ethanol plant with a capacity of 100 KLPD which could be expanded to 300 KLPD. This will help our Company in cutting down transportation costs for supply of Ethanol contracts to the Oil Marketing Companies (OMC) located in coastal States of Goa, Karnataka and Kerala and for export purpose. We have firm orders from Oil Marketing Companies for supply of ethanol over the next 3 years. We intend to increase the manufacturing capacity of ethanol from 100 KLPD to 300 KLPD, to cater to the fuel ethanol market in Southern States of India.

iii. ***Acquisition of ethanol EPC & equipment manufacturing capability –*** We have acquired a majority share of KBK Chem-Engineering Pvt. Ltd. (KBK) for a consideration of Rs. 400 million. KBK is an engineering Company, primarily engaged in providing turnkey solutions (EPC Contracts) in the field of Distilleries, Ethanol plants and Bio-fuels and about 50% of its revenues are from overseas projects. This acquisition provides a platform for leading the innovation into flexi production, new feed stocks and cellulosic processes. It also enables to undertake Research & development on design and development of process technology.

iv. ***Overseas acquisitions and investments*:** We are also evaluating potential overseas acquisitions and investments in the Biofuels space to take advantage of the fast growing global Biofuels market.

There is a global interest in Biofuel blending programme and our company intended to have its presence in the international market.

2. ***Expand our installed capacity for an increased market presence***

We intend to enhance our manufacturing capacity of ethanol from 450 KLPD to 900 KLPD and power generation capacity from 103.5 MW to 129 MW with an exportable surplus of 70 MW. This expansion will help us to leverage the capacities for the increased blending programmes announced by the government of India and to be an active power trading player.

3. ***To Set up a stat- of- art refinery capacity***

We intend to set up a state-of-the-art manufacturing capacity of 2,000 TPD port-based refinery in Haldia, West Bengal. This refinery would use raw sugar and convert it into European grade sugar which fetches a premium in the world market. This refinery is strategically placed for servicing domestic and export markets and can operate round the year on combination of domestic and imported raw material. The facility has capacity to process up to 700,000 Tons of sugar per year.

We have a refinery of 1,000 TPD capacity at our existing plant in Munoli, Karnataka and has been operating the same for the last three years. Now, we intend to set up refineries of 1,000 TPD capacity at Athani and 2000 TPD at Haldia. These refineries would be able to produce European grade sugar.

4. ***Achieve greater raw material security.***

We pursue cane development initiatives and facilitate crop loans to increase cane production in our reserve area. Our acquisitions / leasing of other sugar mills allow us to cover more cane areas. We provide quality seeds, other agri-inputs, fertilizer subsidies to farmers. We have taken steps to educate the farmers about the economics of growing cane as compared to other crops. We have taken initiatives for development of irrigation sources as well as taking up land development to bring additional acreage under cultivation, which is either barren or unsuitable for growing cane. We have facilitated commercial banks and government agencies to provide soft loans for sugarcane farmers.

5. ***Increase our focus on corporate and high-value customers***

We intend to be the ***"supplier of choice"*** for our industrial buyers. We are actively looking to enhance our presence within industrial buyers in the FMCG sector by continually upgrading our processes and quality systems. We supply our product to the corporate players in the FMCG sector like Hindustan Coca Cola Beverages Private Limited, Pepsico, ITC Ltd, Britannia Industries Limited, Nestle' India Limited, Cadbury India Limited, Hindustan Lever Limited to name a few. We are the preferred supplier to most of the corporate players in India.

6. ***To reduce price risk in sugar by hedging***

We intend to use our large trade flow, which consists of our sales of manufactured and traded sugar to manage price risk. We have membership at the National Commodities and Derivatives Exchange (NCDEX). We will actively utilize NCDEX and international commodity exchanges to fix the prices of our sugar for forward sales. The percentage of forward cover is decided by our internal risk management team and is driven by our perception of trends in the market. This hedging strategy provides us a protection to the price volatility in commodity market and stable revenue flows.

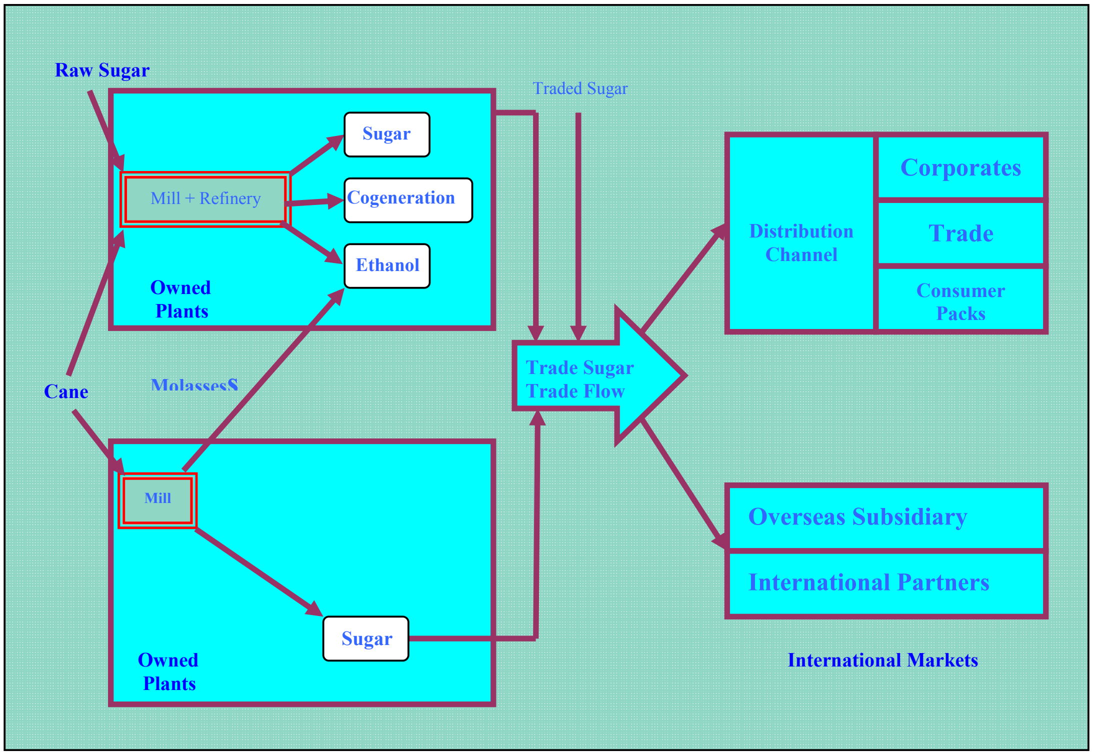
7. ***Maintain a strong presence in the export markets***

We are one of the largest exporter of sugar in India. We have exported 46% of sugar during the nine months ended June 30, 2007. We intend to be a prominent supplier of high quality European grade sugar within Asia where we will be in a position to supply not only our in-house manufactured sugar but also traded sugar.

8. ***Entitlement to carbon credits in the Cogeneration plant***

Bagasse based cogeneration plant at Munoli has qualified as a Clean Development Mechanism (CDM) project which entitles us to generate Carbon Credits under KYOTO protocol. This project will be eligible for Carbon Credits based on the units of power sold from our Munoli co-generation plant. We have also applied for the other projects at Athani and Havalga to be eligible as a CDM project and are expecting to receive the eligibility certificates soon, which would help us to sell/trade carbon credits from all the units on an ongoing basis.

Our Integrated Business Model



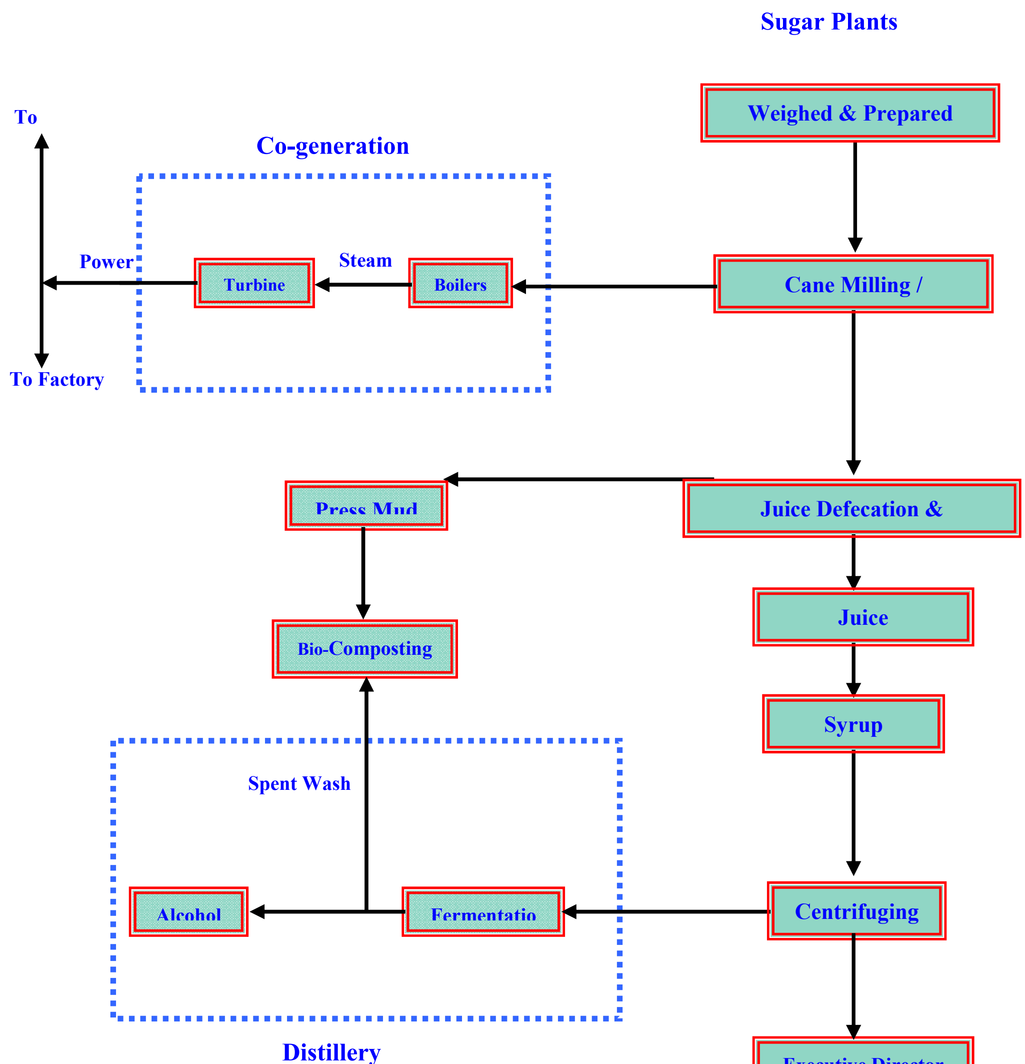
Our scalable and flexible business model gives us a competitive edge vis-à-vis our peers. The above model gives us the benefits such as:

a) Lower fixed-costs in a highly capital intensive industry.
b) Flexibility in terms of renewal of lease to ramp up a production without any capital commitments.
c) Scalability and benefits such as command area (capability to source cane from other areas), geographical reach and market.

Other south India-based sugar mills cannot follow the above strategy, as most of them are 'co-operatives'. On the other hand, state governments in north India favor asset ownership and provide no incentive to mills to follow this strategy.

Our Production Process

Process Flow Chart - Sugar/Co generation / Distillery Manufacturing



- **Sugar**

Overview

Domestic- our Company sells sugar primarily to corporate customers including multinational companies like Hindustan Coca Cola Beverages Private Limited, Pepsico, Nestle India Limited, Cadbury India Limited, to name a few. Sugar is used for various ranges of products such as soft drinks both aerated and other, baby food, milk and dairy products. Our Company has annual contracts with some of these companies and for others supply is based on purchase orders. The balance of the free sales sugar is sold through wholesalers/ Agents on commission basis. These agents are selected based on their track record and history of association with our Company. The transportation costs of sugar from factory/ depot are borne by the buyers.

Export- We are well equipped to export sugar in the world market. We have presence in the Dubai through our wholly owned subsidiary (Renuka Commodities DMCC) provides us a platform for export sales and enables us to opportunistically export sugar.

The detailed process of manufacturing sugar from sugarcane is described below.

Juice Extraction- Harvested sugarcane is transported to the factory, weighed and prepared for crushing. Cane preparation is required to expose the fibers, which contain the sugar cells for effective extraction of juice.

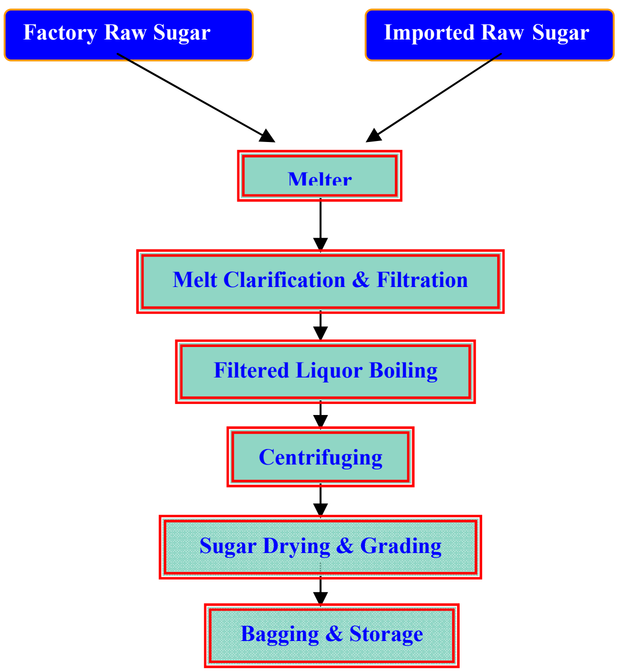
Prepared cane is then crushed in a series of mills and juice is extracted. Bagasse, which is a fibrous residue, is used as a fuel in the co-generation plant.

Juice Treatment and Evaporation- Juice from the mills is screened at 70 degree Celsius in shell and tube type heat exchangers. The juice is treated with Milk of Lime, which reacts with the impurities in juice. The treated juice is further heated and let into a clarifier where the impurities settle at the bottom and clear juice floats up and is decanted. Water from the clear juice is evaporated in a series of evaporators. Steam from the cogeneration power plant is used as heating media for the evaporation. Condensate from the evaporators is returned back to the boiler which is again converted into steam.

Crystallization- Concentrated juice (syrup) resulting from evaporation is further subjected to vacuum boiling in pans for complete exhaustion. Once the crystals are formed in the pan, we have a mixture of molasses and sugar crystals, known as massecuite. The process of crystallization takes place in the pans and is completed in the crystallizers. The massecuite is then centrifuged in centrifugal machines to separate sugar and molasses. Molasses another by-product is sent to the distillery for Ethanol production. Sugar thus produced in the factory is raw sugar, which is re-melted along with the imported raw sugar to produce refined sugar.

➢ **Sugar Manufacturing from Raw Sugar**

Process Flow Chart



The detailed process of manufacturing sugar from raw sugar is described below.

Melting and Clarification - Imported raw sugar and the factory raw sugar are melted by adding hot water This melt is now subjected to chemical treatment where orthophosphoric acid, floculant, lime sucrate and de-colorizing agent are added. The floculant creates flocs of the impurities and coloring matter, which float at the top of the clarifier, while clear liquor is withdrawn from the bottom of the clarifier.

Filtration and Crystallization - The clear liquor is subjected through pressure filtration, by passing it through a Deep Bed Filter. This provides positive filtration of the liquor before it is boiled in the vacuum pans for crystallization. On separation of these impurities the clear liquor is boiled in vacuum pans for crystallization. After attaining the desired crystal size the massecuite (mixture of sugar crystals and molasses) is dropped into a crystallizer where it is cooled before being purged. The massecuite is purged in batch type centrifugal machine to separate the molasses and sugar. Molasses is then recycled and taken back to the process for further extraction of sugar.

Sugar Drying and Grading Sugar - From the centrifugal separators is conveyed to a rotary drier. To separate lumps and very fine powder the dried sugar is fed to a grader. The segregation is done by vibratory grader and different grades of sugar are collected in different silos / bins. The sugar from the silos / bins is packed in bags by auto weighing and bagging machines and conveyed to the godown by the belt conveyors, from where it is dispatched to various customers.

Installed capacity and Recovery of Sugar

Period	**For the year ended September 30, 2007**			***For the Nine months ended***	
	2004	**2005**	**2006**	**June 30, 2007**	***June 30, 2006***
Owned Capacity (TCD)	2,500	5,000	8,750	26,500	*8,750*
No. of Refinery operation (Days)	208	329	230	269	*230*
Total Sugarcane Crushed (MT)	576,730	892,120	1,800,525	2,698,762	*1,800,525*
Raw Sugar Processed (MT)	44,635	157,778	86,198	8,630	*86,198*
Sugar Produced from Cane	61,257	94,158	203,057	262,437	*203,057*
Sugar Produced from raw sugar	41,625	149,318	-	27,849	*82,044*
Total Production (MT)	**102,882**	**243,476**	**285,101**	**289,259**	***285,101***
Recovery (%)	*10.75%*	*10.55%*	*11.28%*	*10.76%*	*11.28%*

** Owned Capacity for 30th June 2007 includes our Athani 6,000 TCD & Havalga 4,000 TCD units which were under trial production

- **Co Generation**

In the process of crushing of sugarcane, Bagasse, a fibrous by-product is produced which is used in the boilers to generate steam. Excess Bagasse from the mills is conveyed to the storage yard by conveyors. This Bagasse stored in the yard is used on two occasions, first whenever there is any stoppage in the crushing and second during off season when the distillery and refinery are in operation. Steam, which is produced by burning Bagasse, is subsequently fed to steam turbines where it expands and rotates the turbine rotor at high speed, which in turn rotates the alternator to generate power. This power is used to meet the power requirements to operate the plant. The exhaust steam from the turbine, which is at a very low pressure of 1.5 kg/cm2, is used for boiling in the sugar process. Steam at 7 kg/cm2 from the boilers is used for distillation in the distillery.

Sale of Excess Power

Our Company has been selling excess power to Hubli Electricity Supply Company Limited ("HESCOM") and to third parties such as Reliance Power Trading Corporation Limited. We entered into a power purchase agreement with the Karnataka Electricity Board for the sale of 7.55 MW/hour power till February 10, 2009. Vide the Government of Karnataka order number dated May 10, 2005, KPTCL has been recognized as a State Transmission Unit. Due to this, KPTCL has been barred from trading in electricity with effect from June 10, 2005 and consequently various Electricity Supply Companies ("ESCOM"), through transfer arrangements, have become transmission licensees. Therefore, PPA has been transferred to Hubli Electricity Supply Company Limited ("HESCOM") from June 10, 2005 onwards. The electricity generated at Ajara, Mohannagar, Aland and Havalga is used for captive consumption.

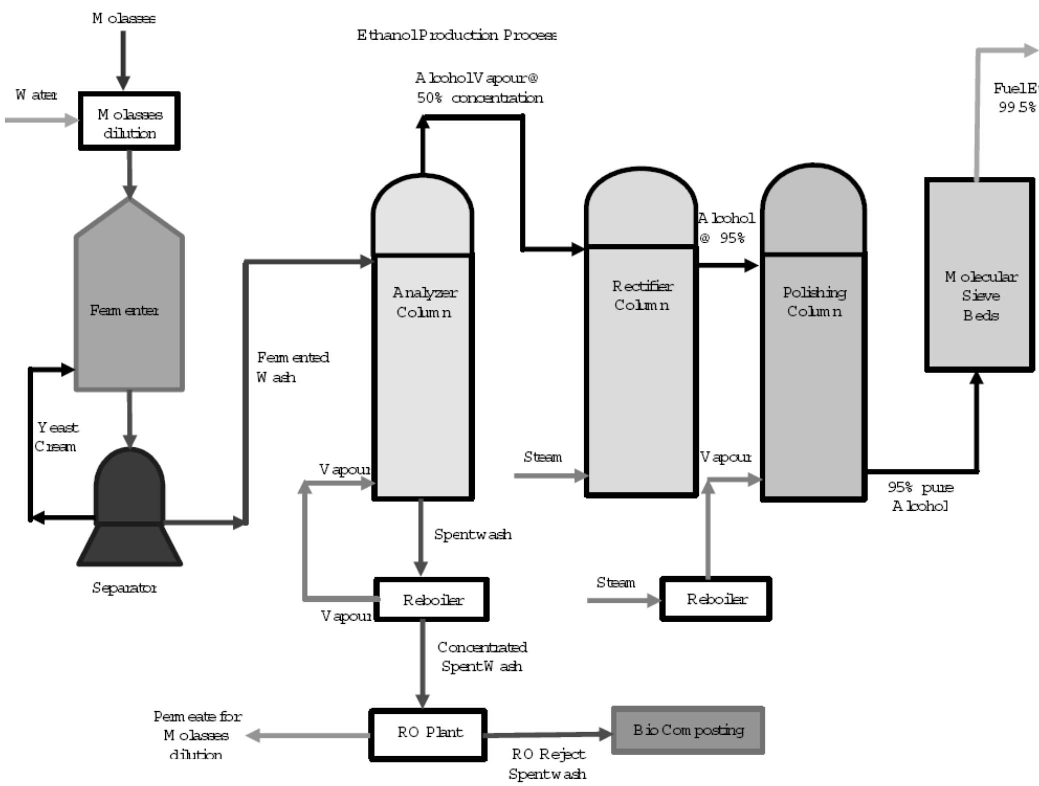
Power Generation Capacity

Period	**For the year ended September 30, 2007**			**For the nine months ended**	
	2004	**2005**	**2006**	**June 30, 2006**	**June 30, 2007**
Power Generated (Million KWH)	58.22	85.81	98.17	73.00	68.68
Power Consumption (Units)	27.73	40.90	58.47	33.47	40.29
Power Export (Units)	31.12	44.91	39.80	39.53	28.39

➢ Ethanol

Ethanol produced after fermentation and distillation of molasses can be further purified into Fuel Ethanol, which contains a minimum 99.5% ethyl alcohol that is used for blending with petrol. Ethanol as denatured spirit can be used for industrial uses and as rectified spirit for potable uses. Our Company mainly sells /supply fuel ethanol to public sector oil marketing companies such as IOCL, HPCL and BPCL. These customers enter into annual contracts after selecting supplier through a tender process. Denatured spirit is sold to various breweries and liquor manufacturers.

Process Flow Chart



The detailed process of manufacturing Ethanol from Molasses is described as below:

Fermentation - Molasses containing 48 to 50% fermentable sugars from the sugar plant is diluted with water in the ratio of 1:3. During the fermentation, yeast strains of the species saccharomyces cerevisiae, a living micro organism belonging to class fungi converts sugar present in the molasses, such as sucrose or glucose to Ethanol. Normally one ton of molasses containing 45% fermentable sugars give an alcoholic yield of 250 litres per ton. Optimum parameters like pH and temperature control and substrate concentration are required for fermentation.

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

Ethanol water mixture from the pre-rectifier column bottom is fed to the rectifier cum exhaust column. This column serves to strip out Ethanol from liquid stream flowing down. Steam is sullied at the bottom of the column. The rectifier spirit vapours coming out from top of the column are condensed in the analyzer reboiler. Balance Ethanol vapours are condensed in the analyzer vent condenser. The condensate from reboiler and vent condenser are collected in rectifier reflux tank. Condensed liquid is pumped back to the Rectifier cum exhaust column from the rectifier reflux tank by reflux pump. Impure spirit drawn is taken to the T.A mixing bottle. The rectified spirit is drawn from upper tray of the Rectifier cum Exhaust column and sent to rectified spirit storage via rectified spirit cooler.

High Fusel Oil and Low Fusel Oil are drawn from Rectifier cum Exhaust column at the required rate. These draws are taken to the fusel oil cooler and taken to the fusel oil column for further concentration. Spent lees coming out of the Rectifier cum Exhaust column bottom is used to pre-heat the feed to Rectifier cum Exhaust column in the rectifier feed pre-heater. A spent lee is drained to gutter in a controlled manner by the level in the Rectifier cum Exhaust column bottom. Fusel Oil Column basically is concentrating the fusel oil received from the rectifier column so as have effective separation of heavy fusel oils. Steam is supplied as a heat source to concentrate fusel oil.

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

➢ **Fuel Ethanol Production Process**

Ethanol manufactured from the above process is 95.5% pure. The Fuel Ethanol is dehydrated Ethyl Alcohol which is 99.5% pure. The Ethanol cannot be distilled further to extract the water present in it; hence adsorption technology is adopted for this purpose. For the adsorption we use molecular sieves, these are synthetic zeolites, to separate water and ethanol. 95.5% pure ethanol is passed through a vessel containing molecular sieve beds, which adsorbs the water from the ethanol and 99.5% ethanol is collected as fuel ethanol.

Fuel Ethanol Capacity

Period	For the year ended September 30, 2007			For the nine months ended	
	2004	2005	2006	June 30, 2006	June 30, 2007
Spirit Production (Kilolitres)	12,212	15,655	8,240	8,240	11616
Fuel Ethanol produced (Kilolitres)	9,405	1,189	3,739	3,739	8,736
Extra Neutral Alchol	-		-	-	723

Raw Material

Sugar - The main raw material for production of sugar is sugarcane. Our total requirement of sugarcane is 5,000,000 MT per annum at optimum capacity utilization of all our manufacturing plants. We procure the sugarcane directly from farmers harvesting in the command area in the radius of 15 kms from the manufacturing facilities. We continue to maintain very good relations with the sugarcane farmers, which ensures supply of sugarcane during the season. Our sugar production is less dependent on the seasonality of the sugarcane crop since we are also able to produce refined sugar from raw sugar. This enables maximum utilization of our plant and machinery.

Our Company has also undertaken several short-term and long-term initiatives for improving sugarcane yield in their region, improving cane quality and hence recovery, and also to develop good relations with farmers. Short-term cane development involves converting other crop areas to cane cultivation by field-extension activities including provision of quality seeds and agri-inputs. Commercial Banks are being associated with this effort for provision of input loans to the farmers. Long-term Cane Development involves development of irrigation sources like Check-dams, Percolation Tanks, Individual/ Group lift irrigation schemes, Sump-wells as well as taking up land development to bring additional acreage under cultivation. This is land that is either barren or unsuitable for growing cane in its present state.

Co-Generation - Bagasse is the dry, fibrous residue remaining after the extraction of juice from the crushed stalks of sugarcane, which is used as a fuel for boilers to generate steam which is used in sugar manufacturing process and to generate power. We meet the Bagasse requirement to produce power in sufficient quantity from the by product of sugar manufacturing process.

Ethanol - The main raw material for production of Ethanol is molasses, which is a by-product of sugar manufacturing process. Currently we have sufficient capacity to process all our molasses into Ethanol and we need not sell any molasses to third parties. In case of any shortfall of molasses from our own production, we procure the same from other sugar mills, which do not have distilleries.

Labour

We recruit the skilled and unskilled workers from nearby locations to our manufacturing facilities. We do not have workers union at our owned facilities. We believe in maintaining the good relationship with our workers.

Water

During the manufacturing process of Sugar, Co-generation and Ethanol, we require to consume water. Water required for the plant operations is drawn from nearby rivers or from borewells as the case ay be. We already have approval from the state governments for drawing water from rivers.

Sugar plant

Sugarcane contains around 50% water which is available in the form of hot condensate, which is re-circulated after it has been cooled, for use in the sugar plant. Hence virtually there is almost no requirement of water in the sugar plant. However very small quantities of water would be required for the pump gland cooling, mill bearing cooling, factory floor washing and during cleaning of the sugar factory. Almost all sugar mills are located in the vicinity of a river and have a water reservoir built in the factory complex. Water drawn from the river is pumped into a reservoir from where it is distributed to the various users in the complex. Depending on the quality of raw water from the river, necessary water treatment plant is installed.

Cogen power plant

Main requirement of water in the cogeneration power plants is for -

1. Cooling water system for the turbine condenser, oil cooler, generator air cooler
2. Power cycle make up – Boiler make up for feed water system

Normally in an integrated sugar complex the water system for the cogeneration power plant and the sugar plant is common, since the sugar mill and power plant are located not very far away from each other.

The water from the common reservoir is pumped to the water treatment plant near the power plant which will generate water confirming to the boiler feed water parameters. The quantity of water required in the power plant depends on the capacity of the boilers and the turbo-alternators.

Ethanol

In a molasses based distillery, molasses is diluted with water in the ratio of 1:3 for fermentation with yeast. The other major consumer of water in a distillery is make-up for the cooling towers which provide cooling water to cool the fermenters and in the distillation section to condense the alcohol vapours in the shell and tube type condensers. Apart from these uses, water is required for the pump gland cooling, floor washing and monthly cleaning of the distillery. Normally the water is taken from the common reservoir in the sugar plant, but the distillery will have its own water treatment plant to have control of the water quality required in its process.

Electricity

Our power requirement during the manufacturing process of Sugar, Co –Generation and Ethanol is met from our own power generation facilities.

Transport

Our transportation needs are on hire basis through road, and rail. Our Munoli plant is 60 Km from Belgaum, plants at Athani and Arag are located near Miraj (approx 50 Km and 25 Km respectively) and plant at Ajara is located near Kolhapur, Maharashtra (approx 70 Km). Our other plants of Havalga and Aland are located near Gulbarga (approx. 30 Km). It is pertinent to note that our company’s units are located close to the ports of Goa and Karwar (approx 160 Km and 200 Km respectively) which give us a competitive edge.

Environment Management

Our Company has received approvals from Karnataka State Pollution Control Board under both the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 for our manufacturing unit located in Karnataka. Our Company has also obtained the consent for existing discharge of Sewage and Trade effluents under Section 25 and Section 26 of the Water (Prevention and Control of Pollution) Act, 1974 and also for operation of plant under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for existing discharge of emissions from the chimneys at our manufacturing unit located at Munoli. We have also taken the approvals from Maharashtra Pollution Control Board for our plants located in Maharashtra. We have complied with all applicable regulations.

Emission and Effluent Management

Our Company's manufacturing facilities do not discharge any effluent. An effluent such as Spent wash, from distillery, ash from the Bagasse boilers and press mud, are discharged from sugar plant are used to make bio-fertilizers. All liquid effluents are treated in effluent treatment plant, and the treated water is used for plantations within the plant premises. The ash from coal is sold to brick and cement manufacturers. We have installed a coal boiler with Electro Static Precipitator ("ESP") as air pollution control equipment in order to keep the emissions from the boiler within the prescribed norms of the pollution control board. The Bagasse fired boilers are equipped with multi-cyclone dust collectors for emission control.

Quality Control & Measures

Internal quality control management systems and quality improvement systems exist in all our plants. Quality audit teams review all aspects of quality assurance at all of our units. Additionally, our in-house management team oversees our implementation and adherence to stringent quality control policies across all of our manufacturing facilities. Our quality assurance measures include:

- standard operating procedures at each of our units to make them quality compliant;
- statistical methods to identify and analyse areas of needed improvement;
- a team of qualified and experienced professionals to manage quality control for the entire manufacturing process, from purchase of raw material to the dispatch of final products and compiling databases for future reference and analysis.

Research & Development

We carry out the research for various purposes such as research into new cane varieties for better recovery and rationing and development of small-grain sugars for speciality applications. A thin film evaporator of 3,500 SQM heating surface area was installed, which enabled generation of higher quantity of vapours of required pressure and temperature required for refinery pan boiling. A two-effect melt concentrator was also installed which concentrated the fine liquor to 72 brix by using vapours from the evaporators. The four refinery pans we automated and were connected to a surface condenser instead of the conventional multijet condensers.

We have incurred a capital expenditure on research and development, of Rs.17.8 million and Rs.15.9 million during the year ended September 30, 2007 and September 30, 2006 respectively.

Technology

Sugar - We use the latest technology and resources available to us to ensure maximum crushing capacity and maximum production of sugar. We have installed hydraulic drives for our mills. We have adopted the Phosphoflotation process for clarification, which enables us to produce sulphurless sugar. We have also installed Continuous Vacuum Pans, which consume less steam for boiling of sugar syrup and raw sugar melt and are therefore efficient. We have entered into a MoU with Tate & Lyle Industries Pte whereby they will render technical assistance on an ongoing basis for further development of refining capability and development of value-added products.

Co-Generation - The technology adopted is the Combined Heat and Power cycle, wherein heat energy and electrical energy is derived from a common source.. Bagasse from the mills is used as fuel in the boilers to generate steam, which is injected into turbines to generate power, which meets the power requirement of the sugar plant and distillery and the surplus power is sold to the electricity grid. The boiler and turbines used are complete with instrumentation and automation. Few of the boiler auxiliaries are equipped with Variable Frequency Drives (VFD) to maximize energy efficiency in the power plant. The boiler is installed with Electro

Static Precipitator (ESP) as the air pollution control equipment in order to keep the emissions from the boiler within the prescribed norms of the pollution control board.

Ethanol - Our facilities are based on Continuous Fermentation Technology and Atmospheric Pressure distillation. With the continuous fermentation technology we not only achieve high yield but also reduce the generation of effluent. This is achieved by recirculation of fermented wash. Reusable water is extracted from this effluent by using the Separation by Membrane Technology in the Reverse Osmosis Plant installed in the distillery. The water extracted in the Reverse Osmosis plant is used in the distillery process and the final effluent is treated with the press mud from the sugar plant to produce bio-fertilizer. With the technology adopted, we generate 3 to 4 litres of spent wash per litre of ethanol. The Fuel Ethanol Plant is fully automated using Programmable Logic Controls and can be operated by one operator from a control room.

Export Obligation

We do not have any export obligation as on September 30, 2007.

Sales & Marketing

Sugar - Sugar traditionally is sold in the wholesale market to agents and dealers. The composition of our Company's sales for the nine months ended June 30, 2007 is as follows:

Corporate Customers	:	31.8% of sales
Regional Distributors	:	12.9% of sales
Agents/dealers	:	9.5% of sales
Consumer Packs	:	0.2% of sales
Exports	:	45.6 % of sales

our Company markets large quantity of sugar directly to corporate and industrial buyers to capture a larger share in domestic market. The Company has significant exports sales to Tate & Lyle Industries Pte, UK. The benefits enjoyed by our Company by doing this include committed and timely off-take of sugar, scope to fix prices in advance and reduce price risk, reduced working capital cost due to increased comfort for working capital lenders and reduced dependence on brokers for sale of sugar. our Company supplies sugar to multinational companies who manufacture carbonated soft drinks, fruit juices, chocolates, baby food and dairy products. Corporate sales constituted about 40% of total sugar sales in FY 2007. Some of Company's key corporate buyers of sugar are Hindustan Coca Cola Beverages Private Limited, Nestle' India Limited, Cadbury India Limited, etc. Our Company has moved away from a trading centric model to sugar manufacturing/refining centric model by increasing the installed capacity to 25250 TCD.

Ethanol - Our Company manufactures industrial alcohol and ethanol depending on the demand supply dynamics. The capacity utilization of the distillery for the year ended September 30, 2006 was around 80% resulting in production of about 15,000 KL per annum. The ethanol manufactured is sold to the three oil majors. With crude prices ruling over USD 60/BBL for the last one year, blending is likely to be accepted by the industry participants, which would result in demand for ethanol going up significantly. Our Company has ramped up its ethanol capacity to 450 KLPD to meet the increased ethanol requirements.

Co-Generation - Our Company's existing co-generation capacity is about 103.5 MW. and Our Company uses about 50% of power generated for captive consumption and the balance is being sold to Hubli Electricity Supply Company Ltd (HESCOM)

Our Company's bagasse based co-generation plant at Munoli has qualified as a Clean Development Mechanism (CDM) project, which entitles them to generate Carbon Credits. Our Company has informed that they have received host country approval from the Ministry of Environment and Forests and the project has now been put up for registration with the CDM Executive Board of the United Nations Framework Convention on Climate Change (Bonn). The project will be eligible for Carbon credits based on the units of power sold from their Munoli co-generation plant. Our Company will seek to sell these Carbon Credits to European companies who have to comply with international legislation on emissions. We are in advanced stage of redeeming the credits received.

Competition

We primarily face competition from sugar mills located in Karnataka and Maharashtra. Our competition in the industrial sugar segment is primarily with other sugar mills who manufacture refined sugar.

Fuel ethanol is sold to oil marketing companies through tendering process. We face competition from all distilleries, which manufacture Fuel Ethanol and participate in the tendering process. We also face competition from other distilleries in our Ethanol sales for potable and industrial uses.

Client Concentration

The percentage of total revenues for the nine months ended June 30, 2007 that we derived from our various customers, categorized as follows:

Category	2004-05	2005-06	Nine month ended June 30, 2007
Corporate Customers	37.1%	20.0%	31.8%
Regional Distributors	27.8%	20.2%	12.9%
Agent / Dealers	25.4%	20.2%	9.5%
Consumer Packs	0.7%	1.8%	0.2%
Exports	8.9%	37.7%	45.6%
Total	**100.0%**	**100.0%**	**100.0%**
Turnover (Stand Alone)	**6,392**	**8,016**	**5,621**

Collaboration

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

IT Infrastructure

Our company has successfully implemented My SAP – ERP for seamless integration of data from various locations and from cross functional areas of financial, 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 our business needs and effective financial reporting. Our board is confident that this IT strategy is one of the milestone in the face of various challenges and difficulties in our businesses.

Insurance

All assets of the Company including stock of sugar (finished and raw), by products, ethanol is covered under standard fire policy which covers insurance against damage due to fire, shock, earthquake, terrorism and/or flood. Adequate insurance is taken on all goods including goods in transit goods / goods kept in outside godowns (owned or leased). All the employees are insured under Special Contingency Insurance Policy. Our company has taken a Key Man insurance policy on key Person i.e Mr. Narendra Murkumbi, Managing Director. The total coverage under all our policies as of September 30, 2007 was Rs.9,834.90 million.

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Financial Indebtedness

Our Company at present is enjoying following term loan and working capital facilities from the Banks, details of which are as under:

Term Loans

Name of the Lender	Currency	Sanctioned Limit	Outstanding as on September 30, 2007 (Amount in Million)	Security	Current Interest Rate	Final Maturity
Sugar Development Fund	INR	158.05	126.44	Fixed Assets	4.00%	Sept - 2011
Sugar Development Fund	INR	59.46	59.46	Fixed Assets	4.00%	Sept - 2012
ING Vysya Bank	INR	80.00	5.00	Fixed Assets	11.00%	Oct - 2007
ING Vysya Bank	INR	35.00	11.80	Fixed Assets	11.00%	Sept - 2008
SDF Sugarcane Development Loan	INR	29.47	24.97	Bank Guarantee	4.00%	Apr - 2013

Name of the Lender	Currency	Sanctioned Limit	Outstanding as on September 30, 2007 (Amount in Million)	Security	Current Interest Rate	Final Maturity
AXIS Bank Ltd. (formerly UTI Bank Ltd.)	INR	530.00	496.88	Fixed Assets	10.5%	Mar - 2011
IDBI Bank Ltd	INR	1,000.00	905.00	Fixed Assets	10.78%	Mar – 2014
State Bank of India (Bridge Loan)	INR	300.00	300.00	Unsecured	10.2%	Dec – 2007
Deutche Bank (Bridge Loan)	INR	100.00	100.00	Unsecured	9.25%	Dec – 2007
Vehicle Loan from Banks	INR	-	5.34	Vehicles	9.0%	Mar - 2008
Total	**INR**	**2291.98**	**2034.89**	**-**	**-**	**-**
ABN Amro Bank N.V., Singapore & Mumbai	**JPY**	7,071.44	7,071.44	Fixed Assets	4.75%	May – 2012

Source: Company

Working Capital Loans

(Rs. in Million)

	Limit			Outstanding as on September 30, 2007		
Name of the Bank	**Fund based**	**Non Fund Based**	**Total**	**Fund Based**	**Non Fund Based**	**Total**
State Bank of India	1,000.00	(500.00)	1,000.00	83.97	284.07	368.04
ING Vysya Bank	700.00	(300.00)	700.00	0.17	-	-
ICICI Bank Ltd.	-	1,500.00	1,500.00	-	50.59	50.59
AXIS Bank Ltd. (formerly UTI Bank Ltd.)	1,250.00	(1,250.00)	1,250.00	-	325.78	325.78
Standard Chartered	1,250.00	(1,250.00)	1,250.00	908.36	129.28	1,037.64
ABN Amro Bank	750.00	-	750.00	642.36	-	642.36
Total	**4,950.00**	**(3,300.00) 1,500.00**	**6,450.00**	**1634.86**	**799.72**	**2434.58**

Source: Company

Our Existing Manufacturing Facilities

Sr. No.	City	Status	Lessor	Period	Facility
1	Munoli, Karnataka	Owned	NA	NA	Sugar Plant with 7,500 TCD capacity, Co-Generation plant with 35.50 MW capacity, Distillery with capacity of 150 KLPD and Sugar Refinery with 1,000 TCD capacity
2	Ajara, Maharashtra	Leasehold	Ajara Shetkari Sakhar Karkhana		Sugar plant with 2,500 TCD capacity

Sr. No.	City	Status	Lessor	Period	Facility
			Ltd		
3	Arag, Mohan Nagar, Maharashtra	Leasehold	Mohanrao Shinde Sahakari Sakhar Karkhana Ltd, Sangali	From Sugar season 2005-06 to Sugar season 20010-11	Sugar plant with 4,000 TCD capacity
4	Athani, Karnataka	Owned	NA	NA	Sugar plant with 6,000 TCD capacity, 38 MW Co-generation capacity, 150 KLPD distillery capacity and 1,000 TCD refinery capacity
5	Havalga, Karnataka	Owned	NA	NA	Sugar plant with 4,000 TCD capacity and 150 KLPD Distillery capacity
6	Aland, Karnataka	Leasehold	Aland Sakkare Karkhane Niyamitha	From October 1, 2005 to September 30, 2012	Sugar plant with 1,250 TCD capacity
7	Haldia, West Bengal (under implementation)	Leasehold	Haldia Development Authority and Haldia Municipal Corporation	90 years from May 7, 2007	15 MW Co-generation capacity and 1,000 TCD refinery capacity

Human Resource

Our Company employ's around 1,233 people as on September 30, 2007. The detail of our manpower is given as under

Category	No. of Employees
Account & Finance	54
Administration	85
Laboratory	34
Sales & Marketing	34
Factory Staff	1026
Total	**1233**

Our Company has taken LIC Group gratuity scheme for our employees. We have a policy to provide the necessary training to the new employees and workers. We view this process as a necessary tool to maximize the performance of our employees.

The Shree Renuka Sugars Employee Welfare Trust was formed with the sole intention to assist all workers and employees towards better livelihood.

There has been no reported strikes / closures and our Company has excellent Industrial relations.

Recruitment

We believe that our employees are the major contributors to our business. Structured orientation programme is conducted for all new employees of the company for the respective responsibilities. We recruit the technical personnel based on their experience and a good track record of performance. Similarly the technician and operatives with good work experience in the industry are considered. We normally recruit the staff by giving an advertisement in the news paper, through consultants or by references from existing employees.

Training & Development

We place special emphasis on the training of our employees to enable them to develop their skills and to meet changing requirements. We focus on an initial learning programme for our trainees as well as continuous learning programmes for all our employees. The strategy observed for training of employees is to identify the training needs of the employees based on their competency profile.

Our key objective is to provide training to all employees at regular intervals and key focus area of training are technology, quality, information technology and leadership development. Our company sponsers and encourages our employee to attend a seminars and conferences related to various aspects. To achieve the objectives in the most efficient manner, we conduct regular appraisals of employees with a view to (i) Identify training needs, (ii) performance appraisal, and (iii) Career planning.

We regularly sponsor our engineers, chemists, and other employees for various advanced courses in sugar engineering, sugar technology and alcohol technology at the Vasantdada Sugar Institute, Pune.

Corporate Social Responsibility

Our Company appreciates the social standing borne by it in the society and to that effect we have taken certain steps in fulfilling our social responsibility towards the people of our town and district. The Shree Renuka Sugars Development Foundation, that was formed vide a deed of trust, invested a certain amount of money initially to start the process of welfare for the people around our mills.. The Foundation looks for the betterment of facilities available to the people in and around our office and manufacturing unit. The main object of the Foundation is to enhance the infrastructural base by opening schools, colleges, parks, etc. and also improvement of medical facilities available to the people at present.

Health, Safety and Environment

We aim to comply with applicable health, safety and environmental regulations and other requirements in our operations and also maintain adequate workmen's compensation, group medical insurance and personal accident insurance policies.

National environmental standards in India are drafted by the Central Pollution Control Board and the Ministry of Environment and Forests, Government of India and are enforced by various pollution boards and pollution control committees. Environmental legislation in India includes the Environment Protection Act, 1986, as amended, the Water (Prevention and Control of Pollution) Act, 1974, as amended and the Air (Prevention and Control of Pollution) Act, 1981, as amended.

Each of our manufacturing facilities requires various environmental clearances. We have conducted our business in accordance with a comprehensive environmental policy and environment management system. We are in compliance, in material respects, with applicable health, safety and environment laws and regulations.

SECTION XVIII: BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our corporate governance bodies comprise the Board of Directors, the Audit Committee, the Remuneration Committee and the Investors Grievances Committee.

The Board of Directors represents the interests of shareholders and is responsible for our general management and approves our strategic and operational plans. The Board of Directors also has the overall responsibility for the administration of our day-to-day activities.

As per our Articles of Association, our Board shall consist of not less than three Directors and not more than 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 12 Directors. The minimum and maximum number of Directors may be increased or decreased by an ordinary resolution of the Company's shareholders, subject to the provisions of the Company's Articles of Association and the Companies Act.

Details of the Board of Directors

Sr. No.	Name and address	Designation	Directorships in other companies
1.	Mrs Vidya M. Murkumbi	Executive Chairperson	Murkumbi Bioagro Private Limited Murkumbi Industries Private Limited Renuka Commodities DMCC Shree Renuka Infraprojects Limited
2.	Mr Narendra M. Murkumbi	Managing Director	ICICI Bank Limited Murkumbi Bioagro Private Limited Murkumbi Industries Private Limited Renuka Commodities DMCC Shree Renuka Infraprojects Limited KBK Chem Engineering Pvt Ltd J. P. Mukherji & Associates Private Limited
3.	Mr Nandan Yalgi	Director (Commercial)	Shree Renuka Infraprojects Limited Renuka Commodities DMCC
4.	Mr Sidram Kaluti	Whole time Director	NIL
5.	Mr Nitin Puranik	Whole time Director	Nil
6.	Mr Surender Kumar Tuteja	Independent and Non-Executive director	Swaraj Mazda Ltd. Abhishek Industries Ltd HMT Ltd. Punjab Tractors Ltd. Swaraj Engines Ltd. Abhishek Global Ventures Ltd. Central Railside Warehousing Co.Ltd. Central Warehousing Corp. CWC Cold Chain (Pvt.) Ltd. Lotus Integrated Texpark Ltd. Lotus Infrabuild Limited Mundra Port & Special Economic Zone Ltd. Precision Pipes & Profiles Co.Ltd. Shree Renuka Infraprojects Ltd. Small Industries Development Bank of India.
7.	Mr. Robert Taylor	Independent and Non-Executive director	Agrinergy (I) Limited Renuka Commodities DMCC
8.	Mr Jonathan Kingsman	Independent and Non-Executive director	J Kingsman SARL J Kingsman Ltd. Novel Investments Ltd.

Sr. No.	Name and address	Designation	Directorships in other companies
9.	Mr J.J. Bhagat	Independent and Non-Executive director	Riga Sugar Company Limited
10	Mr Sanjay Asher	Independent and Non-Executive director	Bajaj Allianz Life Insurance Co. Ltd Bajaj Allianz General Insurance Co. Ltd. Finolex Cables Ltd. Dewas Soya Ltd. Infomedia India Ltd. New Vernon NV Advisory Services Pvt Ltd. Repro India Ltd. Schlafhorst Engineering (India) Ltd. Siporex India Ltd. A.L. Movers Pvt. Ltd. A.L. Records Management Pvt. Ltd. Allied Pickfords India Pvt. Ltd. Diamant Boart Marketing Pvt. Ltd. Finolib chemicals Pvt. Ltd. Huntleigh Healthcare India Pvt. Ltd. Migatronic India Pvt. Ltd. Morgan Stanley Investment Management Pvt. Ltd. Mepha Pharma India Pvt. Ltd. Orbit Electricals Pvt. Ltd. Ratiopharma India Pvt. Ltd. Asian Eletronics Ltd Zinster Textiles Systems Pvt. Ltd. Divinet Access Technologies Ltd Kryfs Power Components Ltd Plastro Plasson Industries (India) Ltd Saurer Precicomp Pvt Ltd.
11	Mr Hrishikesh Parandekar	Independent and Non-Executive director	NIL
12	Dr. B.P. Baliga	Independent and Non-Executive director	Conster Chemicals Limited KBK Chem Engineering Pvt Ltd

BRIEF BIOGRAPHY OF OUR DIRECTORS

Mrs. Vidya M. Murkumbi, Executive Chairperson

Mrs. Vidya M. Murkumbi, 59 yrs, is the Executive Chairperson and promoter of our Company. Mrs. Vidya M. Murkumbi completed her graduation in Chemistry, and spent 23 years in the Trading Business. She was initially involved in trading and distribution for various Tata and Parle products. Subsequently, she moved into manufacturing and marketing business.

Mrs. Murkumbi started her industrial experience with Murkumbi Bioagro Private Limited and Murkumbi Industries Private Limited, which were manufacturing biopesticides and biofertilisers. After working in the biotech industry for 4 years, Mrs. Murkumbi promoted Shree Renuka Sugars Limited. She has been involved with us since our inception.

In the year 2006, the Karnataka Government had felicitaed her with "Karnatka Ratna" in recognition of her achievements. She served as the President of South Indian Sugar Mills Association for the period 2003-2005.. She was also a member of Tuteja Committee set up by the Government of India in 2004 for revitalization of sugar industry.a

Mr. Narendra M. Murkumbi, Managing Director

Mr. Narendra M. Murkumbi, 37 years, is the Managing Director of our Company. He has completed his graduation in Electronics and Communication Engineering from the Gogte Institute of Technology, Belgaum.

He completed Post Graduate Diploma in Management (PGDM) with specialization in Entrepreneurship and New Venture Management from the Indian Institute of Management, Ahmedabad. He has been involved with the Company since its inception.

Mr. Nandan Yalgi, Director (Commercial)

Mr. Nandan Yalgi, 38 years, joined our Board with effect from September 24, 2004 as Director - Commercial. He is an Electronics and Communications Engineer from Gogte Institute of Technology, Karnataka University. He has also completed a Small and Medium Enterprise Management Programme from the Indian Institute of Management, Ahmedabad. He is inter alia in charge of export and import operations, logistics management, foreign trade policy matters, overlooking central excise matters.

Mr Sidram Kaluti, Whole time Director

Mr Sidram Kaluti, 61 years was appointed w.e.f. 17.11.2005 as a whole time Director of the Company designated as president, and has served in Government of Karnataka as Registrar for Co-operatives and was one of the Founder Director of Karnataka Sugar Institute, Belgaum. During his stint in Government, he was responsible for commissioning several sugar projects as Special Officer. He is the President of the operations of the Company and his day to day responsibilities include operations of the plants based in Karnataka.

Mr Nitin Puranik, Whole time Director

Mr Nitin Puranik, 48, years, is a whole time director of our Company designated as executive director. He holds a Degree in Chemical Engineering from I.I.T. - Kharagpur and is a Post Graduate in Business Management & MMS (Marketing) from Pune University. Mr. Puranik has over his career spanning 25 years gained valuable experience in Production, Quality Control, Commercial, technical, operations, projects, planning, maintenance and managerial fields. Mr. Puranik was Ex-Director of Haldia Integrated Development Authority Ltd., as a representative of South Asian Petrochem Ltd. His responsibilities involve setting up and operations of the Haldia project of the Company.

Mr. Surender Kumar Tuteja, Independent and Non-Executive director

Mr. Surender Kumar Tuteja, 62 years, is a Director with our Company with effect from 25th January, 2007 as an independent Director. He holds a Master's degree in Commerce and is a member of the Institute of Company Secretaries of India. Mr Tuteja belonged to the Indian Administrative Service and retired as Secretary, Food and Public Distribution, Government of India. During his distinguished service career spanning over 38 years, Mr. Tuteja has held several key positions with the State and Central Government. He has over the years, acquired vast experience in finance, commerce, industry, management and company affairs.

Mr. Robert Taylor, Independent and Non-Executive director

Mr. Robert Taylor, 36 years, has been appointed as an independent Director of our Company with effect from May 9, 2005. He has completed his Bachelor of Science in Economics and Economic History from London School of Economics and Political Science, UK where his main area of studies were in microeconomics, macroeconomics, econometrics, development economics, comparative economic systems, economic history of Russia, India, Japan, and Africa and world economy. He has also completed his Masters in Science in Agricultural Economics from Oxford University, UK where his main courses were Agricultural economics, developmental economics, microeconomics, macroeconomics, econometrics and agricultural policy. He has over 9 years of experience in the sugar industry. He is a director and co-founder of Agrinergy Limited, UK, a consulting firm focused on Clean Development Mechanism (CDM) projects and trading of carbon credits. He was the head of market research and analysis for Tate and Lyle International for a period of three years from 2000 to 2003. He was a market analyst for E D & F Man Sugar for a period of five years from 1995 to 2000.

Mr. Jonathan Kingsman, Independent and Non-Executive director

Mr. Jonathan Kingsman, 51 years based in Paris, has been appointed as an independent Director of our Company with effect from May 9, 2006. He is a world leading independent analyst and commentator on sugar and ethanol markets.

After graduating from Cambridge in 1978 with a Masters Degree in Economics, he began his career in the sugar business with Cargill Inc, working both in London and Minneapolis. He started his own sugar brokerage Company, (Societe J Kingsman) in France in 1990 and soon developed a reputation as a market analyst and report writer. He is also the editor of the Sugar Trading Manual and is a regular speaker at International conferences.

Mr. J.J. Bhagat, Independent and Non-Executive director

Mr. J.J. Bhagat, 60 years, joined our Board with effect from August 5, 1999 as an independent Director has completed his Post Graduation in Sugar Technology from National Sugar Institute, Kanpur. He heads the Sugar Technology Mission Project (STM) set up by the Government of India for the purpose of upgrading technology in the Indian Sugar industry. He is a member of the International Society of Sugar Cane Technologists, and also the Referee on International Sugar Journal.

Mr. Sanjay Asher, Independent and Non-Executive director

Mr. Sanjay Asher, 44 years, joined our Board with effect from August 5, 1999 as an independent Director. He is a Bachelor in Commerce and a Bachelor of Law from the Mumbai University. He is a qualified Chartered Accountant. He has been a Practicing Advocate since 1989 with M/s. Crawford Bayley & Co. and is a partner of this law firm, since 2003.

Mr Hrishikesh Parandekar, Independent and Non-Executive director

Mr Hrishikesh Parandekar, aged 35 years joined our Board with effect from 13th November, 2006 as an independent Director. He is the Founder and Managing Director of the India Rising Fund, which invests in private equity, real estate, and venture capital managers in India. Before founding the Fund, Mr. Parandekar worked for Morgan Stanley, as Managing Director and as a Senior Consultant with McKinsey.. He specialized in serving investment houses, banks, and insurers, on issues related to strategy, investments and product management.

Dr. B.P. Baliga, Independent and Non-Executive director

Dr. B.P. Baliga, 79 years, joined our Board with effect from September 29, 1997 as an independent Director. He has obtained a Doctorate in Biochemistry and Nutrition from Texas A & M University. He was the Director of Research and Executive Secretary of the International Commission for Prevention of Alcoholism from the year 1958 to 1960. He was made the Deputy Chief Secretary, Chemist and Head of Food Division, Tata Oil Mills Limited, Bombay in 1960 and was the Director of Research (Chief of R & D Labs) from the year 1967 to 1986. He was the President of Association of Food Scientists and Technologists of India during the year 1979-80. He was the Vice-President of Oil Technologists Association of India and was the pioneer in introduction of manufactured cattle-feeds in India in the early 1970's.

COMPENSATION AND BENEFITS IN KIND GRANTED TO THE DIRECTORS

Executive Directors:

The terms and conditions governing the appointment of Mrs Vidya M. Murkumbi (Executive Chairperson) are contained in a resolution passed by the Shareholders at the annual general meeting held on April 1, 2004 and regularized at AGM held on December 30, 2005. Mrs Vidya M. Murkumbi receives the remuneration of Rs.1,75,000/- per month and commission upto 1% in the net profits of the Company in relevant financial year and perquisites.

The terms and conditions governing the appointment of Mr Narendra M. Murkumbi (Managing Director) are contained in a resolution passed by the Shareholders at the extra-ordinary general meeting held on August 25, 2007. Mr Narendra M. Murkumbi receives the remuneration of Rs.175, 000/- per month and commission upto to 1% in net profits of our Company for the relevant financial year and perquisites.

The terms and conditions governing the appointment of Mr Nandan Yalgi (Director-Commercial) are contained in a resolution passed by the Shareholders at the board meeting held on September 24, 2004. Mr Nandan Yalgi receives the remuneration of Rs.1, 20,000/- per month and perquisites.

The terms and conditions governing the appointment of Mr Sidram Kaluti (Whole time Director) are contained in a resolution passed by the Shareholders at the annual general meeting held on 17 November, 2005 and regularized at AGM held on December 30, 2005. Mr Sidram Kaluti receives the remuneration of Rs.200,000/- per month and perquisites.

The terms and conditions governing the appointment of Mr Nitin Puranik (Whole time Director) are contained in a resolution passed by the Shareholders at the extra-ordinary general meeting held on August 25, 2007. Mr Nitin Puranik receives the remuneration of Rs.274,360/- per month.

Non-Executive Directors:

Prior to April 20, 2007 the Company paid sitting fees to all the non-executive directors at the rate of Rs.7, 500 for attending each meeting of the Board and/or committee thereof. Pursuant to the Board Meeting held on April 20, 2007, the remuneration payable to the non-executive Directors by way of sitting fees for attending each meeting of the Board or Committee thereof was increased from Rs.7500 to Rs. 15,000 from the date of such meeting.

Compensation of Directors

For the year ended September 30, 2007, the Company paid an aggregate compensation including sitting fees to its Directors of Rs. 6.25 million.

Developments in the Board of Directors during the last three years

Sr. No.	Name of Director	Date of Appointment / Vacation	Reason
1.	Mr. Robert Taylor	Appointed on May 9, 2005	Appointment as Additional Director regularized at AGM held on 30.12.2005
2.	Mr. Nandan V. Yalgi	Appointed on September 24, 2004	Appointed as Director (Commercial)
3.	Mrs. Vidya M. Murkumbi	Appointed on April 1, 2004	Appointed as Executive Chairperson
4.	Mr. S.M. Kaluti	Appointed on 17 November, 2005.	Appointment as Additional Director regularized at AGM held on 30.12.2005
5.	Mr Nitin Puranik	Appointed on 20th April, 2007	Appointment as Whole Time Director regularized in EGM dated 25.08.2007
6.	Mr S K Tuteja	Appointed on 25th January, 2007	Appointed as an additional Director
7.	Mr Hrishikesh Parandekar	Appointed on 13th November, 2006	Appointment as Additional Director regularized at AGM held on 28.12.2006
8.	Mr B S Parshivamurthy	Vacated on 23rd October, 2006	Withdrawal of nomination by IDBI
9.	Mr Jonathan Kingsman	Appointed on 29th May, 2006	Appointment as Additional Director regularized at AGM held on 28.12.2006
10.	Mr Jayant Herwadkar	Ceased to be a Director w.e.f. 9th October, 2006	Expired

Director's Shareholding

The following table sets out the shareholdings of the Directors in the Company as on September 30, 2007:

Name of the Director	Number of Shares	% holding in the capital of the Company
Murkumbi Vidya Madhusudan	140,440	0.57
Murkumbi Narendra Madhusudan	2,839,000	11.44
Yalgi Nandan Vithal	40,030	0.16
Bantval Prabhakara Baliga	40,010	0.16
Jeewan Jyoti Bhagat	145,000	0.59
Sanjay Khatau Asher	59,000	0.24
Kaluti Sidram Meleppa	17,000	0.07
TOTAL	**3,280,480**	13.23

Directors' Interest

The Directors may be regarded as interested in the shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, Members, partners and/or trustees.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations. Except as stated otherwise in this Preliminary Placement Document and statutory registers maintained by the Company in this regard, the Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Preliminary Placement Document in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

Corporate Governance

Our corporate governance policies recognise the accountability of the Board and the importance of making the Board transparent to all its constituents, including employees, customers, investors and the regulatory authorities, and to demonstrate that the shareholders are the ultimate beneficiaries of our economic activities.

Our corporate governance framework is based on an effective independent board, the separation of the board's supervisory role from the executive management and the constitution of board committees, generally comprising a majority of independent directors and chaired by an independent director, to oversee critical areas and functions of executive management.

Our corporate governance philosophy encompasses not only regulatory and legal requirements, such as the terms of listing agreements with stock exchanges, but also several voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders. The Board of Directors also functions through various committees such as the Audit Committee, the Remuneration and the Shareholders' Grievances Committee. These committees meet on a regular basis.

Board Committees

1) **Audit Committee**

   Our Audit Committee currently consists of Mr. Sanjay Asher, Mr. Robert Taylor and Mr. Hrishikesh Parandekar. Mr. Sanjay Asher is the Chairman of the Committee.

   The terms of reference of the Audit Committee include the matters specified under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act. The Company has complied with the requirements of Clause 49 as regards the composition of the Audit Co mittee.

2) **Shareholders/Investors Grievance Committee**

   Our Shareholder/Investor Grievance Committee comprises of Mr. Sanjay K. Asher, Mr. Surender Kumar Tuteja, Mr. Narendra M. Murkumbi and Mrs. Vidya M. Murkumbi. Mr. Sanjay Asher is the Chairman of the Committee.

3) **Remuneration Committee**

Our Remuneration Committee currently comprises of Dr. BP Baliga, Mr. JJ Bhagat and Mr. Sanjay Asher. Dr. BP Baliga is the Chairman of the Committee.

Key Managerial Personnel

The details of the Key Managerial Personnel of the Company

Mr. S. R. Nerlikar, Executive Director (Cane)

Mr. S. R. Nerlikar is 50 years, Mr. Nerlikar has an experience of over 27 years in the cane procurement and development. He has completed his Bachelor of Science Agriculture from Pune University. He is also the recipient of P J Bhat Gold Medal for his academic excellence in the field of sugarcane. He was previously employed with Shri. Doodganga Krishna Sahakari Sakhar Karkhana Niyamit ("SSKN") as Head of Cane Department for a period of 16 years and 5 years with Halasiddnath SSKN as Head of Cane Development. Mr. Nerlikar has been with our Company since 1999 and has received annual emoluments of Rs. 464,400 in year FY 2004.

Mr. C. Dwarka Nath Acharya - Chief Financial Officer

Mr. C. Dwarka Nath Acharya is 47 years, Mr. Acharya has a rich industry experience in Indian and MNC companies and is a veteran in various facets of Finance, Accounts and Secretarial matters of Corporate India in various capacities for over 18 years, including an assignment for two years in San Jose, USA. He is a fellow member of Institute of Chartered Accountants of India and an Associate member of Institute of Company Secretaries of India and a Diploma in Business Finance from Institute of Chartered Financial Analysts of India, Hyderabad. Mr. Acharya was inducted as Chief Financial Officer of the Company on May 18, 2005.

Mr. A. P. Deshpande – Vice President (Bio-Fuels & Sales)

Mr. A. P. Deshpande is 46 years, Mr. Deshpande has an experience of over 12 years in the marketing sector and 9 years in engineering. He has completed his Bachelor of Engineering (Mechanical) from Bangalore University. He was previously employed with Alfa Laval India for a period of 18 years. Mr. Deshpande has been with our Company since December 2004.

Mr. R. J. N. Nehru - Head – Power Plant

Mr. R. J. N. Nehru is 69 years, Mr. Nehru has an experience of over 46 years in the power sector. He has completed his Bachelor in Engineering (Mechanical) from Madras University. He was previously employed with BHEL for a period of 17 years. In our Company he has commissioned the 11.2 MW cogeneration power plant and subsequent expansion to 20.5 MW. Mr. Nehru has been with our company since December 1999.

Mr. Rajshekhar Charantimath – DGM – Finance

Mr. Rajshekhar Charantimath is 36 years, Mr. Charantimath has an experience of over 10 years in the finance sector. He has completed his Masters in Commerce from Karnataka University. He was previously employed with Chougale group for a period of 3 years. Mr. Charantimath has been with our Company since its inception and has played a crucial role during the implementation period.

Mr. R.H. Sadekar - Company Secretary.

Mr. R.H. Sadekar is 53 years, Mr. Sadekar has an experience of over 6 years as a practicing advocate and 18 years as an Assistant Company Secretary /Company Secretary. He has completed his Bachelor of Commerce from Karnataka University, and is a graduate in law from Karnataka University. He is also a fellow member of the Institute of Company Secretaries of India. He was previously employed with Gogte Textiles Limited for a period of 14 years. Mr. Sadekar joined our Company as a Company Secretary on December 1st, 2001

Mr. Gautam Watve – Sr. Manager – Strategy & Planning

Mr. Gautam Watve is 31 years, Mr. Gautam has an experience of over 7 years in the field of strategy & planning.. He has completed his Masters in Strategy/Projects Management from Stevens Institute, New Jersey, USA and also holds a MBA degree from Mumbai University and is a Chemical Engineer from Mumbai University. He was previously employed with TATA Group for a period of 2 years and with GDB Inernational, USA for a period of 3 years Mr. Gautam has been with the Company for the last 2 years and has played a crucial role during the implementation period.

Mr. William C. D. Sr Manager Projects

Mr. William C. D. is 32 years, Mr. William has an experience of over 8 years in the sugar, cogen and distillery projects. He has completed his Bachelor of Engineering in Industrial & Production from Karnataka University, Dharward. He has been asscoiated with Shree Renuka Sugars Ltd since its inception in 1998 and after his graduation.

Mr. A.V. Ramaraju, GM (Operations - Haldia)

Mr. A.V. Ramaraju is 44 Years, Mr. Ramaraju has an overall experience of over 20 yrs in the areas of Process and Manufacturing. He has completed his Bachelor of Science in Andhra Pradesh and AVSI (Sugar Tech) from Vasant Dada Sugar Institute, Pune. He has rich experience in the sugar industry and has worked with companies like, Nizam Deccan Sugars Ltd, Godavari Mannar SSK Ltd, Nanded, Maharshtra J.P. Mukherji & Assosicates Pvt Ltd, Pune. Nghe an Tate & Lyle Sugar Co, Vietnam, Nagarjuna International (VN) Ltd, Vietnam, Andhra Sugars Ltd, Tanuku, etc. to name a few. Mr.Ramaraju has been with our company since July 2006.

Mr. K. Suresh Babu, Vice President (Munoli)

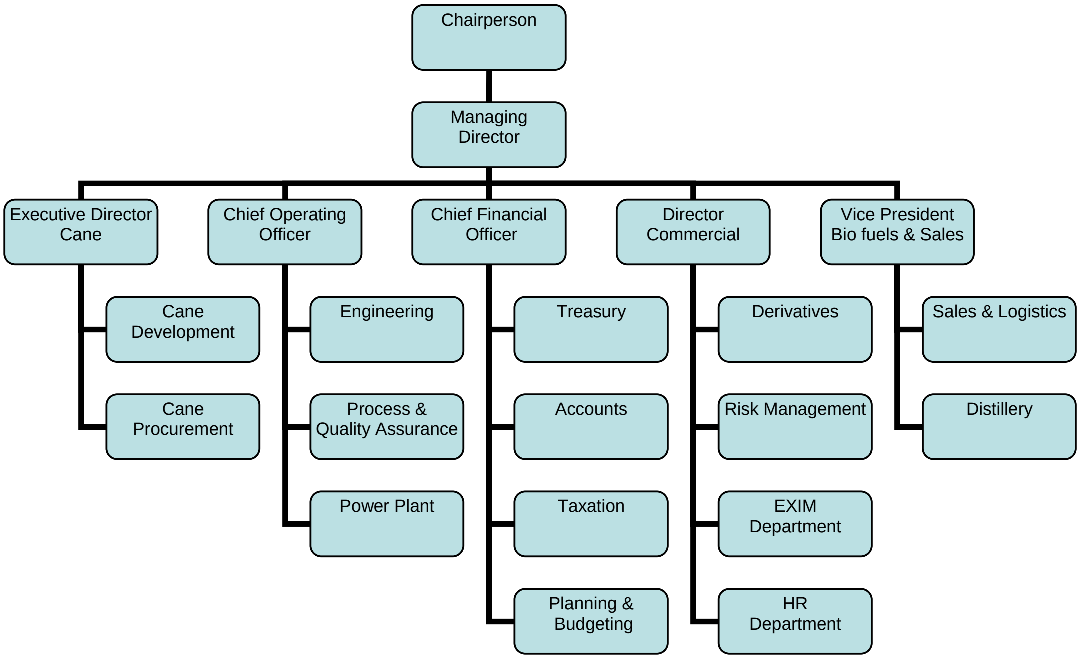
Mr. K. Suresh Babu is 59 Years, Mr. Suresh Babu has experience of over 33 yrs in the areas of Erection, Commissioning, Running and Maintenance of complete sugar plant and Co-Generation unit. He is Graduate Engineer with ANSI (Engg.) and B.O.E. Through out his career he has been in the sugar industry and has worked with Bharath Sugar Mills (GMR Group), Siriguppa Sugar Mills, Godavari Sugar Mills, Motihari Sugar Mill, M.P. Sugars, Shamanur Sugar and Simbhaoli Sugars. Mr.Suresh Babu has been with our company since 28th May 2007.

Mr. Dattaram M. Raskar, General Manager.

Mr. Dattaram M. Raskar is 52 Years, Mr. Raskar has experience of over 30 yrs in the areas pertaining to Process, Operations and Management. He is B.Sc with ANSI (Sugar Tech). He is also MBA (Finance). He is received "BEST CHIEF CHEMIST" Award for the year 2000-01 from VSI Pune. He was previously employed with Shiragond SSK Ltd, Ahmednagar, Sri Sant Tukaram S.S.K, Saikrupa Sakhar Karkhana and Shreenath Mhaskoba S.K. Ltd, Pune. Mr.Raskar has been with our company since 01st September 2007.

SECTION XIX: ORGANISATIONAL STRUCTURE AND MAJOR SHAREHOLDERS

ORGANISATIONAL STRUCTURE



Our Company was incorporated as a public limited company on October 25, 1995 under the name Shree Renuka Sugars Limited. Our Registered Office is situated at BC 105, Havelock Road, Camp, Belgaum 590 001, Karnataka.

OUR PRINCIPAL SHAREHOLDERS

The following table contain information as of September 30, 2007 concerning the ownership of our Equity Shares.

As at September 30, 2007

Category	Number of shares	% of shares
Promoters and Promoter Group		
a) Individuals/Hindu Undivided Family	3,482,450	14.04
b) Bodies Corporate	7,270,700	29.31
Public Shareholding		
a) Institutions		
• Mutual Funds	351,750	1.42
• Financial institutions/banks	459,013	1.85
• FIIs	5,657,527	22.80
b) Non-Institutions		
• Bodies corporate	658,392	2.65
• Individuals	2,882,832	18.94
Others		
• Non Resident Indians	448,812	1.81
• Foreign Nationals	105,400	0.42
• Trusts	1,348,766	5.44
• Clearing Members	326,372	1.32
TOTAL	**24,809,649**	**100**

SECTION XX: OVERVIEW OF SUBSIDIARIES

We have two wholly owned subsidiaries namely Renuka Commodities DMCC, Dubai, UAE and Shree Renuka Biofuels Holdings (FZE).

1. Renuka Commodities DMCC, Dubai, UAE is engaged in the business of wholesale trading of sugar. The authorized and paid up capital of the company is AED 400,000 Divided into 40 Shares of AED 10000 each.

   Renuka Commodities DMCC, Dubai, UAE was incorporated on October 26, 2004 under the laws of Dubai and registered with the Dubai Metal and Commodities Centre, UAE. The registration number of our Subsidiary is DMCC00166. The main objects of our Subsidiary are as follows:

   1. "To carry on all such business as the Dubai Metals & Commodities Centre Authority ("the Authority") may permit under the terms of the license to be issued to it by the Authority ("the License"). For this purpose, the License shall be an integral part of this Memorandum of Association.

   2. To carry on any other trade or business, which can, in the opinion of its Board of Directors and subject to the Authority's approval, be advantageously carried on in connection with or as ancillary to any of the business or activity set out in the License.

   3. Not withstanding the generality of the foregoing, Renuka Commodities DMCC may not:

      a) Carry on any banking business or any business of financial brokerage or financial advisory services unless it is duly licensed by the competent UAE Authorities;
      b) Carry on business as an insurance or reinsurance agent or insurance broker unless it is duly licensed to do so by the competent UAE Authorities."

   Board of Directors

   The Board of Directors of Renuka Commodities DMCC consists of:

Sr. No.	Name
1.	Mrs. Vidya M. Murkumbi
2.	Mr. Narendra M. Murkumbi
3.	Mr. Nandan V. Yalgi
4.	Mr. Robert Taylor

   The key financials of the company are as under:

Particulars	June 2007 (for 9 months)	Sept 2006	Sept 2005
Total Income	1298.54	3044.93	1562.97
EBITDA	182.08	642.22	168.62
PBT	181.45	642.19	153.70
PAT	181.45	642.19	153.70
Networth	982.01	888.56	158.68
Total Debt	0.00	0.00	0.53
Net fixed assets	0.13	0.14	0.15
Net current assets	981.89	800.42	159.06

2. Shree Renuka Biofuels Holdings (FZE) was incorporated on August 23, 2007. The company is engaged in the business of investment of its own financial resources in the overseas markets. Mr. Nandan Vithal Yalgi is the manager of this company.

SECTION XXI: 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 Lead Manager. 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 DIP 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 DIP 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 Lead Manager shall circulate the Placement Document either in electronic form or physical form to Eligible QIBs.
2. The Lead Manager 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 Lead Manager 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 Lead Manager.
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 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 Lead Manager 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 for will be required from each sub-account for submitting Bids.
5. 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.
6. 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 Lead Manager. 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 Lead Manager and Sole Book-Runner shall make a decision in this regard at their sole and absolute discretion.
7. Eligible QIBs would have to deliver the completed Application forms with Annexures to the Lead manager 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.
8. 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.

9. 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.
10. 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.
11. 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.
12. 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 Lead Manager 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 Lead Manager 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 Lead Manager 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 DIP 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 Lead Manager 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 Lead Manager either through electronic form or through physical delivery at the following address:

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

Contact Person: R. Anand / Rupesh Khant
Contact No: +91-22-3980 4380
Fax No: +91-22-3980 4315
Email: renukasugar@motilaloswal.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 Lead Manager who shall maintain the book. The Lead Manager shall not be required to provide any written acknowledgement of the same.

Price discovery and allocation

Our Company, in consultation with the Lead Manager, 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 Lead Manager 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 Lead Manager 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 LEAD MANAGER 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 LEAD MANAGER 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 # of this Preliminary Placement Document.

The maximum number of allottees of Equity Shares shall not be greater than 49 allottees.

APPLICATION FOR AND CAN

Based on the Bids received, our Company and the Lead Manager 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 dispatch of a CAN shall be deemed an invitation to the QIBs to submit an Application Form to apply for the Equity Shares so allotted and pay the entire Issue Price for such Equity Shares.

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.

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.

Submission of Application Form

All Application Forms duly completed shall be submitted to the Lead manager 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.

Bank Account for Payment of Application Money

Our Company has opened an Escrow account with **[•]** 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 **[•]**

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 Lead Manager 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) "Shree Renuka Sugars Limited– QIP - R" in case of Resident QIB investor, as per the payment instructions provided in the CAN
b) "Shree Renuka Sugars 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 DIP 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 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 Lead Manager, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of our Company and Lead Manager 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.

SECTION XXII: SELLING RESTRICTIONS

Certain Distribution and Solicitation Restrictions

The distribution of this 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 y 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 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 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 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 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 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 Placement Document.

European Economic Area (Members of the European Union, Iceland, Norway and Liechtenstein)

This 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"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Equity Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Equity Shares to the public in that Relevant Member State at any time:

- at any time, 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;
- at any time, 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 balance sheet with a total balance of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, (in the case of (2) and (3)) as shown in its last annual or consolidated accounts; or
- at any time, in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this paragraph, the expression an "offer of Equity Shares" 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 or subscribe the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant

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 may be issued, 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

The Equity Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law. No. 25 of 1948 as amended) (the "SEL") and disclosure under the SEL has not been and will not be made with respect to the Equity Shares. No Equity Shares have, directly or indirectly, been offered or sold, and may not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except (1) pursuant to an exemption from the registration requirements of the SEL and (2) in compliance with any other relevant laws, regulations and governmental guidelines of Japan.

The Netherlands

The Equity Shares may only be offered, sold or delivered in or from the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, to individuals or legal entities who or which trade or invest in securities in the conduct of a profession or trade (which includes, but is not limited to, banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises).

New Zealand

This 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 Placement Document is being distributed in New Zealand only to 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"). By accepting this Placement Document, you represent and warrant that if you receive this Placement Document in New Zealand you are a Habitual Investor and you will not disclose this Placement Document to any person who is not also a Habitual Investor.

Singapore

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this 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 defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on the terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, 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 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 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.

United Kingdom

The Flobal co-ordinator and the Sole Book Runner has represented, warranted and agreed in the Placement Agreement 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") to persons who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or 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 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 Global Coordinator and Sole Bookrunner, 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 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 person 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 a 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 AN 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 PERSON 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 A 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, Lead Manager and Sole Book-Runner 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.

(3) The Company, the Lead Manager and Sole Book-Runner to the Placement, their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

SECTION XXIII: INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Securities and Exchange Board of India and the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, and has not been prepared or independently verified by the Company or the Lead Manager and Sole Book-Runner to the Placement, or any of their respective affiliates or advisers.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by SEBI, as well as by the Government of India acting through the Ministry of Finance, Stock Exchange Division, under the Securities Contracts (Regulation) Act, 1956 and the Securities Contracts (Regulation) Rules, 1957 along with the rules, by-laws and regulations of the respective stock exchanges, which regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members. The Securities and Exchange Board of India Act, 1992 granted the SEBI powers to regulate the business of Indian securities markets, including stock exchanges and other financial intermediaries, promote and monitor self-regulatory organisations, 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, FIIs, credit rating agencies and other capital market participants.

The Central Listing Authority of India (the "CLA") has been set up and will begin to address the issue of multiple listing of the same security. It also aims to bring about uniformity in the due diligence process by scrutinising all listing applications on any stock exchange in India. The functions of the CLA are enumerated in the SEBI (Central Listing Authority) Regulations, 2003, which inter alia include: (i) processing the application made by any body corporate, mutual fund or collective investment scheme for the letter of recommendation to be listed at the stock exchange; (ii) making recommendations as to listing conditions; (iii) making suggestions with respect to investor protection development and regulation of the securities market and disclosures to be made in offer documents; and (iv) any other functions that may be specified by the SEBI from time to time.

Listing

The listing of securities on recognised Indian stock exchanges is regulated by the Securities Contract (Regulations) Rules, 1957 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 the Company's obligations under such agreement, subject to the Company receiving prior notice of the intent of the exchange.

A listed company can be delisted under the provisions of the SEBI (Delisting of Securities) Guidelines, 2003, which govern voluntary and compulsory delistings of shares of Indian companies from the stock exchanges. The SEBI has the power to amend listing agreements and by-laws of stock exchanges in India. In order to restrict abnormal price volatility in any particular stock, SEBI has instructed the stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. An index based market-wide (equity and equity derivatives) circuit breaker system has been implemented and additionally, there are currently in place varying individual scrip-wise bands. The Indian stock exchanges 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 stockbrokers.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, 1956 a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act, 1956 and the SEBI Guidelines as amended, 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 the Company, is currently the Registrar of Companies located at Belgaum, Karnataka. A company's directors and promoters may be subject to civil and criminal liability for misrepresentation 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. The SEBI has issued detailed guidelines concerning disclosure by public companies and investor protection.

Public limited companies are required under the Companies Act and SEBI Guidelines 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 and which includes sections pertaining to corporate governance, related party transactions and the management's discussion and analysis as required under the listing agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange. Accordingly, companies are now required to publish unaudited financial statements, although subject to a limited review by the company's auditors, on a quarterly basis and are required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Institute of Chartered Accountants of India ("ICAI") and the SEBI have implemented changes which require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide segment-wise reporting and to increase their disclosure of related party transactions from April 1, 2001 and accounting 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 regulate accounting for impairment of assets.

Indian Stock Exchanges

There are now 23 stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. 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

Disclosure and mandatory bid obligations under Indian law are governed by the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as last amended from time to time (the "Takeover Code"), which prescribes certain thresholds or trigger points that give rise to these obligations. Certain important provisions of the Takeover Code are as follows:

- Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire equity shares or voting rights in a company, either by himself or with any person acting in concert) who acquires equity shares or voting rights that would entitle him to more than 5%, 10%, 14%, 54% or 74% of the equity shares or voting rights in a company (together with the company's equity shares or voting rights, if any, already held by him) is required to disclose the aggregate of his equity shareholding or voting rights in that company to the company (which in turn is required to disclose the same to each of the stock exchanges on which the company's equity shares are listed) and to each of the stock exchanges on which the company's equity shares are listed within two days of (a) the receipt of allotment information; or (b) the acquisition of equity 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 acquire shares with voting rights.

- A person who, together with persons acting in concert with him, holds 15% or more but less than 55% of the equity shares or voting rights in any company is required to disclose any purchase or sale representing 2% of the equity shares or voting rights of that company (together with the aggregate shareholding after such acquisition or sale) to that company and the stock exchanges on which the company's equity shares are listed within two days of the purchase or sale and is also required to make annual disclosure of his holdings to that company (which in turn is required to disclose the same to each of the stock exchanges on which the company's equity shares are listed).

- Promoters or persons in control of a company are also required to make annual disclosure of their holding in the same manner. The company is also required to make annual disclosure of holdings of its promoters or persons in control as on March 31 of the respective year to each of the stock exchanges on which its equity shares are listed.

- An acquirer cannot acquire equity shares or voting rights which (taken together with existing equity shares or voting rights, if any, held by him or by persons acting in concert with him) would entitle such acquirer to exercise 15% or more of the voting rights in a company, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code. A copy of the public announcement is required to be delivered, on the date, on which such announcement is published, to SEBI, the company and the stock exchanges on which the company's equity shares are listed.

- No acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 15% or more but less than 55% of the shares or voting rights in a company, shall acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights in any financial year ending March 31, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code.

- An acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 55% or more but less than 75% of the equity shares or voting rights in a company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 (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 20% of the shares or voting rights which it does not already own in the 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 with 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 with the stock exchanges, within the time period prescribed therein.

- Where an acquirer who (together with persons acting in concert) holds 55% or more, but less than 75% of the shares or voting rights in a target company (or, where the concerned company had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company), intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement with the stock exchanges, the acquirer may do so only by making an open offer in accordance with the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20% of the voting capital of the company, or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, which is consistent with the target company meeting the requirements of minimum public shareholding laid down in the listing agreement with the stock exchanges.

- In addition, regardless of whether there has been any acquisition of equity 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 equity shares of the company. In addition, the Takeover Code introduces the "chain principle" by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company which is listed. The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price.

The Takeover Code permits conditional offers as well as an acquisition and consequent delisting of the 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 specified. 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 fulfil his obligations. The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e. a person or persons in control of the company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a "sick industrial company" pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A "financially weak company" is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50% but less than 100% of the total sum of its paid up capital and free reserves as at the end of the previous financial year. A "sick industrial company" is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth. The Takeover Code, subject to certain conditions specified in the Takeover Code, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares (1) by allotment in a public issue or a rights issue, (2) pursuant to an underwriting agreement, (3) by registered stockbrokers in the ordinary course of business on behalf of clients, (4) in unlisted companies, (5) pursuant to a scheme of reconstruction or amalgamation, (6) pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985, (7) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and relatives, (8) by way of transmission through inheritance or succession, (9) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to promoters of a venture capital undertaking or venture capital undertaking pursuant to an agreement between such venture capital funds or foreign venture capital investors with such promoters or venture capital undertaking, (10) by the Government of India controlled companies, unless such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a state government, (11) change in control by takeover/restoration of the management of the borrower company by the secured creditor in terms of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (12) acquisition of shares by a person in exchange of equity shares received under a public offer made under the Takeover Code and (13) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. 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 exception from the open offer requirements of the Takeover Code. In addition, the Takeover Code does not apply to the acquisition of Global Depository Receipts or American Depository Receipts so long as they are not converted into equity shares carrying voting rights.

Under the Takeover Code, the term "promoter" includes any person who is control of the company or any person identified as a promoter in any document for the offer of securities to the public or existing shareholders or in the shareholding information disclosed under the listing agreement, whichever is later, or any person named as a relating to or belonging to the promoter group as defined under the Takeover Code.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 ("Insider Trading Regulations") have been notified by SEBI to prevent insider trading in India by prohibiting and penalising insider trading in India. The Insider Trading Regulations prohibit 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 terms "unpublished" and "price sensitive information" are defined in the Insider Trading Regulations. The insider is also prohibited from communicating, counselling or procuring, directly or indirectly, any unpublished price sensitive information to any other person who whilst in possession of such unpublished price sensitive information shall not deal in securities while in possession of such information. The prohibition under the Insider Trading Regulations also extends to a company dealing in the securities of a company listed on any stock exchange while in the possession of unpublished price sensitive information. It is to be noted that recently the SEBI has amended the Insider Trading Regulations to provide certain defenses to the prohibition on companies in possession of unpublished price sensitive information dealing in securities.

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. The Insider Trading Regulations require any person who holds more than 5% shares or voting rights in any listed company to disclose to the company, the number of shares or voting rights held by such person, on becoming such holder, within four working days of:
(i) the receipt of intimation of allotment of shares; or
(ii) the acquisition of shares or voting rights, as the case may be.

On a continuing basis any person who holds more than 5% shares or voting rights in any listed company is required to disclose to the company, the number of shares or voting rights held by him and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made, provided such change exceeds 2% of 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 shares; or
(ii) the acquisition or sale of shares or voting rights, as the case may be.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act, 1996 which provides a legal framework for the establishment of depositories to record ownership details and effectuate transfers in bookentry form. The SEBI 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 beneficial owners and the companies. 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, the SEBI has notified scrips of various companies for compulsory dematerialized trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialized trading in specified scrips for all retail investors. The SEBI has subsequently significantly increased the number of scrips in which dematerialized trading is compulsory for all investors. Under guidelines issued by the SEBI, a company shall give the option to subscribers/shareholders to receive the security certificates and hold securities in dematerialized form with a depository.

However, even in the case of scrips notified for compulsory dematerialized trading, investors, other than institutional investors, are permitted to trade in 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, 1996. Charges for opening an account with a depositary participant, transaction charges for each trade and custodian charges for securities held in each account vary depending upon the practice of each depositary participant and must be borne by the account holder. Upon delivery, the shares shall be registered in the name of the relevant depositary on the Company's 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 and be subject to all liabilities in respect of his/her securities held by a depositary. The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rupees 1000 lakhs should issue the securities in dematerialized form.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRA Rules and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities," as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organisation under the supervision of the SEBI. Derivatives products were introduced in 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.

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$2,00,000 for any capital account transaction.

SECTION XXIV: DESCRIPTION OF THE SHARES

Set forth below is certain information relating to the share capital of the Company including a brief summary of some of the provisions of the Memorandum and Articles of Association of the Company and the Companies Act relating to the rights attached to the Equity Shares.

General

The Company's authorised share capital is Rs. 350 million comprising of 35 million equity shares of Rs. 10 each.

The Company's authorized preference share capital is Rs. 70 million comprising of 7 million preference shares of Rs. 10 each.

Dividends

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. Under the Company's Articles, the Company in general meeting may, subject to Section 205 of the Companies Act declare dividends, to be paid to members according to their respective rights and interests in the profits but subject to any law of the time being in force and may fix the time for payment. The Company in general meeting may declare a lower, but not higher, dividend than that recommended by the Board. The profits of the Company, subject to any special rights relating thereto created or authorised to be created by the Memorandum or the Articles and subject to the provision of any law for the time being in force, shall be divisible among the members in proportion to the amount of capital paid-up on the shares held by them respectively. In addition, the Board may declare and pay interim dividends.

The 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, and in case of unregistered transfers, where the instrument of transfer has been delivered to the Company for registration, the Company shall comply with Section 205 of the Companies Act by transferring such dividend to a special account unless the Company is authorised by the registered holder in writing to pay such divided to the transferee mentioned in the instrument.

No shareholder is entitled to a dividend while any amount is due from him to the Company either in respect of such shares or otherwise, either jointly or alone. This amount may be deducted from the interest or dividend payable to the shareholder without prejudice to any other remedy of the Company. However, once the amount is declared, there shall be no forfeiture of unclaimed dividends. Any dividend remaining unpaid or unclaimed after having been declared by the company shall be dealt with by the Company in accordance with Section 205A, 205B and 205C of the Companies Act.

Dividends must be paid by cheque or warrant sent through the post to the registered address of the member or person entitled, or in case of joint holders to that one first named in the register in respect of joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. Under the Companies Act, the Company may only pay a dividend in excess of 10% of paid-up capital in respect of any year out of the profits of that year after it has transferred to the reserves of the Company a percentage of its profits for that year ranging between 2.5% to 10% depending on the rate 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 the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding the year, or 10% of paid-up capital; (ii) the total amount to be drawn from the accumulated profits from previous years may not exceed an amount equivalent to 10% of paid-up capital and reserves and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference or equity shares; and (iii) the balance of reserves after withdrawals must not be below 15% of paid-up capital.

Capitalisation of Reserves

The Company's Articles state that the Board of Directors of the Company may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund, or any capital redemption reserve account including any sum transferred to such fund upon realisation of capital gain on transfer of assets of the Company or any company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account be, subject to the provisions of Section 78 of the Companies Act, capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the basis that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock of the company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture stock, and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.

Any issue of bonus shares would be subject to the guidelines issued by the SEBI in this regard. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless similar benefit is extended to the holders of such convertible securities, through reservation of shares in proportion to such conversion. Further, for the issuance of such bonus shares a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption of such debentures. The declaration of bonus shares in lieu of dividend cannot be made. The bonus issue must be made out of free reserves built out of genuine profits or share premium account collected in cash only.

Further, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity and/or bonus. The issuance of bonus shares must be implemented within six months from the date of approval by the board of directors or the shareholders, whichever is later.

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, 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.

General Meetings of Shareholders

In accordance with Section 166 of the Companies Act, the Company must hold its Annual General Meeting each year within 15 months of the previous Annual General Meeting or within six months after the end of each accounting year, whichever is earlier, unless extended by the Registrar of Companies at the request of the Company for any special reason. Every member of the Company shall be entitled to attend every general meeting either in person or by proxy, and the auditor of the Company shall have the right to attend and to be heard at any general meeting on any part of the business which concerns him as auditor. The Board may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than 10% of the issued paid-up capital of the Company in accordance with Section 169 of the Companies Act.

Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received from all shareholders in the case of an Annual General Meeting, and from shareholders holding not less than 95% of the paid-up capital of the Company, in the case of any other general meeting. A document may be served by the Company on any member thereof and the notice of every meeting of the Company shall be given to every member in any manner authorised by and as provided in sections 53 and 172 of the Companies Act. The accidental omission to give notice of any meeting to or the non-receipt of any notice by the member or other person to whom it should be given shall not invalidate the proceedings at the meetings. Currently, the Company gives written notices to all members and, in addition, gives public notice of general meetings of shareholders in a daily newspaper of general circulation in Belgaum and Mumbai. General meetings are held in Belgaum, Karnataka.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the Memorandum, buy-back of shares under the Companies Act, giving loans or extending guarantees in excess of limits prescribed under the Companies Act, and guidelines issued there under, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the general meeting of the company. If the resolution is assented to by a requisite majority of shareholders by means of a postal ballot, it shall be deemed to have been duly passed at a general meeting convened in that behalf.

Voting Rights

Subject to the provisions of the Companies Act and the Articles, votes may be given either personally or by proxy, or in the case of a body corporate, a duly authorised representative under Section 187 of the Companies Act. At a general meeting, upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Before, or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting by his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the persons or person as may be provided by the Companies Act. This demand for a poll may be withdrawn at any time by the persons or person who made that demand. A poll demanded on any other question (not being a question relating to the election of the Chairman) shall be taken at such time not being later than forty eight hours from the time when the demand was made, as the Chairman may direct. The Chairman shall be sole judge for the validity of both a vote on a show of hands as well as a vote on a poll. The Chairman of the meeting has a casting vote. A proxy may not vote the shares except on a poll. Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. The Companies Act provides that to amend the Articles a special resolution is required to be passed in a general meeting. Certain instances, including dissolutions, merger or consolidation of the Company, transfer of the whole or a significant part of the business of the Company to another company or taking over the whole of the business of any other company and, in any case where shareholding of public financial institutions and banks exceeds 25%, appointment of statutory auditors, require a special resolution.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of the Company. Any member entitled to vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote on a poll instead of himself, but a proxy so appointed does not have the right to speak at the meeting. Every notice convening a meeting of the Company shall state that a member entitled to attend and vote at the meeting is entitled to appoint a proxy and that the proxy need not be a member of the Company. The instrument appointing a proxy is required to be lodged with the Company at least 48 hours before the time of the meeting in accordance with Schedule IX of the Companies Act as far as possible. Every member who is entitled to vote at the meeting shall be entitled from a period beginning 24 hours prior to the time fixed for the meeting and concluding at the end of the meeting, to inspect the proxies lodged at the meeting during business hours, provided that three days' written notice is given to the Company. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings. A shareholder which is a legal entity may appoint an authorised representative who can vote in all respects as if a member both on a show of hands and a poll. However, no member shall be entitled to vote at any general meeting either personally or by proxy or as proxy for another member or be reckoned in a quorum while any call or other sum shall be due and payable to the Company in respect of any of the shares of such member or in respect of any shares on which the Company has or had exercised any right of lien.

Register of Shareholders and Record Dates

The Company is obliged to maintain a register of shareholders at its Registered Office in Belgaum, Karnataka. With the approval of its shareholders by way of a special resolution and with prior notice to the Registrar of Companies, Bangalore 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. Under the Companies Act, the Company is also required to maintain a register of debenture holders.

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. The 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 the 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. The 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, the 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. The 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.

Pursuant to the listing agreements, in the event the Company has not effected the transfer of shares within one month or where the Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, the Company is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay.

The Companies Act provides that the shares or debentures of a publicly listed company shall be freely transferable. However, the Board may, subject to Section 111 of the Companies Act, at anytime in their absolute and uncontrolled discretion by giving reasons decline to register shares. However, this may not be done on the grounds that the transferor is indebted to the Company on any account whatsoever. Notice of such refusal must be sent to the transferee within two months of the date on which the transfer was lodged with the company.

A transfer may also be by transmission. Subject to the provisions of the Company's Articles, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board, upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article, or his title, as the Board thinks sufficient, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles, transfer such shares.

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.

SECTION XXV: TAXATION BENEFITS

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.

The following is based on the provisions of Indian tax laws as of the date hereof, which are subject to change, possibly on a retroactive basis. This summary is not intended to constitute a complete analysis of the Indian tax consequences to any particular Non-Resident holders. Individual tax consequences of an investment in Equity Shares may vary for Non-Residents in various circumstances, and potential investors should therefore consult their own tax advisers as to the tax consequences of such purchase, ownership and disposition under the tax laws of India, the jurisdiction of their residence and any tax treaty between India and their country of residence. The Income Tax Act, 1961 is revised by the Finance Act every fiscal year. The Finance Act, 2007 has received Presidential assent and the summary below is based on the changes introduced by that Act.

The Company has been advised that under the current tax laws, the following tax benefits, inter alia will be available to the Company and its shareholders.

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. The company would be eligible for tax holiday as per the provisions of section 80 IA of the Income Tax Act, 1961, upto 100% of the taxable profit of its existing power generating unit generating power in the form of steam and electricity and also in respect of new power generating unit, if it starts generating power by 31st March 2010 subject to fulfillment of conditions specified in that section. The company would also be eligible to claim deduction u/s 80 JJAA of the Income Tax Act, 1961 in respect of its new units subject to fulfillment of conditions specified in that section.

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.

SECTION XXVI: LEGAL PROCEEDINGS

Except as described below, the 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 the Company. The Company believes that the number of proceedings in which the Company is involved is not unusual for a company of its size in the context of doing business in India. There are no outstanding litigations or any disputes against our Subsidiaries, our Directors, our Promoters and our Promoter Group.

Civil proceedings filed by the Company

1. Our Company has filed a writ petition No. 36077/2004 on September 13, 2004 before the Hon'ble High Court of Karnataka, Bangalore against the State of Karnataka, the Commissioner of Excise-Karnataka and the Commissioner of Commercial Taxes-Karnataka, challenging the levy of state excise duty on imported denatured anhydrous alcohol by the Commissioner of Excise-Karnataka vide its Order No. ECD/34/REV/2003 dated August 11, 2004. The matter was referred to division bench of the Hon'ble high Court. It was listed for final hearing on October 8, 2007 wherein the matter was adjourned. The matter is pending, it will come up for hearing due course of time.

2. Our Company has filed a writ petition No. 21739/2005 on September 14, 2005 before the Hon'ble High Court of Karnataka, Bangalore against the State of Karnataka, the Commissioner of Excise-Karnataka and the Commissioner of Commercial Taxes-Karnataka and the Karnataka State Beverages Corporation Ltd. challenging the levy of state excise duty and regulating the Manufacture, sale and supply of industrial alcohol. The matter was referred to division bench of the Hon'ble high Court. It was listed for hearing on September 11, 2007 wherein the matter has been adjourned. The matter is pending, it will come up for hearing due course of time.

3. Our Company has filed a writ petition No. 23637/2005 on October 19, 2005 before the Hon'ble High Court of Karnataka, Bangalore against the Union of India and the Chief Director of Sugar-New Delhi, challenging the restriction on the release and sale of free sale sugar and praying to be permitted to sell the 1/12 of annual production every month. The matter was listed for hearing on October 24, 2005 wherein the matter was adjourned. The matter is pending, it will come up for hearing due course of time.

4. Our Company has filed a writ petition No. 8915/2006 on July 3, 2006 before the Hon'ble High Court of Karnataka, Bangalore against the State of Karnataka, the Commissioner of Excise-Karnataka, the Karnataka State Beverages Corp. Ltd, the Joint Commissioner of Excise- Bangalore, the Deputy Commissioner of Excise-Belgaum and the Union of India-New Delhi, praying for order directing respondents therein to refrain themselves from interfering with manufacture and sale of rectified spirit including collection of any fee and challenging the levy of state excise duty on imported denatured anhydrous alcohol. The matter was listed for hearing on August 3, 2006, wherein the matter was adjourned. The matter is pending, it will come up for hearing due course of time.

5. Our Company has filed a writ petition No. 12323/2006 on September 4, 2006 before the Hon'ble High Court of Karnataka, Bangalore against the Union of India Ministry of Commerce & Industries-New Delhi, the Director General of Foreign Trade, the Chief Director of Sugars-New Delhi, the Asst. Commissioner of Customs (Export)-Gujarat and the Commissioner of Customs (Export)-Mumbai to permit the Company to export sugar manufactured by it as per their various contracts and prohibition directing the respondents not to impose any restriction on the Company to export such sugar. The matter was listed for hearing on September 19, 2005, wherein the matter was adjourned. The matter is pending, it will come up for hearing due course of time.

6. Our Company has filed a writ petition No. 13465/2006 on September 23, 2006 before the Hon'ble High Court of Karnataka, Bangalore against the State of Karnataka represented by its Princpal Secretary Co-operation Department-Bangalore, the Commissioner for Cane Department and Director of Sugar-Banglore, the Deputy Commissioner-Gulbarga, the Asst. Commissioner-Gulbarga, the Managing Director of the District Co-op Central Bank-Bidar, the Recovery Officer-Bidar and the Sale Officer-Bidar praying to stay the public auction notification dated September 12, 2006 issued by the Recovery Officer-Bidar and the Sale Officer-Bidar for auction of Alland co-operative sugar factory. The Court vide its interim Order dated September 28, 2006 stayed the public auction. The Managing

Director of the District Co-op Central Bank-Bidar has filed application for vacating the aforesaid interim order on February 2, 2007. The matter is pending, it will come up for due course of time.

7. Our Company has filed a writ petition No. 1102/2007 on January 18, 2007 before the Hon'ble High Court of Karnataka, Bangalore against the Union India-New Delhi, the Chief Director of Sugar-New Delhi, the State of Karnataka, the Commissioner for Cane Development and Director of Sugar-Karnataka and M/s. KPR Sugar Mills Ltd. Coimbatore (TN) praying to quash the impugned order no. CI.136.SGF-06 dated December 23, 2006 and prohibiting the respondents therein from granting any permission, accord or sanction any sugarcane area to M/s. KPR Sugar Mills Ltd. Coimbatore (TN) in Almel Sindgi taluk, Bijapur District Karnataka. M/s. KPR Sugar Mills Ltd. Coimbatore (TN) has filed Statement of Objection dated February 5, 2007. The learned single Judge has passed an Order dated March 28, 2007, in the interim application No. 1 of 2007 permitting the KPR Sugar Mills Ltd. Coimbatore (TN) to set up a sugar factory. The matter is pending, it will come up for due course of time.

8. Our Company has filed a writ petition No. 743/2007 on April 12, 2007 before the Hon'ble High Court of Karnataka, Bangalore against the Union of India–New Delhi, Chief Director of Sugar-New Delhi, the State of Karnataka, Commissioner for Cane Development and Director of Sugar-Karnataka and M/s. KPR Sugar Mills Ltd. Coimbatore (TN) praying to set aside the impugned order dated March 28, 2007 passed by the learned single Judge in IA 1 of 2007 in Writ Petition 1102 of 2007. The matter was listed for hearing on October 9, 2007. The matter has been adjourned and the next date of hearing is October 22, 2007.

9. Our Company has filed a writ petition No. 12117/2007 on August 1, 2007 before the Hon'ble High Court of Karnataka, Bangalore against the State of Karnataka represented by its chief secretary, State of Karnataka represented by its principal secretary, the Commissioner of Excise, Karnataka and the Karnataka State Beverages Corp limited, praying to quash the Circular dated June 19, 2007 issued by respondent no.4 and praying to refrain respondents from interfering in the course of the petitioners manufacturing. The Objection statement has been filed by the respondents on August 27, 2007. The matter was listed for hearing on September 11, 2007 at which time the matter was adjourned. The matter is pending, it will come up for due course of time.

10. Our Company has filed the Writ Petition no. No.8594 of 2006 in the High Court of Judicature, Bombay challenging the impugned order dated December 11, 2006, passed by the Commissioner of Sugar, Pune to insist on execution of the model agreement as without jurisdiction, and for appropriate orders and directions to quash the aforesaid order or in the alternative for a direction for issuance of crushing license.

    In this matter vide an agreement dated October 29, 2004 the sugar factory at Ajara, Kolhapur District, Maharashtra was leased by Ajara SSK to the Company. Subsequently, the Company applied for and obtained from the Commissioner of Sugar, Pune, the crushing license for the years 2004-05 and 2005-06. Vide an Agreement dated April 8, 2006, the aforesaid lease was renewed for a further period of 3 (three) years. Since the Company had applied for and obtained Crushing License for sugarcane in the earlier years, similar application was filed on September 11, 2006 in the prescribed proforma to the Commissioner of Sugar, Pune. Vide letters dated September 15, 2006 and December 1, 2006 the Commissioner of Sugar, Pune asked for various documents and put additional conditions for issuance of Crushing License. Vide his letter dated December 4, 2006 the Commissioner of Sugar, Pune demanded a deposit of 50% of the lease amount for renewal of the lease and bank guarantee, which our Company complied with. However, the Commissioner of Sugar, Pune vide his Order dated December 11, 2006, insisted upon entering into a model agreement as a condition precedent to issue the Crushing License.

    Vide an ad-interim Order dated December 21, 2006 the Hon'ble Bombay High Court restrained the Commissioner of Sugar, Pune from taking any coercive steps against the Company with a view to close down the sugar factory. The matter was listed for hearing on January 8, 2007 wherein the Hon'ble Bombay High Court continued the same ad-interim Order dated December 21, 2006 till further orders. The matter is pending for hearing.

The following 6 private complaints are filed by the Company before the Court of Hon'ble Judicial Magistrate, First Class, Belgaum against the respective parties for the recovery of dues aggregating to Rs. 0.11 million. All these cases

Sr. No	Complaint No.	Filed against	Claim (Rs. in million)	Status
1.	PC No.678 of 2006	S. T. Naik	0.02	pending for order next date of hearing is January 3, 2008
2.	PC No.679 of 2006	S. R. Waghmare	0.02	pending for order next date of hearing is January 4, 2008
3.	PC No.680 of 2006	S.Y. Pattennavar	0.02	pending for order next date of hearing is January 3, 2008
4.	PC No.49 of 2007	B. D. Dound	0.02	pending for order and the matter will come up for hearing in due course of time.
5.	PC No. 101 of 2007	B.B.Nisarge	0.02	pending for order and the matter will come up for hearing in due course of time
6.	PC No.313 of 2007	J. T. Bade	0.01	pending for appearance of the accused.

Civil proceedings filed against the Company

1. Kareppa has filed a civil suit No. 141/2007 before the Civil Judge, Senior Division, Gulbarga against the Company for declaration, possession and cancellation of sale deeds pertaining to the lands purchased from various vendors at Havalga and handing over of the property to the plaintiff. Interim Application No. 123 of 2007 filed by the Plaintiffs u/Order 39 Rule 1 & 2 of the Civil Code for restraining the defendants from carrying construction work in the property, was rejected by the Hon'ble Court. The Company has filed its written statement on August 31, 2007. The matter is pending, it will come up for due course of time.

2. Mahadevappa & others have filed a civil suit No. 215/2006 before the III Additional Civil Judge, Senior Division, Gulbarga against the Company for declaration of title, injunction in favour of the plaintiff pertaining to land property sold by the plaintiff to the Company terming it as null & not binding on the plaintiffs. Two separate Interim Applications being I & III filed by the Plaintiffs u/Order 39 Rule 1 & 2 of the Civil Code for restraining the defendants from registering their name in the record of rights and to transfer the land in favour of other persons and injunction against the defendants by restraining from interfering in the plaintiffs possession and also carrying construction work in the property have been dismissed by the Hon'ble Court vide Order dated January 31, 2007. The next date of hearing is October 31, 2007.

3. Kenchappa has filed a civil suit No. 201/2007 before the Civil Judge, Senior Division, Gulbarga against Bhimappa Maruti Shirgure and 14 others (the Company is Defendant No.11 in this suit), for declaration, possession & cancellation of sale deeds pertaining a survey number by various vendors and purchaser at Alagwadi, Raibag and execution of sale of the said property in favour of the plaintiff. Our Company has filed Written Statement in the month of July 2007. The next date of hearing is October 23, 2007.

4. The Assistant Secretary, Agricultural market Committee, Hindupur, Anantpur, Andhra Pradesh has filed a special leave petition (CRL) No. 1806/2006 (heard with Criminal Misc. Petition No.3255 of 2006 for condonation of delay) in the Supreme Court of India against Nizam Sugars Limited and the Company, against the order passed by the High Court of Andhra Pradesh, upholding the dismissal of complaint and acquittal of the accused by the trial Court in CC No.71/1999 and Criminal Petition No.1671/2004 before the Single Judge, High Court. Vide Order dated September 21, 2007 the Supreme Court has ordered to hear the matter in due course. Our Company is in the process of filing appearance.

Following 40 suits have been filed by various parties against the Company, Karvy Computer and others, out of which first 27 suits are filed in the Court of Hon'ble Civil Judge, Junior Division, Belgaum, further 9 suits are filed in the Court of Hon'ble Civil Judge, Junior Division, Soundatti and remaining 4 suits are filed in the Court of Hon'ble Civil Judge, Junior Division, Gokak, U/O 39 rule(1) of Civil Code praying for declaration and

Injunction, permanently restraining the Company and Karvy Computer from transferring the relevant share to the Defendant as named in the respective suit and to declare the plaintiff of the respective suit as lawful owner and document created by the said defendant as null and void and not binding upon the plaintiff and/or a decree of mandatory injunction be passed directing the Company from transferring or selling the share of the plaintiff and/or to return the share original/ duplicate certificate to the plaintiffs, as the case may be. All these matters are pending for, either to take on record evidence of the plaintiff or framing of issues or filing of written statement or cross examination of plaintiff as the case may be, and will come up for hearing in the due course of time.

Sr. No	Case No.	Parties
1.	O.S.No. 525/2006	C.M.Matagar Vs. G. S. Chinchore, the Company and Karvy Computer
2.	O.S.No. 528/2006	M.S. Metagi Vs. G.M.Patter, the Company and Karvy Computer
3.	O.S.No 670/2006	D.G.Kyatanavar Vs. Gurunath Wali, the Company and Karvy Computer
4.	O.S.No 671/2006	T.K.Jayakkanavar Vs. Gurunath Wali, the Company and Karvy Computer
5.	O.S.No 672/2006	Burji Vs. M.R.Kammar, the Company and Karvy Computer
6.	O.S.No 673/2006	H.P.Kalliguddi Vs. S.B.Bellad, the Company and Karvy Computer
7.	O.S.No 674/2006	S.K.Sidnal Vs. L.F.Patil, the Company and Karvy Computer
8.	O.S.No 743/2006	M.B.Sanikoppa Vs. S.U.Sampagaonvi, K.T.Astagi and the Company
9.	O.S.No 745/2006	D.L.Kuralatti Vs.V.M.Bafna, the Company and Karvy Computer
10.	O.S.No 746/2006	B.B.Bailur Vs. R.Desphande, the Company and Karvy Computer
11.	O.S.No 14/2007	P.L.KalligudddiVs. Badiger, the Company and Karvy Computer
12.	O.S.No 37/2007	B.D.Shinobi Vs. Badiger, G.S.Chinchore, L.F.Patil, the Company and Karvy Computer
13.	O.S.No 45/2007	I.B.Kadrolli Vs. Siiddagangamma K.R, the Company and Karvy Computer
14.	O.S.No 48/2007	S S Gudadar Vs. S K Hiremath, the Company and Karvy Computer
15.	O.S.No 67/2007	M.B.Ramannavar Vs. the Company
16.	O.S.No 84/2007	M.M.Prabhunatti Vs. V.M.Bafna, the Company and Karvy Computer
17.	O.S.No 90/2007	N.B.Bagewadi Vs. B.B.Yaligar, the Company and Karvy Computer
18.	O.S.No 115/2007	I.B.Muttur Vs. Chougle, the Company and Karvy Computer
19.	O.S.No 159/07	K.B.Gurunagoudar Vs. the Company and N.R.Nerlikar
20.	O.S.No 173/2007	S.G.Angadi Vs. the Company and Karvy Computer
21.	O.S.No 202/2007	S.R.Patil Vs. M.S.Patil, A.S.Veeeranna, the Company and Karvy Computer
22.	O.S.No 208/2007	V.A.Rudrapure Vs. M.H.Arer, the Company and Karvy Computer
23.	O.S.No 234/2007	D.C.Jutti Vs. M.S.Patil, A.S.Veeeranna, the Company and Karvy Computer
24.	O.S.No 272/2007	N.R.Betageri Vs. the Company and Karvy Computer
25.	O.S.No 337/2007	A M Pujari Vs. the Company and Karvy Computer
26.	O.S.No 338/2007	B.B.Guruvayyanavar Vs. the Company and Karvy Computer
27.	O.S.No 399/2007	M.R.Karajagimath Vs. the Company and Karvy Computer
28.	O.S.No 32/2007	R.S.Maljigoudar Vs. the Company and Karvy Computer
29.	O.S.No 48/2007	F.K.Kotur Vs. the Company and Karvy Computer
30.	O.S.No 49/2007	H.L.Malakkanavar Vs. the Company and Karvy Computer
31.	O.S.No 50/2007	M.M.Kotur Vs. the Company and Karvy Computer
32.	O.S.No 51/2007	M.B.Sanadi(Kotur) Vs. the Company and Karvy Computer
33.	O.S.No 52/2007	S.S.Halemani Vs. the Company and Karvy Computer
34.	O.S.No 76/2007	K.R.Nikkam Vs. the Company and Karvy Computer
35.	O.S.No 126/2007	Y.F.Kundargi Vs. the Company and Karvy Computer
36.	O.S.No 32/2007	R.S.Maljigoudar Vs. the Company and Karvy Computer
37.	O.S.No 425/2006	M.H.Adibatti Vs. S.R.Madar, Jitendra, the Company and Karvy Computer
38	O.S.No 395/2006	R.I.Ganiger Vs. S.R.Madar, the Company and Karvy Computer
39.	O.S.No 399/2006	M.H.Naik Vs. A.B.Kesti, S.R.Madar, the Company and Karvy Computer
40.	O.S.No 114/2006	I.A.Kandratti Vs.. R.Madar, H.S. Bhawakan, the Company and Karvy Computer

Labour proceedings

Following 14 petitions have been filed by various parties against the Company in the labour Court at Anantpur, Andhra Pradesh U/S 33C(2) of I.D Act praying for the respondents to pay the allowance. In the first 7 cases a counter statement has been filed by the Company on September 18, 2001 and the matter is pending. The next date of hearing is October 24, 2007. In the remaining 7 cases a counter statement has been filed by the Company on August 18, 2005 and the matter is pending. The next date of hearing of these cases is October 29, 2007. The aggregate claim amount in all these cases is not expected to exceed Rs. 0.91 million.

Sr. No	Case No.	Parties	Claim (Rs. In million)
1.	MP No.16/99	Chinna K. Narasimhappa, and Others Vs. Nizam Sugars Ltd. and the Company.	0.04
2.	MP No.30/2000	Chirutela Pullanna and Bhushanam Krishna Vs. Nizam Sugars Ltd. and the Company.	0.08
3.	MP No.31/2000	Vasalappagari Jagannath and others Vs. Nizam Sugars Ltd. and the Company.	0.09
4.	MP No.32/2000	Narasimhappa, and Others Vs. Nizam Sugars Ltd. and the Company.	0.2
5.	MP No.38/2000	Gaddan Ghane Naik and Others Vs. Nizam Sugars Ltd. and the Company.	0.15
6.	MP No.77/2000	Thota Subbarao Vs. Nizam Sugars Ltd. and the Company.	0.01
7.	MP No.96/2000	Kuruba Hanmant Rayappa Vs. Nizam Sugars Ltd. and the Company.	0.06
8.	MP No.54/2003	K Krishna Reddy Vs. the Company.	0.03
9.	MP No.55/2003	B Rajagopal Vs. the Company.	0.01
10.	MP No.56/2003	C Sadasiva Reddy Vs. the Company.	0.08
11.	MP No.57/2003	B Anjinappa Vs. the Company.	0.01
12.	MP No.58/2003	K Sanjeevarayudu Vs. the Company	0.08
13.	MP No.59/2003	A Venkataramanappa Vs. Nizam Sugars Ltd. and the Company	0.03
14.	MP No.60/2003	M Narayana Vs. the Company	0.03

Following 12 industrial disputes have been filed by various parties against the Company in the labour Court at Anantpur, Andhra Pradesh Petition U/S 3(A) of I.D Act R/w Sec. 2A(1) of I.D Act (A.P Amendment Act 1987) praying for reinstatement of the Petitioners to service. The company has filed a counter statement in the first 7 cases on April 26, 2006 and in the remaining 5 cases in July 2006. The matter is pending. The next date of hearing of all these matters is November 13, 2007.

Sr. No	Case No.	Parties
1.	ID No.300/05,	Chakali Narayanappa Vs. the Company
2.	ID No.301/2005,	V.Jagannath Vs. the Company.
3.	ID No.302/2005,	Kuruba Chowdappa Vs. the Company.
4.	ID No.303/2000,	S.Jayachandra Vs. the Company.
5.	ID No.304/2005,	Lakkasanipalli Narayana Vs. the Company.
6.	ID No.305/2005,	Dasari Dayananda Vs. the Company.
7.	ID No.306/2005,	S.Ramakrishna Vs. the Company.
8.	ID No.48/06,	C.Puttappa S/o Akkulappa Vs. the Company.
9.	ID No.49/2006,	K.Radha Krishna Vs. the Company.
10.	ID No.50/2006,	S.Raghu Vs. the Company.
11.	ID No.51/2006,	C.K.Narasimhappa Vs. the Company.
12.	ID No.52/2006,	K.Narayanappa Vs. the Company.

SECTION XXVII: ACCOUNTANTS

Our audited financial statements as of and for the three years ended September 30, 2006, 2005 and 2004 and the unaudited financial results for the nine months ended June 30, 2006 and 2007 were prepared in accordance with the auditing standards and generally accepted accounting principles followed in India and which were so included in reliance on the report of M/s. Ashok Kumar, Prabhashankar & Co given on the authority of such firm as experts in auditing and accounting.

SECTION XXVIII: GENERAL INFORMATION

1. Our Company was incorporated as a public limited company on October 25, 1995 under the name Shree Renuka Sugars Limited.

   The Company's main objectives as set out in its Memorandum of Association are:

   a) To purchase, manufacture, produce, boil, refine, prepare, brew, import, export, buy, sell and generally to deal in all varieties of sugar, sugar-candy, jaggery, khandsari sugar, sugar beet, sugar cane, Molasses, syrups, melada, alcohol, spirits and all products or by-products thereof such as confectionery, glucose, Bagasse, Bagasse boards, paper, paper pulp, butyl alcohol, acetone, carbon-dioxide, hydrogen, potash, cane wax, fertilisers, cattle feed and food products generally.
   b) To plant, cultivate, produce and raise and/or get cultivated through others or purchase sugar cane, sorghum, sugar beet, sago, palmyra juice and other crops or raw materials used in the production of sugar and its products and by-products.
   c) To generate power by traditional and/or using, any latest technology for the captive consumption and also to distribute, sell such surplus generation if necessary to outsiders.

   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.

2. This Placement was authorized and approved by the Board of Directors on July 26, 2007 and by our shareholders in the Extra-ordinary General Meeting on August 25, 2007.

3. We shall apply for in- principle approval to list the Equity Shares on the BSE and NSE.

4. The Company prepared its audited financial statements as of and for the years ended September 30, 2006, September 30, 2005 and September 30, 2004 as contained herein and unaudited financial results for quarter ended September 30, 2007 are also presented herein. These financial statements were prepared in conformity with Indian GAAP

   There has been no significant change in our financial position since June 30, 2006, the date of our last published interim financial results.

5. The address of the Company's website is www.renukasugars.com. Information contained on this website does not constitute part of this Preliminary Placement Document.

6. Our auditors are M/s. Ashok Kumar, Prabhashankar & Co, who have audited and reviewed the accounts for the financial years 2005 and 2006 and have consented to the inclusion of their report in this Preliminary Placement Document.

7. The 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.

8. The Floor Price for the Issue is Rs. 625.71 per Equity Share.

SECTION XXIX: FINANCIAL STATEMENTS

Consolidated Auditor's Report

To
The Board of Directors
SHREE RENUKA SUGARS LIMITED

Dear Sirs,

1. We have examined the attached Financial Information of Shree Renuka Sugars 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 30th September 2006, 30th September 2005 and un-audited balance sheet for the nine months ending June 30, 2007 and the related Statement of Profit and Loss and Cash Flow Statements for each of the years 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 September 30, 2006 and September 30, 2005 which have been audited by us and reviewed un-audited financial statements for the nine months period ended June 30, 2007. These financial statements for the year ended September 30, 2005 and September 30, 2006 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. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.800.56 million as at September 2006 and total revenues of Rs.3,044.93 million for the year ended as at that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

5. 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.

6. 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 Ashok Kumar, Prabhashankar & Co.**
Chartered Accountants

K. N. Prabhashankar
Partner
Membership No. 19575

Place : Bangalore
Date : October 16, 2007

CONSOLIDATED BALANCE SHEET

(Rs. in Million)

Particulars	Schedule	30-Sep-06	30-Sep-05
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	**1**	238.10	200.00
Reserves and surplus	**2**	2,781.90	590.88
Sub Total		**3,020.00**	**790.88**
Loan funds			
Secured loans	**3**	3,544.39	711.91
Unsecured loans	**4**	166.92	152.18
Sub Total		**3,711.31**	**864.09**
Deferred Tax Liabilities	**5**	56.85	40.46
TOTAL		**6,788.16**	**1,695.43**
APPLICATION OF FUNDS			
Fixed Assets	**6**		
Gross block		1,629.72	1,403.32
Less : Depreciation		436.06	348.21
Net block		**1,193.66**	**1,055.11**
Capital work-in-progress including capital advances		3,323.06	81.73
Investments	**7**	**0.57**	**0.55**
Current Assets, Loans and Advances			
Inventories	**8**	1,121.83	1,123.46
Sundry debtors	**9**	614.95	319.72
Cash and bank balances	**10**	899.26	659.35
Other current assets	**11**	33.10	117.53
Loans and advances	**12**	774.66	118.96
***Less:* Current Liabilities and Provisions**			
Current Liabilities	**13**	929.45	1,624.31
Provisions	**14**	319.25	157.35
Net Current Assets		**2,195.10**	**557.36**
Miscellaneous Expenditure (to the extent not written off or adjusted)	**15**	75.77	0.68
TOTAL		**6,788.16**	**1,695.43**

CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rs. in Million)

Particulars	Schedule	30-Sep-06	30-Sep-05
INCOME			
Revenues (Net)	**16**	11,046.74	7,954.85
Other income	**17**	64.09	23.16
TOTAL		**11,110.83**	**7,978.01**
EXPENDITURE			
Raw material consumed	**18**	3,964.05	3,413.45
Cost of traded goods	**19**	4,548.46	3,163.16
Increase in inventories	**20**	-128.28	-57.52
Personnel expenses	**21**	122.24	81.97
Operating and other expenses	**22**	901.30	477.83
Managerial Commission		28.44	10.07
Depreciation/amortization		87.86	79.97
Financial expenses	**23**	187.87	148.55
Research & Development		11.19	16.31
Profit before tax		**1,387.70**	**644.22**
Provision for tax			
Current Tax		164.00	75.80
Fringe benefit tax		2.44	0.35
Deferred Tax		16.39	7.03
Profit after tax and before prior period items		**1,204.87**	**561.04**
Prior Period Items			
Add : Excess provision of Dividend on Equity Shares		0.10	0.00
Less : Depreciation		0.00	7.58
Income Tax of earlier Period		0.00	10.00
Other		7.30	55.13
Net Profit		**1,197.67**	**488.33**
Balance brought forward from previous period		334.35	9.06
Profit available for appropriation		**1,532.02**	**497.39**
Dividend on Preference Shares		0.00	0.12
Dividend on Equity Shares		47.62	47.72
Corporate Dividend Tax		6.68	6.70
General reserve		300.00	100.00
Capital redemption reserve		0.00	8.50
Surplus carried to Balance Sheet		**1,177.72**	**334.35**
Basic and Diluted Earnings Per Share (in rupees) [Nominal value of shares Rs. 10]	**24**	51.34	32.76

CONSOLIDATED CASH FLOW STATEMENT

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Cash Flow From Operating Activities:		
Profit before taxation	1,387.74	643.52
Adjustments		
Depreciation	87.86	79.97
Interest Income	-15.14	-16.17
Financial Expenses	187.87	148.55
Purchase Tax Deferment	20.87	22.70
Loss on sale of fixed assets	11.62	1.23
Miscellaneous & Prior Period expenses (net)	-6.75	0.52
Operating profit before working capital changes	**1,674.03**	**881.02**
Changes in operating assets and liabilities		
Trade receivables	-295.23	-236.38
Other receivables	-401.21	-8.29
Inventories	1.63	-685.52
Trade and other payables	-670.02	889.74
Cash generated from operations	**309.20**	**840.57**
Income-tax paid	-179.67	-71.41
Net Cash Flow From Operating Activities	**129.53**	**769.16**
Cash Flow From Investing Activities:		
Purchase of Fixed Assets	-3,494.38	-258.67
Proceeds from sale of Fixed Assets	15.03	0.59
Purchase of Investments	-0.02	-0.5
Interest received	15.14	16.17
Net Cash Flow From Investing Activities	**-3,464.24**	**-242.41**
Cash Flow From Financing Activities:		
Increase in Capital	38.10	44.43
Share Premium net of IPO Expenditure	972.01	-
Dividend paid	-47.72	-13.86
Proceeds from long-term borrowings	2,396.32	95.73
Proceeds from short-term borrowings	578.75	-55.84
Repayment of long-term borrowings	-181.13	-117.81
Interest paid	-181.72	-141.98
Net Cash Flow From Financing Activities	**3,574.61**	**-189.33**
Net increase in cash and cash equivalents	**239.92**	**337.42**
Opening cash and cash equivalents	659.35	321.93
Closing cash and cash equivalents	**899.26**	**659.35**

SCHEDULE 1 – SHARE CAPITAL

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Authorised :		
35,000,000 equity shares of Rs.10/- each	350.00	350.00
5,000,000 2% Cumulative redeemable preference shares of Rs.10/- each	50.00	50.00
Issued, Subscribed and Paid up :		
23,809,649 (Previous year: 20,000,000) equity shares of Rs. 10/- each fully paid	238.10	200.00
Grand Total	**238.10**	**200.00**

Our Company has issued 3,809,649 equity share of Rs.10/- each at a premium of Rs.275/- per share through Initial Public Offering (including green shoe option)

SCHEDULE 2 – RESERVES & SURPLUS

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Capital Reserve		
i. Subsidy received from Govt of Karnataka towards Co-generation		
As per last balance sheet	18.75	18.75
ii. Share Premium		
As per last balance sheet	-	-
Addition During the year	1047.65	-
Sub Total	**1047.65**	**-**
iii. Others		
As per last balance sheet	0.26	0.26
Total	**1066.66**	**19.01**
General Reserve		
As per last balance sheet	150.00	50.00
Add : Transfer from Loan Redemption Reserve	79.02	-
Add : Transfer from Profit and loss account	300.00	100.00
Sub Total	**529.02**	**150.00**
Loan Redemption Reserve		
As per last balance sheet	79.02	79.02
Less : Transferred to General Reserve	79.02	-
Sub Total	**-**	**79.02**
Capital Redemption Reserve		
As per last balance sheet	8.50	-
Addition During the year	-	8.50
Sub Total	**8.50**	**8.50**
Total	**537.52**	**237.52**
Surplus in Profit and loss Account	1177.72	334.35
Grand Total	**2781.90**	**590.88**

Capital reserves represent government grants which have been received as capital contribution towards setting up of the manufacturing facilities.

Capital redemption reserve represents a reserve set up on account of redemption of preference share capital by an appropriation from the profit and loss account.

SCHEDULE 3 – SECURED LOANS

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Term loans from banks and financial institutions (Secured by first/second charge on the immovable property of the Company and second charge on stocks and book debts)	2,575.15	367.91
Cash/ Export Credit facilities from banks (Secured by hypothecation of stocks and book debts and a second charge on moveable and immovable properties of the company)	864.23	254.29
Interest accrued but not due	94.36	88.22
Interest accrued and due	10.65	1.49
Grand Total	**3,544.39**	**711.91**

Interest accrued but not due represents interest on certain long term borrowings, where the payment of interest has also been deferred for a period of time, and is therefore considered to be in the nature of a borrowing and included as part of secured loans.

Repayment due within one year in respect of Term Loans aggregate to Rs.202.72 million

Our Company has raised Term Finance for the ongoing projects from IDBI, UTI Bank & ABN AMRO Bank NV, Singapore and others.

SCHEDULE 4 – UNSECURED LOANS

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Fixed deposits	3.59	9.39
Sugar Development Fund	13.75	-
Short-term loans	-	14.50
Deferred Purchase Tax Credit	149.16	128.29
Interest accrued and due	0.42	-
Grand Total	**166.92**	**152.18**

SCHEDULE 5 – DEFERRED TAX LIABILITIES

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Deferred Tax Liabilities		
Depreciation	77.28	59.95
Others	1.20	1.20
Gross Deferred Tax Liabilities	**78.48**	**61.15**
Deferred Tax Assets		
Provision for Deferred interest on SDF Loan	17.74	17.74
Others	3.89	2.95
Gross Deferred Tax Assets	**21.63**	**20.69**
Net Deferred Tax Liability	**56.85**	**40.46**

SCHEDULE 6 – FIXED ASSETS

(Rs. in Million)

Particulars	October 1, 2005	Additions	Deductions/ Adjustments	September 30, 2006
Gross Block				
Land- Freehold	57.32	76.37	6.53	127.16
Buildings	266.98	51.35	20.66	297.67
Plant and Machinery	1,041.31	82.86	5.82	1,118.35
Furniture and Fittings	19.12	34.47	0.04	53.55
Vehicles	18.58	15.97	1.56	32.99
Total	**1,403.31**	**261.02**	**34.61**	**1,629.72**
Previous period	*1,223.29*	*182.44*	*2.41*	*1,403.31*

Accumulated Depreciation				
Land- Freehold	-	-	-	-
Buildings	28.98	13.84	-	42.82
Plant and Machinery	309.88	69.21	-0.03	379.06
Furniture and Fittings	4.89	3.16	-	8.05
Vehicles	4.47	2.38	-0.72	6.13
Total	**348.21**	**88.59**	**-0.75**	**436.06**
Less : Preoperative Depreciation		-0.73		
Depreciation charged to Profit & loss	-	**87.86**	-	-
Previous period	*261.26*	*79.97*	*6.99*	*348.21*
Net Block				
Land- Freehold	57.32	-	-	127.16
Buildings	238.00	-	-	254.85
Plant and Machinery	731.43	-	-	739.29
Furniture and Fittings	14.23	-	-	45.50
Vehicles	14.11	-	-	26.86
Total	**1055.11**	-	-	**1193.66**
Capital Work in Progress	**81.73**	-	-	**3323.06**
Previous period	*962.03*	-	-	*1055.11*

The Capital Work-in-Progress includes the deferred revenue expenses of the projects to the extent of Rs.182.73 Million.

Our Company has completed the formalities of assets held for sale previous year i.e. Land & Building situated at Hindupur. The net realization worked out to Rs.14.50 Million as against the asset value of Rs.25.51 Million, and the loss on the said transaction of Rs.11.01 million is recorded.

SCHEDULE 7 – INVESTMENTS

(Rs. in Million)

Particulars	**30-Sep-06**	**30-Sep-05**
Long Term Investments (At cost)		
Non- trade		
Government Securities		
National Saving Certificate	0.02	0.00
Non Trade (Unquoted)		
5000 equity shares of Rs 10 each fully paid-up in Esugar India Clearing Corporation Limited.	0.05	0.05
500 equity shares of Rs 10 each fully paid-up in Pachhapur Urban Bank Ltd.,	0.00	0.00
5000 equity shares of Rs 100 each fully paid-up in BDCC Bank Belgaum	0.50	0.50
In Subsidiary Companies		
Unquoted, fully paid-up		
40 equity shares of AED 10000 each in Renuka Commodities, DMCC, Dubai	-	-
Sub Total	**0.57**	**0.55**

SCHEDULE 8 - INVENTORIES

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Stores and spares	78.59	65.64
Raw materials and Components	111.17	651.92
Intermediate Product	41.11	8.66
Work-in- progress	-	11.79
Finished Goods		
Manufactured	446.91	341.11
Others	444.05	44.34
Grand Total	**1,121.83**	**1,123.46**

SCHEDULE 9 – SUNDRY DEBTORS

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Unsecured		
Debts over Six Months		
Considered Good	101.75	21.73
Considered Doubtful	-	3.17
Others		
Considered Good	513.20	297.99
Sub Total	**614.95**	**322.89**
Less : Provision for doubtful debts	-	3.17
Grand Total	**614.95**	**319.72**

SCHEDULE 10 – CASH & BANK BALANCE

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Cash on hand	1.73	1.95
Balances with scheduled banks		
On current accounts	387.55	91.11
On deposit accounts	495.07	556.96
Balance with other banks		
On current accounts	14.91	9.33
Grand Total	**899.26**	**659.35**

Balances with bank in deposit accounts include amounts that have been provided as margin money or those that have been pledged with government authorities towards guarantees, etc.

SCHEDULE 11 – OTHER CURRENT ASSETS

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Export incentives accrued	4.81	20.58
Interest accrued	0.32	5.46
Others	27.97	91.83
Sub Total	**33.10**	**117.87**
Less: Provision	-	0.34
Grand Total	**33.10**	**117.53**

SCHEDULE 12 – LOANS AND ADVANCES

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Unsecured and considered good		
Advances recoverable in cash or kind or for value to be received	204.48	13.52
Balances with customs, excise, etc.	222.10	10.42
Deposits	94.57	10.94
Advance Income Taxes	253.51	84.04
Grand Total	**774.66**	**118.96**

SCHEDULE 13 – CURRENT LIABILITIES

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Sundry creditors		
Small scale industries (to the extent identified with available information)	1.59	0.46
Others	270.46	1,379.67
Advance from customers	295.47	30.53
Sundry deposits	205.62	119.89
Interest accrued but not due on loans	22.66	4.29
Bank overdrafts (as per Books)	1.37	27.63
Other Liabilities	132.28	61.85
Grant Total	**929.45**	**1,624.31**

SCHEDULE 14 – PROVISIONS

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Provision for taxation	258.60	95.99
Provision for Gratuity	1.40	4.64
Provision for Leave Encashment	4.38	2.09
Provision for Fringe Benefit Tax	0.57	0.22
Provision for Equity Shares Dividend	47.62	47.72
Provision for Corporate Dividend Tax	6.68	6.68
Grand Total	**319.25**	**157.35**

SCHEDULE 15 – MISCELLANEOUS EXPENDITURE

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Expenditure towards Voluntary Retirement Scheme	0.13	0.00
IPO Expenses	75.64	0.68
Grand Total	**75.77**	**0.68**

SCHEDULE 16 – REVENUE

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Sale of Manufactured Sugar	5,569.63	4,306.55
Sale of Traded Sugar	5,596.30	3,573.77
Sale of Power	395.48	438.38
Sale of Ethanol and other products	358.51	477.81
Others	13.99	7.01
Sub Total	**11,933.91**	**8,803.52**
Less : Excise Duty	330.89	334.89
Intersegment sales	556.28	513.78
Grand Total	**11,046.74**	**7,954.85**

SCHEDULE 17 – OTHER INCOME

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Interest on Bank deposits	15.14	16.17
Miscellaneous Income	48.95	6.99
Grand Total	**64.09**	**23.16**

SCHEDULE 18 – RAW MATERIAL CONSUMED

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Opening Stock as on October 01, 2005	653.74	76.81
Add: Purchases and related expenses	3,735.83	4,231.53
Less : Intersegment purchases	314.35	241.14
Sub Total	**4,075.22**	**4,067.20**
Less: Closing Stock as on September 30, 2006	111.17	653.74
Grand Total	**3,964.05**	**3,413.46**

Obsolete stock of Bio-Fertilizer unit amounting to Rs.1.82 million is written off

SCHEDULE 19 – COST OF GOODS TRADED

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Opening Stock as on October 01, 2005	44.34	11.42
Add : Purchases	4,948.17	3,196.08
Sub Total	4,992.51	3,207.49
Less: Closing Stock as on September 30, 2006	444.05	44.34
Grand Total	**4,548.46**	**3,163.15**

SCHEDULE 20 – (INCREASE)/ DECREASE IN INVENTORIES

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Opening Stock as on October 01, 2005		
- Work-in-progress	11.79	13.84
- Finished goods and intermediate products	347.95	288.38
Sub Total (A)	**359.74**	**302.22**
Less: Closing Stock as on September 30, 2006		
- Work-in-progress	-	11.79
- Finished goods and intermediate products	488.02	347.95
Sub Total (B)	**488.02**	**359.74**
Grand Total (A+B)	**(128.28)**	**(57.52)**

SCHEDULE 21 – PERSONNEL EXPENSES

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Salaries, Wages and Bonus	105.17	64.88
Contribution to Provident Fund & Others	9.37	4.44
Contribution to Gratuity	1.40	7.01
Contribution to Leave Encashment	6.30	2.64
Grand Total	**122.24**	**81.97**

SCHEDULE 22 – OPERATING & OTHER EXPENSES

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
A. Manufacturing		
Consumption of stores and spares	51.86	19.48
Processing charges	175.99	178.44
Power and fuel	255.64	278.70
Lease Rentals	77.98	20.00
Repairs and maintenance		
- Plant & Machinery	12.03	10.55
- Building	1.30	0.77
- Others	5.70	1.54
Less : Intersegment Expenses	(241.92)	(272.64)
Sub Total (A)	**338.58**	**236.84**
B. Administrative, Selling and General Expenses		
Rent, Rates and taxes	7.10	12.11
Insurance	12.07	17.37
Travelling and conveyance	18.70	10.81
Printing and stationery	3.96	2.20
Communication costs	6.93	4.73
Legal and professional fees	11.02	4.95
Directors' sitting fees	0.19	0.23
Auditor's remuneration	0.70	0.13
Donations and contributions	3.04	1.13
Provision for doubtful debts and advances	-	3.51
Loss on sale of fixed assets (net)	11.62	1.23
Freight and forwarding charges	409.15	122.61
Advertising and sales promotion	10.99	19.60
Brokerage and discounts	3.54	14.13
Commission & Market Development Incentives	8.10	7.26
Deferred revenue expenses	0.55	0.52
Others	55.06	18.47
Sub Total (B)	**562.72**	**240.99**
Grand Total (A+B)	**901.30**	**477.83**

SCHEDULE 23 – FINANCIAL EXPENSES

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Interest		
- on term loans	21.43	28.69
- on working capital	120.74	56.50
- on deposits from Banks	0.24	10.46
- others	0.61	27.33
Bank charges	44.85	25.57
Grand Total	**187.87**	**148.55**

SCHEDULE 24 – EARNING PER SHARE

The calculations of earnings per share (basic and diluted) are based on the earnings and numbers of shares as computed below.

(Rs. in Million)

Particulars	30-Sep-06	30-Sep-05
Reconciliation of earnings		
Profit for the year	1,204.87	561.04
Less: Preference dividends (including tax thereon)	-	0.12
Net profit attributable to equity shareholders	**1,204.87**	**560.92**
Reconciliation of number of shares	**Shares**	
Shares outstanding at the beginning of the period	20,000,000	14,707,200
Shares outstanding at the end of the period	23,809,649	20,000,000
Weighted average number of equity shares	**23,467,105**	**17,124,783**
Basic and Diluted Earnings Per Share (in rupees)	**51.34**	**32.76**

SCHEDULE 25 - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

The accompanying financial statements have been presented for the year ended September 30, 2006 along with comparative information for the year ended September 30, 2005. The accompanying financial statements have been prepared on a going concern basis under the historical cost convention on the accrual basis of accounting in conformity with accounting principles generally accepted in India ("Indian GAAP"). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except as stated hereunder.

b. Consolidation

The accompanying Consolidated Financial Statements comprise the accounts of Shree Renuka Sugars Limited and its subsidiary Renuka Commodities DMCC, incorporated in October 2004, after eliminating all material inter-company accounts, transactions, profit & losses. A subsidiary is an entity in which the group has either direct or indirect majority ownership interest and has the power to control the financial and operating policies of that entity.

c. Use of estimates

In preparing our Company's financial statements in conformity with accounting principles generally accepted in India, our Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period; actual results could differ from those estimates.

d. Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use. Expenditure incurred during construction period has been added to the cost of the assets. These expenses have been added in the ratio of 63:37 to the sugar and power generation units hitherto. As there are large expansion plans expenditure during construction period will be allocated on a reasonable basis.

e. Borrowing costs

Financing cost incurred up to the date of completion of construction or installation of qualifying assets, on funds borrowed are also capitalized as a part of the cost of the asset.

f. Depreciation

Depreciation is provided at the rates and in the manner prescribed in Schedule XIV of the Indian Companies Act, 1956. The sugar manufacturing units, the distillery and the bio-fertilizer units are depreciated using the straight line method, while the power generation facility is depreciated using the written down value method. As per estimates of management, these rates are representative of the economic useful life of these assets.

No depreciation is provided on assets held for sale.

g. Leases

Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

h. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. Profit/ loss on sale of investments is computed with reference to their average cost.

i. Inventories

Inventories are valued as follows:

Raw materials, stores and spares and packing materials

Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a First In First Out ('FIFO') basis.

Finished goods

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods excludes excise duty.

Work-in-process

Lower of cost upto estimated stage of process and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

By products

By products are valued at cost. Inter-unit transfers of by products also include the cost of transportation, duties, etc.

j. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns and sales tax.

Revenue from sale of power is recognized when the units generated are transmitted to the pooling station, in accordance with the terms and conditions of the power purchase agreement entered into by the Company with the power transmission companies.

k. Foreign currency transactions

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate at the date of the Balance Sheet. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and investments in foreign companies are recorded at the exchange rates prevailing on the date of making the investments.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognized as income or as expenses in the period in which they arise, except for loans denominated in foreign currencies utilized for acquisition of fixed assets where the exchange gains/losses are adjusted to the cost of such assets.

Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

l. Translation of financial Statements of foreign subsidiaries

The consolidated financial statements are presented in Indian Rupees, which is the functional currency of the parent company, being the currency of the primary environment in which it operates.

In the Consolidated financial statements, the separate financial statements of the subsidiary, originally presented in a currency different from the Group’s presentation currency, have been converted into Indian Rupees. Asstes and Liabilities have been translated into Indian Rupees at the closing rate at the balance sheet date. Income and expenditures have been converted into the Group’s presentation currency at the average rates over the reporting period. The resulting translation adjustments are recorded under the currency translation reserve in equity.

The functional currency of Renuka Commodities, DMCC, a subsidiary in Dubai, UAE, is UAE Dirham (‘AED’).

m. Retirement benefits

Contributions in respect of provident fund and gratuity are made to the appropriate authorities/ Trust set up by the Company for the purpose and charged to Profit and Loss Account. Provisions for liabilities in respect of leave encashment benefits are made based on actuarial valuation made by an independent actuary as at the Balance Sheet date.

n. Income taxes

Tax expenses comprise both current and deferred taxes.

Deferred income tax reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

o. Miscellaneous expenditure.

Preliminary expenses are written-off over a period of five years from the year of commencement of commercial production.

Deferred revenue expenditure comprising of Initial Public Offer Expenditure and Voluntary Retirement Scheme expenses are being written-off over a period of five years.

p. Government Grants

Government grants in the nature of promoter's contribution are credited to capital reserve and treated as a part of Shareholders' funds.

q. Financial Derivates and Commodity futures

Transactions in financial derivatives and commodity futures are accounted based on the mode of ultimate settlement. Transactions, which are ultimately settled net, without taking delivery, are recorded net with the gains /losses being recognized as income/expenses in the financial statements. Transactions, which stipulate physical delivery of the goods and where the company intends to take such delivery, are recorded at gross, as purchases and sales as part of the company's sugar manufacturing activities.

r. Provisions, Contingent liabilities and contingent assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- The Company has a present obligation as a result of a past event
- A probable outflow of resources is expected to settle the obligation and
- The amount of the obligation can be easily estimated.

Contingent Liability is disclosed in the case of

- A present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- A possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognized, nor disclosed.

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the Company not acknowledged as debts are disclosed as contingent liabilities. In respect of statutory matters, contingent liabilities are disclosed only for those demand(s) that are contested by the Company.

s. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

t. Segment reporting

The accounting polices adopted for segment reporting are in line with the accounting polices of the Company, with the following additional polices for segment reporting:

(i) Inter segment revenue has been accounted for based on the transaction price agreed to between segments which is primarily market led.
(ii) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

(iii) Gains/losses from transactions in commodity futures, which are ultimately settled net, with/without taking delivery, are recorded as ‘Other revenues’ under the Sugar segment

(iv) Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated Corporate Expenses".

u. ***Impairment of assets***

As at each Balance sheet date, the carrying amount of assets is tested for impairment so as to determine

a. The provision for impairment loss, if any, required or
b. The reversal, if any, required of impairment loss recognised in previous periods

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

SCHEDULE 26 - NOTES TO THE FINANCIAL STATEMENTS

i. Excise Duty on Finished Goods

Excise duty is generally provided on manufacture of goods, which are not exempt from the payment of duty. However, since the Company’s finished goods are not segregated at the time of production into those for sale in domestic markets and those for sale in export markets, the Company is unable to determine the exact liability towards excise duty on finished goods. Accordingly, excise duty is provided/ paid only at the time of clearance of the goods from the factory.

ii. Leases

The Company has entered into various operating leases for office, residential and factory premises. These are generally short-term leases and cancelable by serving adequate notice. The minimum amount of lease rentals payable on non-cancelable leases is as follows:

- Within a period of one year – Rs.58.00 million
- Period from one year to five years – Rs.340.00 million

iii. Outstanding Commitments

As at September 30, 2006, our Company had the following outstanding commitments:

- Bank Guarantees outstanding - Rs.416.16 million
- Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for – Rs.1,923.66 million
- Amount payable for Purchase of Property in Dubai Rs.12.47 million.

iv. Balances appearing under the head sundry creditors, sundry debtors, loans and advances and secured loans are subject to confirmation, adjustments, if any, on the receipt/reconciliation of such accounts.

v. In terms of accounting standard AS 28 on impairment of assets there was no impairment indicators exist as of reporting date as per the internal management estimates done and hence no impairment charge is recognized during the year under review.

vi. Valuation of Inventories

The Company has been accounting for inventories from the previous year on a cost basis, whereby the inter-segment transfers of inventories are valued at cost instead of inter segment acquisition cost.

vii. Managerial Remuneration:

(Rs. in Million)

Particulars	**September 30, 2006**	***September 30, 2005***
Executive Director's Remuneration		
Salary	7.66	*5.06*
Ex-Gratia	0.18	*0.59*
Perquisites	-	-
Commission	28.44	*10.08*
Contribution to Provident Fund	0.04	*0.03*
Calculation of Managerial Commission		
Profit Before tax & Managerial Commission	1,413.80	*500.24*
Add: Commission paid	-	*2.12*
Loss on sale of Fixed Assets	11.62	*1.23*
Net Profit as per Section 198 of the Companies Act, 1956	1,425.42	*503.59*
Maximum Permissible remuneration to whole time directors	10%	*10%*
Restricted to as per service contracts to	28.44	*10.07*
Director Sitting Fees	***0.19***	***0.23***

viii. Related party disclosures

Related parties

(a) Subsidiary Company – Renuka Commodities DMCC

(b) Key managerial persons
1. Mrs Vidya Murkumbi
2. Mr. Narendra Murkumbi
3. Mr. S. M. Kaluti
4. Mr. Nandan Yalgi
5. Mr. Robert Taylor

Transactions with related parties

a) Transactions with subsidiary company

-	Nature of transaction	Advances given
-	Volume of transactions during the period	Rs.0.53 million
-	Outstanding as at the end of the period	Nil
-	Investment in subsidiary	Rs. 4.97 million

b) Transactions with key management personnel

-	Remuneration including contributions to PF	Rs.36.32 million
-	Outstanding remuneration payable	Rs.0.22 million
-	Outstanding Commission payable	Rs.28.44 million
-	Outstanding Ex-gratia Payable	Rs.0.18 million
-	Nature of transaction	Rent Paid
-	Volume of transactions during the period	Rs.1.35 million
-	Outstanding as at the end of the period	-

ix. Segment Information

Particulars	Sugar		Trading		Co-generation		Distillery		Other		Eliminations		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
REVENUE														
External Sales	5,000.48	3,858.11	5,596.30	3,573.77	153.56	165.74	282.41	350.22	13.99	7.01			11,046.74	7,954.85
Inter-segment Sales	314.35	241.14	-	-	241.92	272.64	-	-	-	-	-556.28	-513.78	-	-
Total Revenue	5,314.83	4,099.25	5,596.30	3,573.77	395.48	438.38	282.41	350.22	13.99	7.01	-556.28	-513.78	11,046.74	7,954.85
RESULT	830.90	410.53	1,047.83	410.69	115.5	51.76	113.26	169.44	5.06	0.95	-	-	2,112.56	1,043.38
Unallocated corporate expenses													601.07	273.77
Operating Profit													1,511.48	769.61
Interest Expenses													187.87	148.55
Interest & other Income													64.09	23.16
Profit from Ordinary Activities													1,387.70	644.22
Extra-ordinary items													-	-
Net Profit													1,387.70	644.22
Other Information														
Segment assets	2,883.55	1,571.79	1,275.90	44.34	859.29	227.48	430.29	162.41	10.68	5.42	-	-	5,441.71	2,011.43
Unallocated corporate assets													2,595.15	1,465.66
Total Assets	2,883.55	15,71.79	1,275.90	44.34	443.44	2,27.48	430.29	1,62.41	10.68	5.42			8,036.86	3,477.09
Segment liabilities	401.56	374.55	-	-	-	-	23.40	42.50	-	-	-	-	424.96	417.05
Unallocated corporate Liabilities													7,611.90	3,060.04
Total Liabilities	401.56	374.55	-	-	-	-	23.40	42.50	-	-			8,036.86	3,477.09
Capital Expenditure	2,204.60	756.01	-	-	904.03	396.34	354.05	151.23	4.71	4.71	-	-	3,467.39	1,308.29
Unallocated corporate Liabilities													1,485.39	176.76
Total Capital Expenditure	2,204.60	756.01	-	-	904.03	396.34	354.05	151.23	4.71	4.71			4,952.78	1,485.05
Depreciation	174.28	133.06	-	-	219.12	185.20	27.58	19.93	0.90	0.67	-	-	421.88	338.86
Unallocated corporate liabilities													14.18	9.35
Total Depreciation	174.28	133.06	-	-	219.12	185.20	27.58	19.93	0.90	0.67			436.06	348.21

x. Subsequent Events after the Balance Sheet date:

The Board of Approval (BOA) for Special Economic Zones (SEZ's) has granted in-principle approval of SEZ status to the Company's current expansion plant at Athani, District Belgaum, Karnataka. The said SEZ would be an integrated Sugarcane Processing Complex with a cane crushing capacity of 5,000 TCD along with a distillery of 120 KLPD and 38 MW co-generation plant. The company is in the process of finalizing the regulatory compliances in this regard.

xi. Previous year figures

Previous year figures have been regrouped / recast wherever considered necessary to make them comparable with those of the current year.

UNAUDITED CONSOLIDATED BALANCE SHEET FOR NINE MONTHS ENDED JUNE 31, 2007

(Rs. in Million)

Particulars	Schedule	30-Jun-07	30-Jun-06
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	**1**	838.10	238.10
Reserves and surplus	**2**	3,483.89	2,646.27
Sub Total		**4,321.98**	**2,884.36**
Loan funds			
Secured loans	**3**	5,439.14	3,881.26
Unsecured loans	**4**	335.34	263.35
Sub Total		**5,774.48**	**4,144.61**
Deferred Tax Liabilities	**5**	151.45	81.52
TOTAL		**10,247.91**	**7,110.50**
APPLICATION OF FUNDS			
Fixed Assets	**6**		
Gross Block		5,887.42	1,570.36
Less : Depreciation		567.39	413.92
Net Block		**5,320.03**	**1,156.45**
Capital work-in-progress including capital advances		1,609.70	1,462.39
Investments	**7**	**304.85**	**0.57**
Current Assets, Loans and Advances			
Inventories	**8**	1,642.88	3,046.77
Sundry debtors	**9**	564.41	864.15
Cash and bank balances	**10**	773.56	491.34
Other current assets	**11**	215.51	88.33
Loans and advances	**12**	1,445.61	1,777.76
***Less:* Current Liabilities and Provisions**			
Current Liabilities	**13**	1,234.99	1,607.57
Provisions	**14**	393.75	247.67
Net Current Assets		**3,013.23**	**4,413.10**
Miscellaneous Expenditure (to the extent not written off or adjusted)	**15**	0.10	77.98
TOTAL		**10,247.91**	**7,110.49**

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE NINE MONTH ENDED JUNE 30, 2007 & JUNE 30, 2006

(Rs. in Million)

Particulars	Schedule	30-Jun-07	30-Jun-06
INCOME			
Revenues (Net)	**16**	6,957.83	7,792.54
Other income	**17**	137.55	50.86
TOTAL		**7,095.38**	**7,843.40**
EXPENDITURE			
Raw material consumed	**18**	3,298.00	3,998.31
Cost of traded goods	**19**	2,118.94	3,104.82
Increase in inventories	**20**	(473.83)	(1,354.30)
Personnel expenses	**21**	189.35	99.35
Operating and other expenses	**22**	772.39	585.85
Managerial Commission		12.88	10.97
Depreciation/amortization		145.41	65.99
Financial expenses	**23**	81.40	124.66
Research & Development		13.58	7.36
Profit before tax		**937.27**	**1,200.41**
Provision for tax			
Current Tax		138.90	149.81
Fringe benefit tax		1.29	1.80
Deferred Tax		94.60	41.06
Profit after tax and before prior period items		**702.49**	**1,007.73**
Prior Period Items			
Add : Excess provision of Dividend on Equity Shares		-	-
Less : Depreciation		-	-
Income Tax of earlier Period		**-**	**-**
Other			
Net Profit		**702.49**	**1,007.73**
Balance brought forward from previous period		1,177.22	334.35
Surplus carried to Balance Sheet		**1,879.71**	**1,342.08**
Basic and Diluted Earnings Per Share (in rupees) [Nominal value of shares Rs. 10]	24	29.50	43.15

SCHEDULE 1 – SHARE CAPITAL

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Authorised Share Capital:		
35,000,000 equity shares of Rs.10/- each	350.00	350.00
70,000,000 9% Cumulative redeemable preference shares of Rs.10/- each (Previous year 50,00,000, 2% Cumulative Preference Shares of Rs.10/ Each)	700.00	50.00
Total	1,050.00	400.00
Issued, Subscribed and Paid up :		
23,809,649 (Previous year: 23,809,649) equity shares of Rs. 10/- each fully paid	238.10	238.10
60,000,000 9% Cumulative redeemable preference shares of Rs.10/- each	600.00	-
Total	**838.10**	**238.10**

SCHEDULE 2 – RESERVES & SURPLUS

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Capital Reserve		
i. Subsidy received from Govt of Karnataka towards Co-generation		
As per last balance sheet	18.75	18.75
ii. Share Premium		
As per last balance sheet	1,047.65	-
Addition During the year	-	1,047.65
Sub Total	**1,047.65**	**1,047.65**
iii. Others		
As per last balance sheet	0.26	0.26
Total	**1,066.66**	**1,066.66**
General Reserve		
As per last balance sheet	529.02	150.00
Add : Transfer from Loan Redemption Reserve	-	-
Add : Transfer from Profit and loss account	-	-
Sub Total	**529.02**	**150.00**
Loan Redemption Reserve		
As per last balance sheet	-	79.02
Less : Transferred to General Reserve	-	-
Sub Total	**-**	**79.02**
Capital Redemption Reserve		
As per last balance sheet	8.50	8.50
Addition During the year	-	-
Sub Total	**8.50**	**8.50**
Total	**537.52**	**237.52**
Surplus in Profit and loss Account	1,879.71	1,342.08
Grand Total	**3,483.89**	**2,646.27**

SCHEDULE 3 - SECURED LOANS

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Term loans from banks and financial institutions (Secured by first/second charge on the immovable property of the Company and second charge on stocks and book debts)	3,753.49	1,188.30
Cash/ Export Credit facilities from banks (Secured by hypothecation of stocks and book debts and a second charge on moveable and immovable properties of the company)	1,685.65	2,692.96
Grand Total	**5,439.14**	**3,881.26**

SCHEDULE 4 – UNSECURED LOANS

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Fixed deposits	-	4.64
Sugar Development Fund	24.97	13.75
Deferred Purchase Tax Credit	234.1	150.65
Interest accrued and due	76.27	94.31
Grand Total	**335.34**	**263.35**

SCHEDULE 5 – DEFERRED TAX LIABILITIES

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Deferred Tax Liabilities		
Depreciation	173.90	101.95
Others	1.20	1.20
Gross Deferred Tax Liabilities	**175.10**	**103.15**
Deferred Tax Assets		
Provision for Deferred interest on SDF Loan	17.74	17.74
Others	5.91	3.89
Gross Deferred Tax Assets	**23.65**	**21.63**
Net Deferred Tax Liability	**151.45**	**81.52**

SCHEDULE 6 – FIXED ASSETS

(Rs. in Million)

Particulars	October 1, 2006	Additions	June 30, 2007
Gross Block			
Land- Freehold	127.15	153.67	280.82
Buildings	297.66	437.45	735.11
Plant and Machinery	1,118.35	3,629.22	4,747.57
Furniture and Fittings	53.39	22.44	75.83
Vehicles	33	14.94	47.93
Total	**1,629.55**	**4,257.72**	**5,887.27**

SCHEDULE 7 - INVESTMENTS

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Long Term Investments (At cost)		
Non- trade		
Government Securities		
National Saving Certificate	0.02	0.02
Non Trade (Unquoted)		
5000 equity shares of Rs 10 each fully paid-up in Esugar India Clearing Corporation Limited	0.05	0.05
500 equity shares of Rs 10 each fully paid-up in Pachhapur Urban Bank Ltd.,	-	-

Particulars	30-Jun-07	30-Jun-06
5000 equity shares of Rs 100 each fully paid-up in BDCC Bank Belgaum	0.50	0.50
Mutual Funds -Reliance MF	304.28	**-**
Grand Total	**304.85**	**0.57**

SCHEDULE 8 – INVENTORIES

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Stores and spares	183.93	78.13
Raw materials and Components	104.47	123.29
Intermediate Product	86.19	90.63
Work-in- progress	7.18	-
Finished Goods		
- Manufactured	1,086.71	2,744.68
- Trial Run Stock	167.53	-
- Others	6.86	10.04
Grand Total	**1,642.88**	**3,046.77**

SCHEDULE 9 – SUNDRY DEBTORS

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Unsecured :		
Debts over Six Months		
Considered Good	55.73	24.05
Considered Doubtful	-	-
Others		
Considered Good	508.68	840.1
Sub Total	**564.41**	**864.15**
Less : Provision for doubtful debts	**-**	**-**
Grand Total	**564.41**	**864.15**

SCHEDULE 10 – CASH & BANK BALANCES

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Cash on hand	30.47	15.52
Balances with scheduled banks:		
On current accounts	44.7	424.57
On deposit accounts	698.38	51.25
Balance with other banks		
On current accounts	-	-
Grand Total	**773.56**	**491.34**

SCHEDULE 11 – OTHER CURRENT ASSETS

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Export incentives accrued	49.53	14.57
Interest accrued	5	2
Others	160.99	71.76
	215.51	**88.33**
Less: Provision	**-**	-
Grand Total	**215.51**	**88.33**

SCHEDULE 12 – LOANS AND ADVANCES

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Unsecured and considered good		
Advances recoverable in cash or kind or for value to be received	624.99	1,476.90
Balances with customs, excise, etc.	475.26	92.15
Deposits	89.57	1.37
Advance Income Taxes	255.79	207.34
Grand Total	**1,445.61**	**1,777.76**

SCHEDULE 13 – CURRENT LIABILITIES

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Sundry Creditors	-	-
Small scale industries (to the extent identified)	-	-
Others	671.16	1,184.82
Advance from customers	77.68	33.14
Sundry deposits	268.02	124.23
Interest accrued but not due on loans	89.47	14.33
Bank overdrafts (as per Books)	-	101.83
Other Liabilities	128.67	149.22
Grand Total	**1,234.99**	**1,607.57**

SCHEDULE 14 – PROVISIONS

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Provision for Taxation	388.87	244.41
Provision for Gratuity	-	0.93
Provision for Leave Encashment	4.88	2.34
Grand Total	**393.75**	**247.67**

SCHEDULE 15 – MISCELLANEOUS EXPENDITURE

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Expenditure towards Voluntary Retirement Scheme	0.1	0.16
IPO Expenses	-	77.82
Grand Total	**0.1**	**77.98**

SCHEDULE 16 – REVENUES

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Sale of Manufactured Sugar	4,326.87	3,760.94
Sale of Traded Sugar	2,351.72	3,943.62
Sale of Power	432.23	377.81
Sale of Ethanol and other products	334.24	246.2
Others	132.81	198.25
Sub Total	**7,577.88**	**8,526.83**
Less : Excise Duty	230.45	240.73
Inter segment sales	389.59	493.56
Grand Total	**6,957.83**	**7,792.54**

SCHEDULE 17 – OTHER INCOME

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Interest on Bank deposits	6.46	15.06
Miscellaneous Income	131.1	35.8
Grand Total	**137.55**	**50.86**

SCHEDULE 18 – RAW MATERIAL CONSUMED

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Opening Stock as on October 01, 2006	111.17	653.74
Add: Purchases and related expenses	3,374.34	3,738.89
Less : Inter segment purchases	83.05	269.21
Sub Total	**3,402.46**	**4,123.42**
Less: Closing Stock as on June 30, 2007	104.47	125.12
Grand Total	**3,298.00**	**3,998.31**

SCHEDULE 19 – COST OF GOODS TRADED

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Opening Stock as on October 01, 2006	444.05	44.34
Add : Purchases	1,967.93	4,189.96
Sub Total	2,411.98	4,234.30
Less: Closing Stock as on June 30, 2007	293.03	1,129.48
Grand Total	**2,118.94**	**3,104.82**

SCHEDULE 20 – (INCREASE)/ DECREASE IN INVENTORIES

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Opening Stock as on October 01, 2006		
- Work-in-progress	-	11.79
- Finished goods and intermediate products	488.02	347.95
Sub Total (A)	**488.02**	**359.74**
Less: Closing Stock as on June 30, 2007		
- Work-in-progress	7.69	-
- Finished goods and intermediate products	954.17	1,714
Sub Total (B)	**961.85**	**1,714.04**
Grand Total (A+B)	**(473.83)**	**(1,354.30)**

SCHEDULE 21 – PERSONNEL EXPENSES

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Salaries, wages and bonus	159.14	89.68
Contribution to provident fund & Others	20.15	7.38
Contribution to gratuity	3.83	-
Contribution to leave Encashment	6.23	2.29
Grand Total	**189.35**	**99.35**

SCHEDULE 22 – OPERATING AND OTHER EXPENSES

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
A. Manufacturing		
Consumption of stores and spares	223.82	167.41
Processing charges	58.08	41.23
Power and fuel	306.46	234.37
Lease Rentals	85.13	54.64
Repairs and maintenance		
- Plant & Machinery	32.18	7.05
- Building	2.83	0.97
- Others	12.39	4.30
Less : Inter segment Expenses	(306.55)	(224.35)
Sub Total (A)	**414.32**	**285.62**
B. Administrative, Selling and General Expenses		
Rent, Rates and taxes	6.17	9.18
Sales Tax	15.64	4.90
Insurance	11.69	9.02
Traveling and conveyance	16.16	12.54
Printing and stationery	3.47	3.17
Communication costs	8.36	4.97
Legal and professional fees	6.96	7.95
Directors' sitting fees	0.35	0.12
Auditor's remuneration	0.68	0.10
Donations and contributions	1.35	0.39
Provision for doubtful debts and advances	(0.39)	-
Loss on sale of fixed assets (net)	0.06	0.48
Freight and forwarding charges	193.46	196.79
Advertising and sales promotion	2.23	0.61
Brokerage and discounts	1.47	6.91
Commission & Market Development Incentives		
Deferred Revenue expenses	3.35	0.52
Others	87.07	42.59
Sub Total (B)	**358.07**	**300.24**
Grand Total (A+B)	**772.39**	**585.85**

SCHEDULE 23 – FINANCIAL EXPENSES

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Interest		
- on term loans	66.41	17.71
- on working capital	27.20	69.20
- on deposits from Banks		0.24

Particulars	30-Jun-07	30-Jun-06
- others	0.09	0.28
Bank charges	(12.29)	37.22
Grand Total	**81.40**	**124.66**

SCHEDULE 24 – EARNINGS PER SHARE

The calculations of earnings per share (basic and diluted) are based on the earnings and numbers of shares as computed below.

(Rs. in Million)

Particulars	30-Jun-07	30-Jun-06
Reconciliation of earnings		
Profit after tax	702.49	1,007.73
Less: Preference dividends (including tax thereon)	-	-
Net profit attributable to equity shareholders	**702.49**	**1,007.73**
Reconciliation of number of shares	**Shares**	
Shares outstanding at the beginning of the period	23,809,649	20,000,000
Shares outstanding at the end of the period	23,809,649	23,809,649
Weighted average number of equity shares	**23,809,649**	**23,352,924**
Basic and Diluted Earnings Per Share (in rupees)	**29.50**	**43.15**

DECLARATION

This Preliminary Placement Document is being issued in compliance with the provisions of Chapter XIII-A of the SEBI DIP Guidelines.

SIGNED BY

____

Narendra Murkumbi
(Managing Director)

____

C.Dwaraka Nath Acharya
(Chief Financial Officer)

____

Ramnath .H.Sadekar
(Company Secretary)

Date: 18.10.2007

Place: Mumbai