RED HERRING PROSPECTUS
Dated: November 21, 2007
Please read Section 60B of the Companies Act, 1956
100% Book Building Issue

BGR ENERGY SYSTEMS LIMITED

(We were incorporated as GEA Energie Systems India Private Limited on February 18, 1985. Our name was changed to GEA Energy System (India) Private Limited by a resolution of our shareholders on October 17, 1986, and a fresh certificate of incorporation consequent on change of name was issued to us on April 3, 1987 by the Registrar of Companies, Andhra Pradesh at Hyderabad (the "RoC"). Our status was subsequently changed to a public limited company by a special resolution of our shareholders passed at the annual general meeting held on December 10, 1993. The fresh certificate of incorporation consequent on conversion was issued to our Company on March 3, 1994. Our name was changed to BGR Energy Systems Limited by a resolution of our shareholders on June 25, 2007. The fresh certificate of incorporation consequent to the change in name was issued to our Company on June 28, 2007 by the RoC. For details of changes in name refer to "History and Certain Corporate Matters" on page 115).

Registered Office: A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Village, Nellore District, Andhra Pradesh 524 401, India
Tel: (91 44) 2794 8249; Fax: (91 44) 2794 8359
Corporate Office: 443, Anna Salai, Teynampet, Chennai 600 018, Tamil Nadu, India Tel: (91 44) 2432 6171; Fax: (91 44) 2436 0576
Email: investors@bgrenergy.com; Website: www.bgrcorp.com
Company Secretary and Compliance Officer: Mr. R. Ramesh Kumar

PUBLIC ISSUE OF 9,136,000 EQUITY SHARES OF Rs. 10 EACH OF BGR ENERGY SYSTEMS LIMITED ("BGR ENERGY" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF Rs. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF Rs. [●] PER EQUITY SHARE), CONSISTING OF A FRESH ISSUE OF 4,320,000 EQUITY SHARES AND AN OFFER FOR SALE OF 4,816,000 EQUITY SHARES BY MR. B.G. RAGHUPATHY AND MS. SASIKALA RAGHUPATHY (THE "SELLING SHAREHOLDERS"), AGGREGATING Rs. [●] MILLION (THE "ISSUE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 8,636,000 EQUITY SHARES OF RS. 10 EACH (THE "NET ISSUE") AND A RESERVATION OF UP TO 500,000 EQUITY SHARES OF RS. 10 EACH FOR ELIGIBLE EMPLOYEES (AS DEFINED HEREIN) (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE WOULD CONSTITUTE 12.69% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY. THE NET ISSUE WILL CONSTITUTE 11.99% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: RS. 425 TO RS. 480 PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 AND THE FLOOR PRICE IS 42.5 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 48 TIMES OF THE FACE VALUE

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

In terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957 ("SCRR"), this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to all QIBs including Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further upto 500,000 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid bids being received at or above Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is [●] times of the face value. The Issue Price (as determined by the Company and the Selling Shareholders in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares offered by way of the book building process) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

IPO GRADING

The Issue has been graded by ICRA Limited as IPO Grade 3 indicating average fundamentals.

ISSUER'S AND SELLING SHAREHOLDERS ABSOLUTE RESPONSIBILITY

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

LISTING ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from NSE and BSE for the listing of our Equity Shares pursuant to letters dated August 29, 2007 and September 6. 2007, respectively. For purposes of this Issue, the Designated Stock Exchange is the NSE.

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE ISSUE
SBI Capital Markets Limited 202, Maker Tower E, Cuffe Parade, Mumbai 400 005, India Tel: (91 22) 2218 9166 Fax: (91 22) 2218 8332 Email: bgr.ipo@sbicaps.com Website: www.sbicaps.com Contact Person: Ms. Neha Nagpal SEBI Registration Number: INM000003531	**Kotak Mahindra Capital Company Limited** 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India Tel: (91 22) 6634 1100 Fax: (91 22) 2283 7517 Email:bgr.ipo@kotak.com Investor grievance id: kmccredressal@kotak.com Website: www.kotak.com Contact Person: Mr. Chandrakant Bhole SEBI Registration Number: INM 000008704	**UBS Securities India Private Limited** 2/F, Hoechst House, Nariman Point, Mumbai 400 021, India Tel: (91 22) 2286 2062 Fax: (91 22) 2281 4676 Email: bgrenergy@ubs.com Website:www.ibb.ubs.com/Corporates/indianipo Contact Person: Mr. Venkat Ramakrishnan SEBI Registration Number: INM000010809	**CLSA India Limited** 8/F, Dalamal House, Nariman Point, Mumbai 400 021, India. Tel : (91 22) 6650 5050 Fax: (91 22) 2285 6524 Email: bgripo@clsa.com Website: www.india.clsa.com Contact Person: Mr. Sumit Jalan SEBI Registration Number: INM000010619	**Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078 India Tel: (91 22) 2596 0320 Fax: (91 22) 2596 0329 Email: bgrenergy-ipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Sachin Achar SEBI Registration Number: INR00003761

BID / ISSUE PROGRAMME

BID/ISSUE OPENS ON : WEDNESDAY, DECEMBER 05, 2007	BID/ISSUE CLOSES ON : WEDNESDAY, DECEMBER 12, 2007

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SECTION I- GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
"We", "us"and "our"	Unless the context otherwise requires, BGR Energy Systems Limited and its Subsidiary on a consolidated basis
"Issuer", "the Company", "our Company" and "BGR Energy"	BGR Energy Systems Limited on a stand alone basis

Company Related Terms

Term	Description
Articles	Articles of Association of our Company
Auditors	The statutory auditors of our Company, being Manohar Chowdhry and Associates, Chartered Accountants, New No. 10, Old No. 30, Arcot Street, T. Nagar, Chennai 600 017, India
Board/ Board of Directors	Board of Directors of our Company
Corporate Office of the Company	443, Anna Salai, Teynampet, Chennai 600 018, Tamil Nadu, India
Directors	Directors on the Board, unless otherwise specified
IPO Committee	Committee constituted by our Board at its meeting held on July 7, 2007 consisting of Mr. B. G. Raghupathy, Mr. S. Rathinam and Ms. Sasikala Raghupathy
Memorandum	Memorandum of Association of our Company
Order Backlog	Our Order Backlog consists of unbilled portions of our ongoing projects and projects for which we have received orders and are yet to commence execution, and for products for which we have received orders and are yet to deliver. For the purposes of this Red Herring Prospectus, the term "Order Backlog" shall include orders booked with us as well as with our Subsidiary, Progen
Promoter Group	The Promoter Group Entities and the Promoter Group Individuals
Promoter Group Entities	Entities forming part of our promoter group, namely Swarna Leasing Private Limited, Priya Securities Private Limited, Vani Securities Private Limited, Arjun Securities Private Limited, Mega Funds India Limited, ANI Constructions Private Limited, BGR Aquaatech India Limited, Germanischer Lloyd Industrial Services India Private Limited, GEA Cooling Tower Technologies (India) Private Limited, Cuddalore Power Company Limited, Saturn Tradex Private Limited, Schmitz India Private Limited, BGR Power Limited, Sasikala Estate Private Limited, GEA BGR Energy System India Limited, Schmitz Reinigungskugein GmbH and Vindiana Wines Private Limited

Term	Description
Promoter Group Individuals	Individuals forming part of our promoter group, namely Ms. Sasikala Raghupathy, Mr. G. Subramanian, Ms. G. Saroja Krishnan, Ms. G. Santa Venkatesan, Ms. G. Devaki Aranganathan, Ms. G. Badmavathi, Mr G. Radhakrishnan, Ms. Swarnamughi Raghupathy, Ms. Priyadarshni Raghupathy, Ms. Vani Raghupathy, Mr. Arjun Raghupathy, Mr. P.S. Kannan, Ms. Kamal Kannan, Mr. S.K. Sridhar, Ms. Kala Lakshmi Narayanan and Ms. Sumathi Deva Manoharan
Promoter	Mr. B.G. Raghupathy
Registered Office of the Company	A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Village, Nellore District, Andhra Pradesh 524 401, India
ESOP 2007	The employee stock option scheme of the Company adopted at the meeting of the shareholders of the Company held on July 11, 2007 pursuant to which stock options have been granted to employees and directors of our Company and our Subsidiary
Subsidiary	Progen Systems and Technologies Limited

Issue Related Terms

Term	Description
Allotment/Allot	Unless the context otherwise requires, the issue and allotment of Equity Shares, pursuant to the Fresh Issue and the transfer of Equity Shares pursuant to the Offer for Sale
Allottee	The successful Bidder to whom the Equity Shares are/ have been allotted
Banker(s) to the Issue	HDFC Bank, ICICI Bank, Industrial Development Bank of India Limited, ABN-AMRO Bank, Kotak Mahindra Bank Limited, Punjab National Bank and State Bank of India
Basis of Allotment	The basis on which Equity Shares will be Allotted to Bidders under the Issue and which is described in "Issue Procedure – Basis of Allotment" on page 360
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a English national newspaper, a Hindi national newspaper and a Telugu newspaper with wide circulation

Term	Description
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be notified in a English national newspaper, a Hindi national newspaper and a Telugu newspaper with wide circulation
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe or purchase Equity Shares of our Company and which will be considered as the application for Allotment pursuant to the terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date (inclusive of both days) and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being SBI Capital Markets Limited, Kotak Mahindra Capital Company Limited, UBS Securities India Private Limited and CLSA India Limited
Business Day	Any day other than Saturday and Sunday on which commercial banks in Mumbai, India are open for business
CAN/Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
CLSA	CLSA India Limited, having its registered office at 8th Floor, Dalamal House, Nariman Point, Mumbai 400 021
Cut-off Price	A price within the price band finalised by our Company and the Selling Shareholders in consultation with the BRLMs. A Bid submitted at Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band. Only Retail Individual Bidders are entitled to bid at the Cut-off Price for a Bid Amount not exceeding Rs.100,000. QIBs and Non-Institutional Bidders are not entitled to Bid at Cut-off Price

Term	Description
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors may approve Allotment of Equity Shares to successful Bidders
Designated Stock Exchange	National Stock Exchange of India Limited
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with S. 60B of the Companies Act, which does not contain complete particulars of the price at which the Equity Shares are offered and the size of the Issue
Eligible Employee	A permanent employee or a Director (whether whole-time, part-time or otherwise) of the Company as of the date of filing of the RHP with the RoC who is based, working and present in India as on the date of submission of the Bid cum Application Form except our Promoter or any member of our Promoter Group. The Eligible Employee(s) may also be referred to as "Eligible Employee under the Employee Reservation Portion" in this Prospectus
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe or purchase the Equity Shares offered thereby
Employee Reservation Portion	The portion of the Issue being up to 500,000 Equity Shares available for allocation to Eligible Employees
Equity Shares	Equity shares of our Company of Rs.10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into among our Company, the Selling Shareholders, the Registrar, BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, remitting refunds of the amounts collected to the Bidders on the terms and conditions thereof
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened and in this case being HDFC Bank, ICICI Bank, Industrial Development Bank of India Limited, ABN-AMRO Bank, Kotak Mahindra Bank Limited, State Bank of India and Punjab National Bank

Term	Description
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, above which the Issue Price will be finalized and below which no Bids will be accepted
Fresh Issue	The fresh issue of 4,320,000 Equity Shares at the Issue Price by the Company
ICRA	ICRA Limited, with its registered office located at 1105, Kailash Building Eleventh Floor, 26, Kasturba Gandhi Marg, New Delhi 110 001, being the IPO grading agency appointed pursuant to Clause 2.5A of the SEBI Guidelines
Issue	Collectively the Fresh Issue and the Offer for Sale
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus. The Issue Price will be decided by the Company and the Selling Shareholders in consultation with the BRLMs on the Pricing Date
KMCC	Kotak Mahindra Capital Company Limited having its registered office at 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India
Kotak Securities	Kotak Securities Limited with its registered office at 1st Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, which may be between 10% to 100% of the Bid Amount, as applicable
Monitoring Agency	Industrial Development Bank of India Limited
Mutual Fund Portion	5% of the QIB Portion or 259,080 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion.
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
Net Issue	The Issue less the Employee Reservation Portion, aggregating 8,636,000 Equity Shares
Net Proceeds	Proceeds of the Fresh Issue, after deducting our Company's share of the underwriting and management fees, selling commissions and other expenses associated with the Issue
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000 (but not including NRIs other than eligible NRIs)

Term	Description
Non Institutional Portion	The portion of the Issue being not less than 863,600 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders.
Offer for Sale	The Offer for Sale by the Selling Shareholders of 4,816,000 Equity Shares of Rs. 10 each at the Issue Price comprising 2,502,000 Equity Shares and 2,314,000 Equity Shares offered by Mr. B.G. Raghupathy and Ms. Sasikala Raghupathy, respectively.
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(a) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/ Issue Closing Date; and(b) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date, specified in the CAN
Pre-IPO Placement	The private placement of 4,320,000 Equity Shares to be made to certain investors by the Company pursuant to an investment agreement dated November 6, 2007 for a pre-IPO placement of 2,880,000 Equity Shares and a Binding Letter of Commitment and Term Sheet dated November 6, 2007, for a transfer by our Promoter of 1,440,000 Equity Shares. The Company proposes to complete the Pre IPO Placement after the closing of the Bidding/ Issue Period and before the Allotment of Equity Shares in the Issue to successful Bidders.
Price Band	Price band of a minimum price (Floor Price) of Rs. 425 and the maximum price (Cap Price) of Rs. 480 and includes revisions thereof including any revision to such Floor Price or Cap Price as may be permitted by the SEBI Guidelines
Pricing Date	The date on which our Company in consultation with the BRLMs and the Selling Shareholders finalizes the Issue Price
Prospectus	The Prospectus to be filed with the RoC in terms of S. 60 of the Companies Act, containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount which QIBs are required to pay at the time of submission of a Bid

Term	Description
QIB Portion	The portion of the Net Issue being 5,181,600 Equity Shares to be allotted to QIBs on a proportionate basis.
Qualified Institutional Buyers or QIBs	Includes public financial institutions as specified in S. 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
Refund account	The account opened with the Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made
Refund Banker(s)	Kotak Mahindra Bank Limited and HDFC Limited
Refunds through electronic transfer	Refunds through electronic transfer of funds means refunds through
of funds	ECS, Direct Credit, NEFT or RTGS as applicable
Registrar to the Issue	Intime Spectrum Registry Limited having its registered office at C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078, India
Retail Individual Bidder(s)	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue (including HUF, applying through their Karta and eligible NRIs)
Retail Portion	The portion of the Net Issue being not less than 2,590,800 Equity Shares of Rs.10 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	This Red Herring Prospectus which does not have complete particulars of the price at which the Equity Shares are offered and the size of the issue and which will be filed with RoC in terms of S. 60B of the Companies Act, at least three days before the Bid/ Issue Opening Date
SBI Caps	SBI Capital Markets Limited having its registered office at 202, Maker Tower E, Cuffe Parade, Mumbai 400 005, India
SBICAP Securities	SBICAP Securities Limited with its registered office at 191, Market Tower 'F', Cuffe Parade Mumbai 400 005, India

Term	Description
Selling Shareholders	Collectively, Mr. B.G. Raghupathy and Ms. Sasikala Raghupathy
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	Agreement to be entered into among the Syndicate, the Selling Shareholders and the Company in relation to the collection of Bids in this Issue
Syndicate Members	SBICAP Securities Limited and Kotak Securities Limited
TRS/ Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to the Bidder as proof of registration of the Bid
UBS	UBS Securities India Private Limited having its registered office at 2/F, Hoechst House, Nariman Point, Mumbai 400 021, India
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The Agreement between the members of the Syndicate, the Selling Shareholders and our Company to be entered into on or after the Pricing Date

Conventional and General Terms/ Abbreviations

Term	Description
A/c	Account
Act or Companies Act	Companies Act, 1956, as amended
AGM	Annual General Meeting
Air Pollution Act	Air (Prevention and Control of Pollution) Act, 1981, as amended
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
Bonus Act	Payment of Bonus Act, 1965, as amended
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CLRA	Contract Labour (Regulation and Abolition) Act, 1970, as amended
Construction Workers Act	The Buildings and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, as amended
Depositories	NSDL and CDSL

Term	Description
Depositories Act	Depositories Act, 1996, as amended
DP ID	Depository Participant's Identity
DP/ Depository Participant	A depository participant as defined under the Depositories Act
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
Environment Act	Environment Protection Act, 1986, as amended
EPF	Employees Provident Fund and Miscellaneous Provisions Act, 1952, as amended
EPS	Earnings Per Share
ESI	Employees State Insurance Act, 1948, as amended
Factories Act	The Factories Act, 1948, as amended
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FII(s)	Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year/ Fiscal/ FY	All references to a Fiscal with respect to our Company or our Subsidiary, Progen, refer to the twelve month period ended September 30 except references to Fiscal 2007 which refer to the eighteen month period ended March 31, 2007. All references to a Fiscal with respect to any other entity are to the twelve-month period ended on March 31 of that year
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000, as amended
GDP	Gross Domestic Product
GoI/Government	Government of India
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended
Indian GAAP	Generally Accepted Accounting Principles in India

Term	Description
IPO	Initial Public Offering
Mn / mn	Million
MOU	Memorandum of Understanding
NA	Not Applicable
NAV	Net Asset Value
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000, as amended
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the I.T. Act
PLR	Prime Lending Rate
QIB	Qualified Institutional Buyer
RBI	The Reserve Bank of India
RONW	Return on Net Worth
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended

Term	Description
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act 1992, as amended
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended
S./ Sec.	Section
Securities Act	United States Securities Act, 1933, as amended
SIA	Secretariat for Industrial Assistance
Stock Exchange(s)	BSE and/ or NSE as the context may require
U.S. or U.S.A	United States of America
Water Pollution Act	Water (Prevention and Control of Pollution) Act 1974, as amended

Industry Related Terms

Term	Description
APDRP	Accelerated Power Development Reform Programme
APGENCO	Andhra Pradesh Power Generation Corporation Limited
APCL	Aban Power Company Limited
ASME	American Society of Mechanical Engineers
BOP	Balance of Plant
BOT	Build, Operate and Transfer
BHEL	Bharat Heavy Electrical Limited
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
C&I	Control and Instrumentation equipment
CRIS INFAC	CRIS INFAC Industry Information Service, a brand of CRISIL Research & Information Services Limited
DG	Diesel Generator
EPC	Engineering, procurement and construction
IEA	International Energy Agency
IGCC	Integrated Gassification Combined Cycle
IPP	Independent Power Producers
MW	Megawatt

Term	**Description**
NEP	National Electricity Policy
NHAI	National Highway Authority of India
NHDP	National Highway Development Programme
NTPC	National Thermal Power Corporation
PGCIL	Power Grid Corporation of India Limited
PLF	Plant load factor
RES	Renewable Energy Source
ROR	Rate of Return
RRVUNL	Rajasthan Rajya Vidyut Utpadan Nigam Limited
SEB	State Electricity Board
SERC	State Electricity Regulatory Commission
SEZ	Special Economic Zone
SPV	Special Purpose Vehicle
SSI	Small Scale Industries
T&D	Transmission and Distribution
TNEB	Tamil Nadu Electricity Board
V-SEP	Vibratory-Shear Enhanced Process

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

All references to “Rupees” or “Rs.” or “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “US$” or “U.S. Dollars” or “ USD” are to United States Dollars, the official currency of the United States of America.

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated consolidated financial statements prepared in accordance with Indian GAAP and the SEBI Guidelines, which are included in this Red Herring Prospectus.

The RoC, through its letter dated August 1, 1997 granted us permission to extend our financial year ended March 31, 1997 to September 30, 1997. Pursuant to such permission, we have prepared our annual accounts for the period October 1 to September 30 of each year for the period April 1, 1996 to September 30, 2005. Further, the RoC, by its letter dated February 12, 2007 granted us permission to extend our financial year ended September 30, 2006 up to March 31, 2007. Consequently, with effect from April 1, 2007, our financial year will commence on April 1 and end on March 31 of the next year.

All references to a Fiscal with respect to our Company or our Subsidiary refer to the twelve month period ended September 30 except references to Fiscal 2007 which refer to the eighteen month period ended March 31, 2007. All references to a Fiscal with respect to any other entity are to the twelve-month period ended on March 31 of that year and all references to June 30 are to the three month period ended June 30 of that year.

There are significant differences between Indian GAAP, IFRS and US GAAP. Although we have presented a summary of significant differences between Indian GAAP, IFRS and US GAAP, no attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements and the notes thereto. We have not attempted to explain those differences or quantify their impact on the financial data included herein and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

In this Red Herring Prospectus, any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off.

Market and industry data used in this Red Herring Prospectus has generally been obtained or derived from industry publications and sources. These publications typically state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although we believe that industry data used in this Red Herring Prospectus is reliable, it has not been verified. Similarly, we believe that the internal company reports are reliable; however, they have not been verified by any independent sources.

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

In this Red Herring Prospectus, the terms "we", "our" or "us" unless the context otherwise requires, refer to BGR Energy Systems Limited and its Subsidiary on a consolidated basis, and the terms "the Company", "our Company" or "BGR Energy" refer to BGR Energy Systems Limited on a stand alone basis.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain "forward-looking statements". These forward looking statements can generally be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue", "will likely result", " "contemplate", "seek to", "future", "goal", "should" or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- We are unable to stay up to speed with changes in technology,
- We recognize unanticipated increased costs for, or unavailability of, raw materials or bought out items,
- Failures on our part to price our fixed-price contracts appropriately,
- Changes to our success in obtaining awards of new contracts,
- We incur liabilities based on technology licensors', sub-contractors' or suppliers' work,
- We prove unable to obtain and retain adequate numbers of skilled and educated employees,
- We face political, economic, regulatory or other risks of doing business in foreign countries,
- Our funding requirements and deployment of the Net Proceeds do not conform to our current estimates,
- We do not obtain sufficient funds for our working capital expenditure needs,
- A liquid market fails to develop for our Equity Shares,
- Regulatory changes adversely affect our business, and
- India's economic development does not proceed at the pace we anticipate.

For a further discussion of factors that could cause our actual results to differ, refer to "Risk Factors" on page xvi . By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Future looking statements speak only as of the date of this Red Herring Prospectus. Neither we, the Selling Shareholders, our Directors, Underwriters nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the BRLMs, our Company and the Selling shareholders will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

SECTION II- RISK FACTORS

RISK FACTORS

Investing in our Equity Shares involves a high degree of risk. You should carefully consider the following factors, as well as other information contained in this Red Herring Prospectus (including the financial statements and related notes thereto on page 169), before making an investment in our Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, financial condition, results of operations and prospects, cause the market price of our Equity Shares to fall significantly and result in your losing all or a part of your investment. Unless specifically quantified in a risk factor below, we are not in a position to quantify the financial or other implications of any of the risks described in this section. The numbering of the risk factors has been done to facilitate the ease of reading and reference, and does not in any manner indicate the importance of one risk factor over another.

Internal Risk Factors and Risks Related to Our Business and Our Company

1. Our Chairman and Managing Director, who is also our Promoter, has been impleaded in two criminal cases pending against our Company.

Mr. B.G. Raghupathy, who is our Chairman and Managing Director and also our Promoter, has been impleaded in two criminal cases which have been filed against our Company.

A criminal complaint bearing C.C. No. 136 of 98 has been filed by the Delhi Development Authority against our Company, our Chairman and Managing Director and others before the Metropolitan Magistrate, Delhi. The Delhi Development Authority has initiated the action under S. 29(2) of the Delhi Development Act, 1957 on grounds of our Company allegedly using residential premises for commercial purposes.

A criminal complaint bearing S.T.C No. 11 of 2005 has been filed by the Labour Enforcement Officer, Rajahmundry, Andhra Pradesh against our Company, our Chairman and Managing Director and others under S. 22A of the Minimum Wages Act, 1948 before the Additional Judicial First Class Magistrate Court at Razole, Andhra Pradesh on grounds of our Company allegedly not maintaining registers and records as required under the Minimum Wages Act, 1948 and contravening various provisions of the Minimum Wages (Central) Rules, 1950, as amended.

For more information regarding these legal proceedings, see the section titled "Outstanding Litigation and Material Developments" on page 297.

2. RBI may take action aginst certain of our promoter group entities or our Promoter for delayed compliances.

Five of our Promoter Group Entities, Arjun Securities Private Limited, Vani Securities Private Limited, Swarna Leasing Private Limited, Priya Securities Private Limited and Mega Funds India Limited, filed applications with the RBI under Section 45IA of the RBI Act, 1934, in July 1997 for obtaining certificates of registration for carrying on business of non-banking financial institutions. These companies submitted to the RBI that they have not accepted deposits from the public at any time since their incorporation. The applications under Section 45IA were rejected by the RBI between April 2000 and January 2003 on the ground that the applicants did not meet the minimum net owned funds requirements. Each of these companies was directed to ensure that within a period of three years from the date of receipt of the rejection letter, the financial assets of the company are disposed off and the company converted into non-banking non-financial company or be wound up. Each of the five companies filed an appeal against the dismissal of the application for registration before the appellate authority. The appeals filed by Vani Securities Private Limited, Priya Securities Private Limited and Mega Funds India Limited were dismissed in 2002 while the appeals filed by Arjun Securities Private Limited and Swarna Leasing Private Limited have not been heard.

Four of the companies, Arjun Securities Private Limited, Vani Securities Private Limited, Swarna Leasing Private Limited and Priya Securities Private Limited, have on July 23, 2007, after expiration of the three year period given by the RBI for compliance with its directions, filed compliance reports with the RBI confirming that they have disposed off their financial assets other than their investments in group companies and complied with the directions given by the RBI.

The RBI has responded to these compliance reports and informed these Promoter Group Entities that they shall be treated as investment companies as they continue to invest in group companies without a certificate of registration or an exemption from the RBI in violation of the RBI Act, 1934. The RBI has stated that these companies may be subject to the penal provisions prescribed under S. 58 of the RBI Act, 1934. The RBI has sought the submission of additional financial and other information. The companies have filed the requested information and explanations with the RBI and have been subsequently informed by the RBI that the responses submitted by them are not satisfactory and have been advised to submit specific/point wise clarifications.

The relevant Promoter Group Entities have filed a further response with the RBI, wherein they have given specific/point wise clarifications and stated that they are not NBFCs and are, accordingly, not required to obtain a certificate of registration or an exemption from the RBI.

Mega Funds India Limited changed its business to property development and trade related business activities within the three year time period specified by the RBI

There can be no assurance that the RBI will not take action against these companies or their promoters (which include our Chairman and Managing Director). Any action taken by the RBI may include fines or penal action against the persons in charge of or responsible for the conduct of the business of these companies, which may have an adverse effect on our business and operations and may also harm our reputation. For more information, please refer to the section titled “Outstanding Litigation and Material Developments” on page 297 and “Our Promoter” on page 139.

3. BHEL has banned business dealings with us for a period of three years

A show cause notice dated dated July 23, 2005 was issued by Bharat Heavy Electricals Limited (BHEL) to our Company asking our Company to show cause as to why BHEL should not take action against us, for entering into a written memorandum of understanding with M/s Techno Electric and Engineering Company Limited to form a cartel to obtain an order from BHEL at a high price. Our Company through a letter dated August 17, 2005, contested the allegations made against us. However, BHEL by its letter dated March 1, 2006, issued proceedings banning our Company and related companies from business dealings with BHEL for a period of three years. We made a representation against the ban order by our letter dated March 29, 2006 requesting BHEL to rescind such order. Subsequently, our Company sent letters dated August 3, 2006 and January 3, 2007, to consider the representation made by the Company and issue appropriate orders rescinding the banning of business between the Company and BHEL. For further details refer to "Outstanding Litigation and Material Developments" on page 297 .

4. ***We have recently sold our energy products business; our financial statements included herein include for all periods the financial condition and results of operation of this business, and therefore may not accurately reflect our overall business going forward.***

   For the eighteen month period ended March 31, 2007, the Company generated revenues of Rs 623.52 million constituting 8.04% of its standalone turnover during period ended March 31, 2007 from its energy business. We have historically not prepared profit and loss accounts for each of our businesses and are hence not in a position to disclose the profits from our energy products business. We disposed of this business on June 30, 2007 on a going concern basis to GEA BGR Energy System India Limited, a Promoter Group Entity, for Rs. 250 million. As our energy products business was part of our overall business throughout the entire period covered by the financial statements included in this Red Herring Prospectus, such financial statements reflect the financial condition and results of operations of the energy products business, which will not be the case in the future. As a result, our historical financial statements may not be directly comparable to our future financial statements.

5. ***We may not be successful in our strategy of directly contracting with power generation companies.***

   Historically, in our power projects business, we have procured BOP projects through contracting with EPC companies that construct power projects for power generation companies. This business model, however, limits our profit margins as well as time available to us for execution of our portion of the project. As a result, we have begun to focus on procuring EPC and BOP projects directly from power generation companies. We cannot assure you that we will be successful in implementing this strategy of procuring EPC or BOP contracts directly from power generation companies or that this strategy will not adversely influence EPC companies and prevent them from contracting with us for BOP projects. If we are unsuccessful in implementing this strategy, our business and results of operations could be adversely affected.

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

   As of June 30, 2007, we had a total principal amount of Rs. 2,561.78 million of outstanding by way of short term indebtedness, a total principal amount of Rs. 115.62 million of outstanding by way of long term indebtedness, and our debt equity ratio for our total indebtedness was 2.69.We may incur additional indebtedness in the future. Our indebtedness could have several important consequences, including but not limited to the following:

   a. a portion of our cash flow may be used towards repayment of existing debt, which will reduce the availability of cash flow to fund working capital, capital expenditures, acquisitions and other general corporate requirements;

   b. our ability to obtain additional financing in the future at reasonable terms may be restricted;

   c. fluctuations in market interest rates may affect the cost of our borrowings, as some of our indebtedness is at variable interest rates;

d. there could be a material adverse effect on our business, financial condition and results of operations if we are unable to service the indebtedness or otherwise comply with financial and other covenants specified in the financing agreements; and

e. we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

Most of our financing arrangements are secured by our movable and immovable assets. There are certain restrictive covenants in the financing agreements we have entered into with banks and financial institutions for secured and unsecured loans. These restrictive covenants require us to obtain either the prior permission of such banks or financial institutions or require us to inform them of various activities, including, among others, alteration of our capital structure, raising of additional equity or debt capital, incurrence of indebtedness, payment of dividends, undertaking new projects or undertaking any merger, amalgamation, restructuring or changes in management, and further enable such lenders to seek early repayments of such loans or increase the applicable interest rates in certain circumstances. Although we have received consents from our lenders for this Issue, these restrictive covenants may affect some of the rights of our shareholders, including rights to receive dividends. For details of restrictive covenants see "Financial Indebtedness" on page 278. Failure to meet these conditions or obtain these consents could have significant consequences on our business and operations.

7. ***Our substantial variable rate indebtedness may adversely affect our profitability.***

As of June 30, 2007, Rs. 2,405.88 million, or 91.88% of our total principal amount of indebtedness, consisted of variable rate debt. Increases in interest rates on our variable rate debt may increase our financing costs. Our term loans and working capital facilities, generally denominated in rupees, have variable interest rates linked to the benchmark prime lending rate. Such bank lending rates have increased recently and these and any further increases would increase our financing costs and may adversely affect our profitability

8. ***Contingent liabilities could adversely affect our financial condition.***

As of June 30, 2007, we had total contingent liabilities of Rs. 3,457.62 million as against out net worth which was Rs. 994.08 million.

The details of our contingent liabilities, as disclosed in our restated consolidated financial statements are as follows:

Particulars	**(Rs. in Millions)**
Income tax matters	2.32
Sales tax matters	6.19
Guarantees issued by banks	3,103.08
Corporate guarantees	81.15
Undertaking (issued in favor of The President of India towards provisional duty bond for custom duty, legal undertakings for export obligations and end user undertakings for concessional customs duty)	264.88
Total	**3,457.62**

9. We may face conflicts of interest in transactions with related parties.

We have in the course of our business entered into transactions with related parties including our Promoter and certain of our Promoter Group Entities. For instance, prior to the Issue, we owned and operated an energy products business through which we sold on-line condenser tube cleaning systems, debris filters and sponge (rubber) cleaning balls to a range of EPCs, original equipment manufacturers and power plant companies. On June 30, 2007, we sold this business to GEA BGR Energy System India Limited, a Promoter Group Entity, for Rs. 250 million. See "History and Certain Corporate Matters – Material Agreements". For more information on our related party transactions see "Related Party Transactions".

Transactions with our affiliates as well as with our Promoter and his affiliates, directors and executive officers could result in conflicting interests. For example, we purchase products for our power projects business and captive power business from GEA Cooling Towers Technologies (India) Private Limited, a Promoter Group Entity, in the normal course of our business and operations. For the 18 months ended March 31, 2007, such purchases aggregated to Rs. 91.85 million and for the three month period ended June 30, 2007 such purchases aggregated 16.70 million. Further, our air fin coolers business sells products to GEA Cooling Towers Technologies (India) Private Limited, and for the 18 months ended March 31, 2007, such sales aggregated Rs. 79.63 million and for the three month period ended June 30, 2007 such sales aggregated Nil. Our Promoter, Directors and executive officers may have an interest in pursuing transactions that, in their judgment, enhance the value of their equity investment, even though our other shareholders may not agree or such transactions may involve risks to other shareholders. We cannot assure you that we will be able to address these or other conflicts of interest in an impartial manner.

10. We have recently changed our financial year and as a result our financial results for the previous year are not comparable against the results for prior periods as well as subsequent periods.

We were permitted by the RoC, through its letter dated August 1, 1997 to extend our financial year ended March 31, 1997 to September 30, 1997. Pursuant to such permission, we have prepared our annual accounts for the period October 1 to September 30 of each year for the period April 1, 1996 to September 30, 2005. Further, the RoC, by its letter dated February 12, 2007 granted us permission to extend our financial year ended September 30, 2006 up to March 31, 2007. Consequently, with effect from April 1, 2007, our financial year will commence on April 1 and end on March 31 of the next year.

Our financial results for the 18 month period ended March 31, 2007 and for prior periods as well as subsequent periods pertain to different extents of time and are not directly comparable.

11. Certain companies forming part of our Promoter Group are party to a number of legal proceedings.

Certain companies forming part of our Promoter Group are engaged in various legal proceedings. Progen Systems and Technologies Limited is involved in one civil matter. GEA Cooling Tower Technologies (India) Private Limited is involved in two criminal matters and one civil matter. Germanischer Lloyd Industrial Services India Private Limited is involved in one civil matter. Cuddalore is involved in one civil matter relating to title of the property.

For more information regarding litigation associated with our Promoter Group Entities, refer to the section titled "Outstanding Litigation and Material Developments " on page 297.

Any adverse decision in one or more of these proceedings may have a significant effect on our business and results of operations.

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

Our future success will depend in part on our ability to respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. Changes in technology may make newer products and services more competitive than ours or may require us to incur additional capital expenditures to upgrade our facilities in order to provide newer products or services. If we are unable to adapt our technology in a timely manner to changing market conditions, client requirements or technological changes, our business, financial performance and the trading price of our Equity Shares could be adversely affected.

13. ***Increased costs for raw materials and bought out items, and interruptions in their availability, may adversely affect our results of operations and business.***

Our business is significantly affected by the availability, cost and quality of the raw materials and bought out items, which we need to construct, develop and provide our projects, products and services. See "Business" on page 85 for the principal raw materials and bought out items required in our businesses. The prices and supply of raw materials and bought out items depend on factors not under our control, including domestic and international general economic conditions, competition, availability of quality suppliers, production levels, transportation costs and import duties.

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

For the 18 months ended March 31, 2007 and the three months ended June 30, 2007, 26.74% and 40.06%, respectively, of our total expenditure on raw materials and bought out items went to our 10 largest suppliers. For the same periods, 4.82% and 25.32% respectively, of our total expenditure on raw materials and bought out items went to our single largest supplier. If any of these suppliers are unable to continue providing the raw materials and bought out items we need, at prices and on terms and conditions we consider acceptable, we will be required to obtain these items from other suppliers and our results of operations and business could suffer as a result.

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

In our construction business, substantially all of our contracts are fixed-price in nature. Terms of these contracts require us to complete a project for a fixed price and therefore expose us to cost overruns. Cost overruns, whether due to inaccurate estimates, inefficiency or other factors, result in a lower profit or a loss on a project. As a result, we will only realize our estimated profits on these contracts if we accurately estimate our project costs and avoid cost overruns. Unforeseen factors, such as changes in job conditions, variations in labor and equipment productivity over the term of a contract and unexpected increases in cost of materials may cause the income, cost and profit realized from a fixed-price contract to be lower than our originally estimated amounts, despite any contingencies we may have built into our bids for increases in labor, materials and other costs.

From time to time, we are required to perform extra or "change order" work as directed by a client even if the client has not agreed in advance on the scope or price of the work to be performed. This process may result in disputes over whether the work performed is beyond the scope of the work included in the original project and specifications or, over the price the client is willing to pay for the extra work. We cannot assure you that we will be able to invoice or recover the cost for the extra or change order work in full or at all, which may lead to business disputes or may otherwise adversely affect our business, financial condition and results of operations.

15. ***Our Order Backlog may not necessarily indicate future income. Projects included in our Order Backlog may be delayed, modified, cancelled or not fully paid for by our clients, which could adversely affect our results of operations.***

Our Order Backlog may not necessarily indicate future income, including as a result of cancellations, unanticipated variations or scope or schedule adjustments, which could adversely affect our results of operations. Order Backlog refers to expected future income under signed contracts or contracts where binding letters of intent have been received. Backlog projects represent only business that is considered firm, although cancellations or scope adjustments may occur. We cannot guarantee that the income anticipated in our Order Backlog will be realized, or, if realized, will be realized on time or result in profits. In addition, project cancellations or scope adjustments may occur from time to time, which could reduce the amount of our Order Backlog and the income and profits that we ultimately earn from the contracts.

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

16. ***Our accounts receivable collection cycle is relatively long, which exposes us to higher client credit risk.***

Our accounts receivable collection cycle is fairly long as a result of the nature of our business and operations. During the years ended September 30, 2002, 2003, 2004, 2005 and the 18 months ended March 31, 2007, this cycle ranged from approximately 90 days to 180 days, which makes our business more susceptible to market downturns and client credit risk. Excluding contract retention monies, which we classify as accounts receivable prior to the point in time where they are actually payable to us, as of March 31, 2007, our accounts receivable days were 180. Although for some of our construction contracts, the contracts provide for guaranteed payments supported by letters of credit, the failure of our clients to make timely payments could require us to write off accounts receivable or increase our working capital requirements or accounts receivable reserves, which could adversely affect our results of operations and financial condition.

17. ***We rely on effective and efficient project management. Any change in our project management procedures could affect our results of operations. We may incur liquidated damages for time overruns pursuant to our contracts, which may adversely affect our financial condition and results of operations.***

Our project-based businesses depend on the proper and timely management of our projects. Although we focus on project management in a number of ways, including by appointing project managers at our sites and project coordinators at our headquarters and by obtaining progress reports periodically, any change in our project management procedures could increase our costs and expenses, and thus adversely affect our profitability.

We typically enter into contracts which provide for liquidated damages for time overruns. Additionally, in some contracts, in case of delay due to our fault or because of defective work done by us, clients may have the right to appoint a third party to complete the work and to deduct additional costs or charges incurred for completion of the work from the contract price payable to us. Further, in our contracts our clients may be required to obtain statutory approvals for right of way, acquire land and make payments towards crop and tree compensation, increasing the risks of idling of resources and delay, as well as our liabilities. In case we are unable to meet the performance criteria as prescribed by the clients and if liquidated damages are levied, our financial condition and results of operations could be adversely affected.

18. ***As most of our projects, products and services are on a fixed-price basis, we are exposed to significant pricing risks that could cause us to incur losses.***

We engineer and construct most of our projects and provide most of our products and services on a fixed-price contract basis. We derived 89.80%, 79.10% and 94.05% of our total income in the 18 months ended March 31, 2007 and the years ended September 30, 2005 and 2004, respectively, from fixed-price contracts. Under these contracts, we generally agree to engineer and construct our projects or provide our products or services on a fixed-price basis for all or a limited range of materials to be used, subject to limited variations, such as to reflect changes in the client's project requirements. As a result, we are exposed to risks of price variation of raw materials, bought out items, and labor in these contracts, as well as other factors that may increase our costs.

For our fixed price contracts, although we may sometimes enter into back-to-back supplier contracts for certain bought out items and other materials to be used for the construction of our projects or the provision of our products or services, and, in certain projects, our scope of work may exclude the procurement of certain materials or contemplate limited price increases of certain materials in our bids, we are still exposed to significant pricing risks from the time a bid is made until the time the contract is fully performed or executed. At the time a bid is accepted or a contract becomes effective, we seek to place orders for raw materials to reduce our vulnerability to raw material price variations in our fixed-price contracts.

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

19. We are exposed to construction risks for our fixed-price contracts that could cause us to incur losses.

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

- unanticipated changes in engineering or design of the project;
- unanticipated site conditions, including soil, terrain and weather;
- unforeseen construction conditions, including the inability of the client to acquire land or obtain environmental, right of way and other approvals, resulting in delays and increased costs;
- suppliers' or sub-contractors' failure to perform; or
- unanticipated costs or delays in performing a part of any contract can increase our pricing exposure or can have compounding effects by increasing the cost of performing the contract. These variations and risks may result in reduced profitability or losses on projects.

20. Our results of operations depend on the award of new contracts and, in our power projects, captive power, infrastructure and electrical projects businesses, we have limited control over the awarding of new contracts and, as a result, payment dates. As such, and due to the nature of our business, our results of operations and cash flows vary significantly from period to period.

We generated 90.16% and 70.31% of our income from construction contracts in the three months ended June 30, 2007 and 18 month period ended March 31, 2007, respectively. As a substantial majority of our income is generated from construction contracts and the timing of new project awards and their commencement can vary, our results of operations and cash flow may be subject to significant periodic fluctuations. It is generally very difficult to predict whether or when we will receive such awards as these contracts frequently involve a lengthy and complex bidding and selection process which is affected by a number of factors, such as market conditions, governmental approvals and project specific dynamics. As a substantial majority of our income is generated from construction contracts in our power projects, captive power, infrastructure and electrical projects businesses, our results of operations and cash flow may fluctuate significantly from quarter to quarter depending on the timing of our contract awards.

We recognize income from our construction contracts on a percentage of completion basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Accounting Policies" for more information about our revenue recognition policies. As a result, even after we are awarded construction contracts and the construction process has commenced, income recognized from such business vary significantly from period to period depending upon how much of the project is complete and the percentage of total costs incurred.

21. A significant portion of our total income is derived from our power projects and captive projects business.

For the 18 months ended March 31, 2007 and for the years ended September 30, 2005 and 2004, more than 57.00% of our total income in each of these periods was derived from our power projects and captive power business. Any slowdown in the demand for our products and services in our power projects and captive projects businesses, as a result of government policies, regulations, investments in such industry or otherwise, would adversely affect our results of operations and financial condition..

22. ***Our power projects business is substantially dependent on the award of projects by a limited number of significant clients from whom we derive a significant portion of our income.***

Our power projects business is concentrated on power projects undertaken by large Indian power companies, of whom Andhra Pradesh Power Generation Corporation Limited, TNEB and RRVUNL were our top three clients by revenue in fiscal year 2007. The top three clients in the fiscal years 2007, 2005 and 2004 accounted for 47.71%, 48.59% and 66.12% of our total income, respectively.

Our power projects business requires that we continue to maintain good standing with our top three clients as well as other key clients and that we are pre qualified for future projects that these clients may award. Our key clients may, however, vary from period to period depending on the demand and the completion schedule of projects. The loss of a significant client or a number of significant clients or projects from such clients for any reason, including as a result of disqualification or dispute, may have an adverse effect on our business and results of operations.

23. ***We face significant competition in our business from Indian and international EPC, BOP, manufacturing and infrastructure development companies.***

We operate in a competitive environment. Our competition depends on the kind of industry or sector. It also depends on the size, nature and complexity of the project, product or service required to be provided and the geographical region in which it is to be executed. We compete against major Indian and international EPC and manufacturing companies, as well as infrastructure development companies in our businesses. See "Business" on page 85 for our principal competitors in our various businesses. While service quality, technical capability, performance record and experience, health and safety records and availability of qualified personnel are considered in client decisions, price is often a major factor in most tender awards in our businesses. As a result, we face margin pressure.

Some of our competitors are larger than us and have greater financial resources. They may also benefit from greater economies of scale and operating efficiencies. As a result, these competitors may be able to present lower bids for contracts than we do, causing us to win fewer tenders. We cannot assure you that we can continue to compete effectively with our competitors in the future, and failure to compete effectively may have an adverse effect on our business, financial condition and results of operations.

24. ***Because we generate income and incur expenses in multiple currencies, exchange rate movements may cause us to incur losses when hedging on our exchange rate exposure is not sufficient.***

Changes in currency exchange rates influence our results of operations. We report our financial results in Indian rupees, while significant portions of our total income and expenses are denominated, generated or incurred in currencies other than Indian rupees. We generate income, incur expenditures and also procure materials in a number of currencies, such as the U.S. Dollar, the Euro and the British Pound. For the 18 months ended March 31, 2007 and the years ended September 30, 2005 and 2004, 12.27%, 16.99% and 13.57% of our total income, respectively, was denominated in foreign currencies, while 4.00%, 12.97% and 16.04% of our total expenditures, respectively, were denominated in foreign currencies.

In addition, our future capital expenditures, including any imported equipment and machinery, may be denominated in currencies other than Indian rupees. Therefore, a decline in the value of the Indian Rupee against such other currencies could increase the Indian rupee cost of making such capital expenditures. The exchange rate between the Indian rupee and the U.S. Dollar and the Euro has varied substantially in recent years and may continue to fluctuate significantly in the future.

Although we closely follow our exposure to foreign currencies, including on a contract-by-contract basis, and selectively enter into hedging transactions in an attempt to reduce the risks of currency fluctuations, these activities are not always sufficient to protect us against incurring potentially large losses if currencies fluctuate significantly. Moreover, our ability to hedge during the period between our bid submission and the award of the contract is also limited and may not be effective in reducing our risks.

25. ***A significant part of our business transactions are with government entities or agencies which present particular risks.***

As of March 31, 2007, approximately 73% of our business transactions by value are with government entities. Most of our businesses are dependent on projects undertaken by governments and large Indian and international power, oil and gas or energy utilities, many of which are directly or indirectly owned or controlled by either the government of the relevant country or relevant government organizations. Our businesses are also dependent on businesses undertaken by entities funded by governments or international and multilateral development financial institutions. There could be delays on our projects with these authorities and entities due to changes in government policies or initiatives, changes in budgetary allocation or the insufficiency of funds on the part of the government or government organization. We also face the risk of non-payment or delay in the collection of receivables from government owned or controlled entities and financial institutions. Our operations involve significant working capital requirements and non-payment or delayed collection of our receivables could significantly adversely affect our financial condition, liquidity and results of operations.

Government contracts generally also contain unilateral termination provisions in favor of the government. The provisions generally state that the government has the right to terminate the contract for convenience, without any reason, at any time after providing us with reasonable notice and compensation. In the event that one or more of our material contracts are terminated, our business and results of operations may be adversely affected, in particular if the compensation from the government is inadequate.

In addition, documentary closure or completion of government contracts, including the release of performance guarantees, retention money and final acceptance notices, generally takes significant amounts of time and is subject to material delays, which also adversely affects our financial condition and results of operations.

26. ***Our clients pay us by way of progress payments and require retention money, and delay in progress payments or release of retention money may affect our working capital and cash flow.***

Most of our civil works construction contracts provide for progress payments from clients with reference to the value of work completed upon reaching certain milestones. Generally, in our power projects, captive power and infrastructure businesses, the client, or a third party authorized under the contract, usually a site engineer, issues a progress certificate certifying the civil work progress in the preceding contract stage. The client then effects payments with reference to these certificates, generally within 30 days. As a result, we are often required to commit resources to projects prior to receiving payment from clients in amounts sufficient to cover expenditures on the projects as they are incurred. In addition, a portion of the contract value, generally 10%, is usually withheld by the client as retention money and is generally released upon the testing of the product or the supply date, whichever is later. The aggregate amount of retention money outstanding as of March 31, 2007 was Rs. 1,104.57 million. In addition, we provide performance guarantees to our clients for the course of the warranty period which generally ranges from 12 months to 18 months, after the testing of the product or the supply date, whichever is later. Such performance guarantees are secured by guarantees from banks.

Delays in progress payments or release of retention money or guarantees in form of letters of credit from our clients may increase our working capital needs. If a client defaults in making its payments on a project to which we have devoted significant resources, it could also affect our profitability and liquidity and decrease the capital resources that are otherwise available for other uses. We may file a claim for compensation for the loss that we incurred pursuant to our contracts but settlement of disputes generally takes time and financial and other resources, and the outcome is often uncertain. In general, we make provisions for bad debts, including those arising from progress payments or release of retention money, based primarily on ageing and other factors such as special circumstances relating to specific clients. There can be no assurance that the progress payments and the retention money will be remitted by our clients to us on a timely basis or that we will be able to efficiently manage the level of bad debt arising from such payment practice.

27. ***We have relied in the past on technology licensors and their ability to develop suitable new technology at competitive costs. To ensure that our businesses have access to the latest technology available, we may continue to license technology on a case by case basis in the future.***

We have in the past relied upon, and may in the future rely upon, the provision of technology from a select number of technology licensors in the engineering and construction of certain of our projects and the provision of certain of our products and services. See "Our Business" on page 85 for the third-party technology procured by us for the conduct of our business. We cannot assure you that technology licensors will succeed in developing new technologies suitable to be used in the provision of our products, projects and services in the future, or will provide us with a right to use such technologies on acceptable terms, or at all. Should technology licensors fail to provide or develop suitable technologies or refuse to license their technologies to us, on commercially reasonable terms or at all, our business, results of operations and financial condition could be adversely affected.

Historically, technology licensing agreements have provided that upon the expiry of the term of the agreement, we are generally free to continue using the technology free of additional royalty or other payments, but the licensor is also free to license the technology to a third party. If a former licensor were to license the technology that we had previously licensed to a competitor of ours, our business may be adversely affected. We try to maintain amicable business relationships with former licensors to ensure access to future technology and to ensure support from the licensor when needed. Our clients may ask for the licensor to review or support a project or product we have provided using that licensor's technology. If we are unable to obtain such review or support, or if licensors are unwilling, for whatever reason, to provide such review or support, our business may be adversely affected.

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

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

29. We may be liable for the quality of technology licensors', sub-contractors' or suppliers' work and may be sued for product or service liability that arises from their work.

The quality and efficiency of our technology licensors, suppliers and sub-contractors have a direct impact on the overall quality of our solutions and the timeliness of their delivery. There is usually no contractual relationship between our clients and our suppliers or sub-contractors, and there is no contractual relationship between our clients and the technology licensors. Consequently, we would have to seek remedies from our suppliers, sub-contractors or technology licensors, as the case may be, should any service or product liability claim be made by our clients against us. Although we generally design and test the technology we use and implement strict quality control measures on projects through the establishment and enforcement of stringent internal rules and regulations, we are subject to such potential claims against us. In case of any such claim against us, even if it is not proven, our reputation may suffer and our business may be adversely affected. In addition, our resources could be strained by any claim which proceeds to litigation irrespective of the merits of our case. We cannot assure you that claims of such nature will not be brought against us, which could have an adverse impact on our reputation, business and financial performance.

Further, in the event we become subject to product liability or warranty claims caused by defective technology or components or raw materials obtained from an outside supplier, we may not be able to seek compensation from the relevant supplier or sub-contractor. This is because, generally our agreements with suppliers and sub-contractors include limitations against recovery for lost profits and indirect or consequential losses. In some cases, warranties provided by suppliers and sub-contractors may be for shorter periods than the warranty periods we provide to our clients. Further, warranty claims against suppliers and sub-contractors may be subject to certain conditions precedent. If no claim can be asserted against a supplier or sub-contractor, or amounts that we claim cannot be recovered from either a supplier or sub-contractor or from our insurer, if any, our business, financial condition and results of operations could be adversely affected.

30. A breakdown or non-availability of machines and equipment may adversely affect our results of operations.

In some of our businesses, and particularly in our air fin coolers business, we utilize various machines and equipment, such as finning machines, to manufacture our products. We have a limited ability to pass on increases in machine and equipment maintenance and running costs, including those resulting from a breakdown or temporary non-availability of machines and equipment. Unanticipated increases in equipment costs may also adversely affect our results of operations. Further, any significant operational problems or the loss of our machines and equipment for an extended period of time could result in delays or incomplete projects, products or services and adversely affect our results of operations.

31. ***We incur advance costs prior to signing formal contracts with or before receiving payments from our clients.***

In order to secure the trust of our clients and due to certain clients' lengthy internal approval process for the signing of binding contracts, we may sign materials supply contracts for certain projects before we enter into written contracts, letters of intent or memoranda of understanding with our clients or receiving payments from such clients. Should we subsequently fail to secure legally binding contracts with our clients or receive payments from such clients, we would incur expenses including payment of deposits and disbursements and would suffer loss. We cannot assure you that we may not incur costs and losses due to failure to secure any contracts with our clients upon commencement of project work. Should this happen, our financial position and results of operations may be adversely affected.

32. ***We may infringe on the intellectual property rights of others.***

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

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

33. ***If we are unable to retain or recruit key personnel or maintain uninterrupted relationships with our sub-contractors of labor, our business could suffer.***

Our technical, senior management and key managerial personnel, many of whom have decades of experience with us and in the industries in which we operate, are difficult to replace. Certain aspects of our production processes depend upon highly skilled employees. These highly skilled employees require specific training to learn our production processes. Any loss or interruption of the services of such key personnel could adversely affect our business.

As a result of economic growth and increased EPC and BOP activity in India and the other countries in which we operate, we may be unable to find or retain technical or other key managerial personnel in sufficient numbers to satisfy our requirements. This risk may be exacerbated by governmental policies and mandates to hire a local labor force, which may not be as skilled or available at rates commensurate with our operations in other geographical areas.

We also regularly contract with sub-contractors and third parties for the provision of labor for our projects, including international projects. We are dependent on these sub-contractors and third parties, and if they experience disruptions related to their work force, including strikes and work stoppages, those disruptions may have an adverse effect on our business and results of operations. We cannot assure you that skilled labor, whether hired through subcontractors, third parties or directly, will continue to be available at reasonable rates, or at all, and in the areas in which we execute our projects. As a result, we may be required to mobilize additional resources at a greater cost to us to ensure the adequate performance and delivery of contracted services.

34. ***Increasing levels of compensation for employees and workers in India may reduce our international competitive advantage and result in lower profit margins.***

Levels of compensation for employees and workers in India have historically been significantly lower than levels of compensation outside of India for comparably skilled professionals and unskilled workers, which has been one of our competitive strengths in our international projects. However, recent significant compensation increases in India could reduce some of this competitive advantage and may negatively affect our profit margins. Employee and worker levels of compensation in India are increasing at a faster rate than outside of India, which could result in increased salary costs of engineers, managers and other professionals and workers. We may need to continue to increase the levels of our employee and worker compensation to remain competitive and manage attrition. Any such increase could have an adverse effect on our business and results of operations, particularly outside of India.

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

We have international operations, including operations in Europe, the Middle East and Southeast Asia. Our operations outside India accounted for 12.27%, 16.99% and 13.57% of our total income in the fiscal years 2007, 2005 and 2004, respectively. Consequently, we are subject to the jurisdiction of a significant number of tax authorities and regimes. As some of our clients are foreign government-owned entities, we are subject to additional risks, such as risks associated with uncertain political and economic environments and government instability, as well as legal systems, laws and regulations that are different from the legal systems, laws and regulations that we are familiar with in India, and which may be less established or predictable than those in more developed countries. In addition, we could be subject to expropriation or deprivation of assets or contract rights, foreign currency restrictions, exchange rate fluctuations and unanticipated taxes or encounter potential incompatibility with foreign joint venture partners.

We are currently executing projects in 14 countries, not including India, and some of our employees travel to such countries. In order to manage our day-to-day operations, we must overcome social, cultural and language barriers and assimilate different business practices. In addition, we are required to create compensation programs, employment policies, codes of conduct and other administrative programs that comply with the laws and customs of different jurisdictions. Our failure to manage successfully our geographically diverse operations, including our abilities to react quickly to changing business and market conditions and comply with a range of industry and legal standards and procedures, could adversely affect our business and operations.

36. We have not entered into definitive arrangements for the utilization of funds raised in this Issue

We have not entered into any definitive arrangements for the utilization of the funds being raised in the Issue. In the absence of such arrangements, the deployment of funds raised through this Issue, as specified in the section titled "Objects of the Issue", is dependent on the execution of such arrangments with third parties. In the event that such arrangements are not executed in a timely manner or on acceptable terms, our ability to use the Net Proceeds of the Issue may be materially and adversely affected.

37. Our insurance coverage may not adequately protect us against certain operational risks to or claims by our employees, and we may be subject to losses that might not be covered in whole or in part by existing insurance coverage.

We maintain insurance for a variety of risks, including for risks relating to construction, risks relating to automobile accidents and other similar risks. For many of our contracts, particularly for clients located outside India, we purchase specific business operations insurance. However, in some cases, we may not have obtained the required or contemplated insurance or such insurance policies may have lapsed prior to the completion of the project. Further, we may not have obtained insurance cover for some of our projects, products or services that do not require us to maintain insurance.

There are various other types of risks and losses for which we are not insured, such as loss of business, environmental liabilities and natural disasters, because they are either uninsurable or not insurable on commercially acceptable terms. We also do not carry any key-man insurance. Should an uninsured loss or a loss in excess of insured limits occur, or our insurers decline to fully compensate us for our losses, we could incur liabilities, lose capital invested in that property or lose the anticipated future income derived from that business or property, while remaining obligated for any indebtedness or other financial obligations related to our business. Any such loss could result in an adverse effect to our financial condition.

38. The proportion of the Issue proceeds allocated towards general corporate purposes has not been determined as of the date of filing of the Red Herring Prospectus

The percentage of the Fresh Issue proceeds allocated towards general corporate purposes has not been incorporated in this Red Herring Prospectus and will be determined by subtracting the amount allocated towards the other objects from the Net Proceeds of the Fresh Issue.While we believe that the funds allocated towards general corporate purposes will not exceed 25% to 30% of the size of the Fresh Issue, the same cannot be definitively determined as of the date of this Red Herring Prospectus.

The Company, in accordance with the policies set up by its Board, will have flexibility in applying the remaining Net Proceeds, for general corporate purposes towards acquisition of land, construction of projects, strategic initiatives and acquisitions, brand building exercises and the strengthening of its marketing capabilities

39. We need to maintain effective quality control systems or our business, reputation, results of operations or financial condition could be adversely affected.

The performance and quality of our products are critical to the success of our business. These factors depend significantly on the effectiveness of our quality control systems, which in turn, depend on a number of factors, including the design of the systems, the quality of the raw materials we use, the effectiveness of the multi-stage inspection processes, the quality training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure or deterioration of our quality control systems could have an adverse effect on our business, reputation, results of operations and financial condition.

40. ***The nature of our construction business exposes us to liability claims and contract disputes and our insurance coverage and backup guarantees may not adequately protect us, which may have an adverse effect on our business.***

We are involved in large projects where design or construction failures can result in substantial injury or damage. We could face significant claims for damages, including relating to product liability, latent defect risks, commercial and environmental matters, if a project suffers defects in the quality of our design, construction, engineering or planning, our sub-contractors' workmanship, our supply chain vendors' products or in the event that our project management techniques fail. To minimize our exposure, we selectively seek backup guarantees from our suppliers and sub-contractors. We also at times maintain insurance for our projects in accordance with project requirements up to the time of final acceptance. Any liability in excess of our insurance payments, reserves or backup guarantees could result in additional costs, which would reduce our profits. Faults in construction might also require repair work, which may not be foreseen or covered by our insurance. In addition, if there is a client dispute regarding our performance or workmanship, the client may delay or withhold payment to us. If we were ultimately unable to collect on these payments, our profit margins would be adversely affected.

We may also be subject to claims resulting from defects arising from engineering, procurement and construction services provided by us within the warranty periods provided by us, which range from one to two years after the testing of the product or supply date, whichever is later. We are generally required to furnish bank guarantees for periods up to the expiry of the relevant warranty periods, in amounts between 5% and 20% of the contract values. Actual or claimed defects in procured equipment or construction quality could give rise to claims, liabilities, costs and expenses, relating to loss of life, personal injury, damage to property, damage to equipment and facilities, pollution, inefficient operating processes, loss of production or suspension of operations, which could adversely affect our financial condition and results of operations.

41. ***Our operations are subject to hazards such as theft and other risks and could expose us to liabilities, loss in income and increased expenses.***

Our operations are subject to hazards inherent in our products, projects and services, such as risks of theft, vandalism, equipment failure, work accidents, fire or explosion, including hazards that may cause injury and loss of life, severe loss, damage to and destruction of property and equipment and environmental damage. Improper handling of materials and machines used in our operations can also result in accidents. Some of such incidents which may or may not be caused as a result of negligence or fault of ours could also result in imposition of civil or criminal penalties on us.

Our policy of covering these risks through contractual limitations of liability, indemnities and insurance may not always be effective. In some of the jurisdictions in which we operate, environmental, health and workers' compensation liability may be assigned to us as a matter of law. Suppliers and sub-contractors may not have adequate financial resources to meet their indemnity and other obligations to us. Losses may derive from risks not addressed in our indemnity agreements or insurance policies, or it may no longer be possible to obtain adequate insurance against some risks on commercially reasonable terms. A failure to effectively cover ourselves against these risks could expose us to substantial costs and potentially lead to losses. Additionally, the occurrence of any of these risks may also divert management's attention and resources and adversely affect public perception about our operations and the perception of our suppliers, clients and employees, leading to an adverse effect on our business, results of operations and financial condition.

42. ***As we intend to procure BOT projects, the risks associated with BOT projects could adversely affect our financial results.***

While BOT projects may offer the potential benefit of relatively higher operating margins as compared to our other projects, the risks associated with BOT projects are substantial, including the risk of incorrect forecasts at the bid stage concerning income to be derived from the constructed facility during the concession period and the risk of extended exposure to fluctuating economic conditions. Adverse deviations between actual volumes and projected volumes, delays in completion of related project components and increases in execution costs and interest costs, could result in significant loss of income. We could face substantial losses if we inaccurately forecast the return from the BOT projects we intend to enter into or are unable to otherwise manage such BOT projects.

43. ***Our customers may experience financial circumstances that require them to delay paying us for products we have already produced. These payment delays may adversely affect our results of operations.***

Customers that order products from us may occasionally (particularly near the end of fiscal years or reporting periods) delay making payments based on their own accounting needs. If we do not deliver completed products to customers that are unable or unwilling to pay, we are forced to store the goods at our facilities until our customers make payment, which prevents us from recognizing income from the product sales. This may also have a negative effect on our cash flow. If we are unable to quickly resolve these matters when they arise, and obtain payment, our financial condition and results of operations may suffer.

44. ***Our funding requirements and deployment of the net proceeds of the Issue are based on management estimates and have not been independently appraised.***

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

45. ***We may undertake acquisitions, divestitures, investments and strategic relationships in the future which may pose management and other challenges.***

We may make acquisitions, divestitures, investments and strategic relationships in the future as part of our strategy in India and overseas. These acquisitions, divestitures, investments and strategic relationships, may not necessarily contribute to our profitability and may divert the attention of our management or require us to assume high levels of debt or contingent liabilities, as part of such transactions. In addition, we could experience difficulty in combining operations and cultures and may not realize the anticipated synergies or efficiencies from such acquisition transactions. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

46. An inability to manage our growth could disrupt our business and reduce our profitability.

We have experienced high growth in recent years and expect our businesses to continue to grow significantly, including internationally. As part of our growth strategy, we have in the past diversified and intend to continue to diversify the portfolio of projects, products and services offered by us. However, due to our relative inexperience in these new types of projects and product and service offerings, such new businesses may not be successful, and this could hamper our growth prospects and may also damage our reputation. Although we plan to continue to expand our scale of operations through organic growth and/or investments in other entities, we may not grow at a rate comparable to our growth rate in the past, either in terms of income or profit. Even then, we expect our future growth to place significant demands on our management and operations and require us to continuously evolve and improve our financial, operation and other internal controls across the organization. In particular, continued expansion increases the challenges involved in:

1. maintaining high levels of project control and management, and client satisfaction;
2. recruiting, training and retaining sufficient skilled management and technical and marketing personnel;
3. adhering to health, safety and environment and quality and process execution standards that meet client expectations;
4. operating in jurisdictions where we have limited experience;
5. preserving a uniform culture, values and work environment in operations within and outside India;
6. developing and improving our internal administrative systems, particularly our financial, operation and other internal control systems; and
7. Any inability to manage our growth may have an adverse effect on our business and results of operations. We may not be successful in implementing our strategies.

The success of our business will depend greatly on our ability to implement our business and strategies effectively. See “Business – Strategies” on page 90. Even if we have successfully executed our business strategies in the past, there can be no assurance that we will be able to execute our strategies on time and within the estimated budget, or that we will meet the expectations of targeted clients. We expect our strategies to place significant demands on our management and other resources and require us to continue developing and improving our financial, operation and other internal controls. Our inability to manage our business and strategies could have an adverse effect on our business, financial condition and profitability.

47. Our registered office and certain other premises from which we operate are not owned by us.

We do not own, but lease, the premises on which our registered office and certain other offices are located. These lease deeds is subject to termination by the lessors of these premises. If any of the owners of these leased premises terminate these agreements, or do not renew the agreements under which we occupy the premises on terms and conditions acceptable to us, or at all, we may suffer a disruption in our operations. For further details, see the section titled "Our Business-Properties" on page 107.

48. ***We have high working capital and capital expenditure requirements. If we experience insufficient cash flows or are unable to borrow funds to meet working capital, capital expenditure and other requirements, there may be an adverse effect on our results of operations.***

Our business requires a significant amount of working capital and capital expenditures. Significant amounts of working capital could be required to finance the purchase of materials, contract initiation costs and the performance of engineering, construction and other work on projects before progress payments, if any, are received from clients. Circumstances or events which could also create large cash outflows include among others, losses resulting from fixed-price contracts, environmental liabilities, litigation costs, adverse political conditions, foreign exchange risks and professional and product liability claims. Significant amounts of capital expenditures are required to purchase, maintain and update plants and equipment that are important to our development of projects and provision of products and services. There could be situations where the total funds available may not be sufficient to fulfill our commitments, and hence we may need to incur additional indebtedness in the future or utilize cash flows from operations and other activities to satisfy our working capital and capital expenditure needs. If we experience insufficient cash flows or are unable to borrow funds on a timely basis or at all to meet working capital, capital expenditure and other requirements, there may be an adverse effect on our results of operations.

Our working capital requirements may increase to the extent that payment terms in our contracts include reduced advance payments, increased retention monies, back-ended payments, or are otherwise less favorable to us. Our working capital and capital expenditure requirements have increased in recent years as a result of significant growth in our operations. All of these factors may result, or have resulted, in an increase in the amount of our receivables and short-term borrowings. Continued increases in working capital and capital expenditure requirements may have an adverse effect on our financial condition and results of operations.

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

49. ***We will be controlled by our Promoter as long as he owns a majority of our Equity Shares, and will continue to remain controlled to a certain degree by our Promoter and members of our Promoter Group to the extent that they hold 25% or more our outstanding equity shares by virtue of the provisions of our Articles Of Association, and our other shareholders will be unable to affect the outcome of shareholder voting during such time.***

The Promoter, including the promoter group, directly or beneficially, own all of our issued and outstanding equity share prior to this Issue, and will own 81.31%, of our issued and outstanding equity share capital immediately following the completion of this Issue. As a result, subsequent to the completion of this Issue, our Promoter will continue to have the ability to appoint the majority of the members of our Board, in accordance with the Companies Act and our Articles of Association, and determine the outcome of other actions such as the appointment and removal of our officers, our business strategy and policies, any decisions with respect to mergers, business combinations and acquisitions or dispositions of assets, our dividend policy and our capital structure and financing plans.

Further the provisions of our Articles of Association grant our Promoter and certain members of our Promoter Group a series of rights which they can exercise so long as they hold 25% of our issued and outstanding equity share capital.

These rights include the right to nominate one third of the Directors of the Company, the Managing Director and the Chairman and affirmative voting rights with respect to various matters including:

(a) any amendments or modifications to the Memorandum of Association or Articles of Association of the Company or its subsidiaries;

(b) deviating from or changing the activities of the Company or its subsidiaries;

(c) changing the capital structure of the Company, including the issue of any shares or debentures of the Company or any option, warrant or other right to acquire any shares or debentures of the Company;

(d) any merger, demerger, consolidation, restructuring or reorganization of the Company or its subsidiaries;

(e) the creation or dissolution of any subsidiary or the appointment or removal of any director of any such subsidiary or the exercise of any other power of the Company in relation to any such subsidiary;

(f) the hiring, termination or extension of employment of the company secretary, chief executive officer, the chief operating officer, the chief financial officer, the managing director of the Company or its subsidiaries; fixing or changing the terms of the employment of such persons and the employee benefit plans applicable to such persons and delineating the powers of and authority vested in such persons;

(g) the appointment of any committee of Directors (including any change in the composition of the committee); fixing the terms of reference of any committee of the Directors (including any change in such terms of reference); delineating the powers and authorities to be vested in such committee and fixing or increasing the remuneration of any Director of the Company;

(h) the appointment of any additional director or alternate director and the filling of casual vacancies to the Board;

(i) approving or amending any operating plan or budget of the Company or its subsidiaries;

(j) recommending dividends or any other distribution to the shareholders;

(k) selling, leasing, charging or dealing with the whole or any part of the Company's or any subsidiary's undertaking, property or assets otherwise than in the ordinary course of business;

(l) incurring any indebtedness, guarantee or other financial obligation (including any off-balance sheet arrangement) for an amount in excess of 10% of the net worth of the Company as per the last audited balance sheet of the Company, per transaction, by the Company or any subsidiary, and pledging or mortgaging any asset in connection with such financial obligation;

(m) grant of any loan by the Company in excess of Rs.10,000,000 (Rupees One Crore) or other higher sum as may be fixed by the Board from time to time;

(n) licensing, or disposing of, or changing the terms of patents, trademarks or intellectual property rights owned by or licensed to the Company or any of its subsidiaries;

(o) any termination; dissolution; insolvency or admission of inability to pay debts as they become due; a general assignment, arrangement or composition with or for the benefit of the creditors of the Company; appointment of an administrator, receiver, judicial manager, trustee, custodian or other similar official for all or substantially all of the Company's or subsidiary's assets; liquidation or winding up of the Company or any subsidiary; and

(p) approving or incurring capital expenditure in excess of the budget for capital expenditure approved by the Board for any year.

Pursuant to the above provisions, our Promoter will be able, to determine, the appointment, termination or extension of employment of key officers of our Company and will also be able to control the terms of their employment. Our Promoter will also be able to control the appointment of any committee of Directors (including any change in the composition of the committee); and will also be able to determine the powers and authorities to be vested in such committee and fixing or increasing the remuneration of any Director of the Company.

The interests of our Promoter may be different from the interests of our other investors, and you may not agree with actions the Promoter may take. Further, the extent of the Promoter's shareholding in us may result in delay or prevention of a change of management or control of our company, even if such a transaction may ultimately be beneficial to our other shareholders. Investors are hereby advised to consider the above information prior to making any investments in the Company.

50. Our Company is a party to a number of legal proceedings.

We are involved in certain legal proceedings and claims in relation to civil, criminal, labor and taxation related matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. We can give no assurance that these legal proceedings will be decided in our favor. Further, we may also not be able to quantify all the claims in which we or any of our group companies are involved. Any adverse decision may have a significant effect on our business, prospects, financial condition and results of operations.

In addition to the criminal proceedings described elsewhere in this section, a total of five civil cases with consolidated claims of approximately Rs. 8.78 million and USD 250,000, one labour case and 11 taxation related cases have been filed against us with a consolidated claims of Rs. 12.02 million. The consolidated claims in these proceedings aggregate to Rs. 20.80 million and USD 250,000. In addition to the above, we have received a claim notice in relation to one potential litigation with an estimated liability of 750,563 Euros.

Further, BHEL has banned business dealings with our Company and allied/sister companies for a period of three years. For more information regarding these proceedings, refer to the section titled "Outstanding Litigation and Material Developments" on page 297.

In addition to the above, our Company has filed a total of three civil matters and four taxation matters. For details of the litigation involving our company, refer to "Outstanding Litigation and Material Developments" on page 297.

There can be no assurance that the provisions we have made for litigation will be sufficient or that further substantial litigation will not be brought against us in the future. Our failure to successfully defend these or other claims or if our current provisions prove to be inadequate, our business, prospects, financial condition and results of operations could be adversely affected. For more information regarding litigation, refer to the section titled "Outstanding Litigation and Material Developments" on page 297.

51. ***Our Promoter has given a personal guarantee in relation to certain debt facilities provided to us by our lenders***

The debt facilities that have been provided to our Company by our lenders contain certain restrictive conditions wherein our Promoter has been required to provide personal guarantees, to guarantee the obligations undertaken by our Company. In the event that there is any default in any of these obligations, the personal guarantees given by our Promoter may be invoked. We further cannot assure you that we will be able to obtain such guarantees from our Promoter after the Issue on acceptable terms or at all.

52. ***Our Promoter is actively involved in the management of other business operations in our promoter group, which may take time and attention away from his management of our business.***

Our Promoter is actively involved in our management as well as of other companies in our promoter group. Attention to the other promoter group companies may distract or dilute our Promoter's attention from our business, which could adversely affect our results of operations and financial condition.

53. ***If our employees unionize, we may be subject to industrial unrest, slow-downs or increased wage costs.***

India has stringent labor legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. Although our employees are not currently unionized, there can be no assurance that they will not unionize in the future. If our employees unionize, it may become difficult for us to maintain flexible labor policies, and our business may be adversely affected due to industrial unrest, slow-downs or increased wage costs.

54. ***We do not own the BGR name.***

There is significant goodwill in the BGR name, trademark and logo, for which trademark applications, filed by our Promoter, are currently pending in India.

Our Promoter has filed applications before the Registrar of Trademarks, Chennai for registration of the BGR name and logo under various classes in combination with the BGR label and logo. We have entered into a trademark license agreement dated November 3, 2007 with our Promoter for the use of the said mark.

Under the agreement, our Company has received a non-exclusive, limited license to use marks including the BGR label and logo in the manner specified in the agreement, on a list of products specified under the Agreement. Under the Agreement, our Company has undertaken to indemnify our promoter for any losses arising out of its use of the BGR name, label and associated marks licensed under the agreement. In consideration for the above right, our company is required to pay a fixed annual royalty of Rs. 1 million to our Promoter. The above amount is subject to revision on mutually agreed terms after a period of five years.

The agreement is valid for a period of twenty years from the date of the agreement, and is subject to termination by either party for material breach upon giving one year's notice. Our Promoter will not have a right to terminate the agreement for five years without the consent of our Company.

If the BGR name, trademark and logo become unavailable to us in the event of a breach under the agreement, or in the event of a failure by our Promoter to protect his intellectual property in the BGR name, trademark and logo or if the terms under which we have licensed the said name, trademark and logo from our Promoter are altered, our business, financial condition and results of operations could be materially and adversely affected. Further, we cannot assure you that the applications for registration of trademarks by our Promoter will be granted by the relevant authorities, or when these authorities will grant the registration to our Promoter.

Further, certain of the companies affiliated with our Promoter, Mr. B.G. Raghupathy, utilize the "BGR" name. We cannot assure you that the use of the name by other parties affiliated with our Promoter will not have an adverse effect on our business or reputation.

55. ***Certain entities forming part of our promoter group have incurred losses in the past.***

Of the 17 entities which form a part of our Promoter Group, the following have incurred losses in the past:

Name of the Company	**Profit/(Loss) after Tax**		
	March 31, 2007	**March 31, 2006**	**March 31, 2005**
Mega Funds India Limited	(215,513)	(74,789)	(83,722)
ANI Constructions Private Limited	38,068	(176,186)	(202,715)
Sasikala Estate Private Limited	642,774	358,458	(404,215)

56. ***There are certain amounts owing to small scale industries from our Company***

As of June 30, 2007, there was a consolidated amount of Rs. 15.60 million owing to small scale industries from our Company. The industries to whom we owe these amount may initiate proceedings for the recovery of the same. Such proceedings may adversely affect our results of operations.

Risks Related to this Issue

1. ***Because the Issue Price per Equity Share is substantially higher than our book value per Equity Share, purchasers in this Issue will immediately experience a substantial dilution in net tangible book value.***

   Purchasers of our Equity Shares will experience immediate and substantial dilution in net tangible book value per Equity Share from the Issue Price per Equity Share. After giving effect to the allotment of 9,136,000 Equity Shares we would have offered and sold in this Issue and after deducting underwriting discounts and commissions and estimated Issue expenses payable by us, and the application of the Net Proceeds, our pro forma as adjusted net tangible book value as of March 31, 2007, would have been Rs. [●] million, or Rs. [●] per Equity Share. This represents an immediate dilution in net tangible book value of Rs. [●] per Equity Share to new investors purchasing our Equity Shares in this Issue.

2. ***Substantial future sales of our Equity Shares in the public market could cause our Equity Share price to fall.***

   Upon completion of this Issue we will have outstanding 72,000,000 Equity Shares. Of these shares, 9,136,000 Equity Shares offered hereby will be freely tradable without restriction in the public market, unless purchased by our affiliates. Upon completion of this Issue, our Promoter will, directly or beneficially, own 58,544,000 Equity Shares, which will represent approximately 81.31% of our issued and outstanding Equity Shares. The holders of approximately 48,464,000 , Equity Shares, representing approximately 67.31% of our issued and outstanding Equity Shares, will be entitled to dispose of their shares following the expiration of a one-year Indian statutory 'lock-in' period. Sales of a large number of our Equity Shares by our shareholders, especially our Promoter, could adversely affect the market price of our Equity Shares. Additionally, any future equity issue by us, including issuances of stock options, or any perception by investors that such issuances might occur, may lead to the dilution of investor shareholding in our company or affect the market price of the Equity Shares and could impact our ability to raise capital through an Issue of our securities.

3. ***There is no existing market for our Equity Shares and we cannot assure you that such a market will develop. The stock price may be volatile, and you may be unable to resell your shares at or above the Issue price or at all.***

   Prior to this Issue, there has been no public market for our Equity Shares, and an active trading market may not develop or be sustained upon the completion of this Issue. The initial public offering price of the Equity Shares offered hereby was determined through our negotiations with the BRLMs and may not be indicative of the market price of the Equity Shares after this Issue. The market price of our Equity Shares after this Issue will be subject to significant fluctuations in response to, among other factors:

   a. variations in our operating results and the performance of our business;

   b. adverse media reports about us or the power, energy, EPC, oil and gas and infrastructure industries;

   c. regulatory developments in our target markets affecting us, our clients or our competitors;

   d. market conditions and perception specific to the power, energy, EPC, oil and gas and infrastructure industries;

   e. changes in financial estimates by securities research analysts;

f. addition or loss of executive officers or key employees;

g. loss of one or more significant clients;

h. the performance of the Indian and global economy;

i. significant developments in India's economic liberalization and deregulation policies and the fiscal regime; and

j. volatility in the Indian and global securities markets.

Many of these factors are beyond our control. There has been recent volatility in the Indian stock markets and our share price could fluctuate significantly as a result of such volatility in the future.

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

We are subject to a daily circuit breaker imposed by all stock exchanges in India, which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges do not inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker effectively limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

5. ***You will not be able to sell immediately on an Indian stock exchange any of the Equity Shares you purchase in the Issue until the Issue receives the appropriate trading approvals.***

The Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by the NSE and the BSE. Thereafter, upon receipt of final approval from the NSE and the BSE, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. If allotments are not made or refund orders are not dispatched, and/or demat credits are not made to investors within 15 days of closure of the Bidding / Issue Period, the Company will pay interest at the rate of 15% (fifteen percent) per annum. We cannot assure you that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above.

6. ***Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar.***

Our financial statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and auditing standards with which prospective investors may be familiar with in other countries. Although we provide a summary of principal differences between Indian GAAP, IFRS and U.S. GAAP relevant to our business, we do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP. Furthermore, we have not quantified or identified the impact of the differences between Indian GAAP and IFRS or between Indian GAAP and U.S. GAAP as applied to our financial statements. As there are significant differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP, there may be substantial differences in our results of operations, cash flows and financial position if we were to prepare our financial statements in accordance with IFRS or U.S. GAAP instead of Indian GAAP. The significant accounting policies applied in the preparation of our Indian GAAP financial statements are as set forth in notes to our financial statements on page 176. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP and how they might affect the financial information contained in this Red Herring Prospectus.

7. ***The grant of stock options under the Company's ESOP 2007 may result in a charge to the Company's profit and loss account and adversely affect its results of operations.***

The ESOP 2007 was adopted by the shareholders of the Company on July 11, 2007. It provides for grant of options up to 1.5% of the issued and outstanding equity share capital of the Company to employees and directors of our Company and the Subsidiary at an exercise price equal to 85% of the Issue Price. On July 18, 2007, we granted 704,770 options to eligible employees and directors.

If the exercise price of the options is lower than the fair value of the Equity shares as certified by independent accountants, the ESOP 2007 will result in a charge to the Company's profit and loss account equal to the product of the number of Equity Shares granted there under and the difference between the exercise price and the fair value, which will be amortized over the vesting period of the stock options.

As a purchaser of Equity Shares in this Issue, you may experience dilution of your shareholding to the extent that we issue Equity Shares pursuant to any stock options granted under ESOP 2007.

External Risk Factors

1. ***We operate in a regulated environment, and the government policies, laws and regulations affecting the sectors in which we operate and the related industries, could adversely affect our operations and our profitability.***

All of our businesses are regulated by the Central Government and State Governments in India, as well as by the governments of the countries in which we operate. In addition, many of the industries in which we operate in India are also heavily regulated by local governments. We must comply with a number of requirements mandated by Indian laws and regulations, including policies and procedures established by local authorities and designed to implement such laws and regulations. See "Regulations and Policies" on page 108 for a description of laws and regulations applicable to us in India. Non-compliance with any regulation may lead to penalties and fines, revocation of our approvals, sanctions, licenses, registrations and permissions or litigation. For more information regarding various approvals obtained by us in connection with our business, please see the section entitled "Government Approvals" on page 309. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business and results of operations could be adversely affected.

The regulatory framework in India and many other countries in which we provide projects, products or services is evolving. Particularly, the statutory and regulatory framework for the Indian power sector has changed significantly in recent years and the impact of these changes is unclear. There are likely to be more changes in the next few years. The Electricity Act puts in place a framework for reforms in the power sector, but in many areas the details and timing of these reforms have yet to be determined. The Electricity Act, which came into force in June 2003, removes licensing requirements for power generators, provides for open access to transmission and distribution networks and removes restrictions on the right to build captive generation plants, which could result in increased competition for us. These reforms provide opportunities for increased private sector involvement power generation. Furthermore, there could be additional changes in terms of tariff policies, the unbundling of the State Electricity Boards, restructuring of companies in the power sector, open access and parallel distribution, and licensing requirements for, and tax incentives applicable to, companies in the power sector. Future government policies and changes in laws and regulations in India and elsewhere may adversely affect our business and operations, and restrict our ability to do business in our existing and target markets. The timing and content of any new law or regulation is not in our control and such new law or regulation could have an adverse effect on our business, results of operations and financial condition.

Regulatory changes in the foreign countries in which we operate may require us to, among other things, obtain licenses or permits in order to bid on contracts or conduct our operations or enter into a consortium arrangement, joint venture, agency or similar business arrangement with local individuals or businesses in order to conduct business in those countries. These laws and regulations may also encourage or mandate the hiring of local contractors and require foreign contractors to employ citizens of, or purchase supplies from within, the relevant country. In addition, we may become involved in proceedings with regulatory authorities that may require us to pay fines, comply with more rigorous standards or other requirements or incur capital and operating expenses for compliance with such laws and regulations.

2. ***We require regulatory approvals in the ordinary course of our business, and the failure to obtain them in a timely manner or at all may adversely affect our operations.***

We require regulatory approvals, sanctions, licenses, registrations and permissions for operating our businesses, most of which expire in due course from time to time. We generally apply for renewals of such regulatory approvals, sanctions, licenses, registrations and permissions, prior to or upon their expiry. However, we cannot assure you that we will obtain all regulatory approvals, sanctions, licenses, registrations and permissions that we may require in the future, or receive renewals of existing or future approvals, sanctions licenses, registrations and permissions in the time frames required for our operations or at all, which could adversely affect our business.

3. ***Compliance with, and changes in, environmental, health and safety laws and regulations may adversely affect our financial condition and results of operations.***

We are subject to environmental, health and safety regulations. See "Regulations and Policies" on page 108. Governments may take steps towards the adoption of more stringent environmental, health and safety regulations, and we cannot assure you that we will be at all times in full compliance with these regulatory requirements. For example, these regulations can often require us to purchase and install expensive pollution control equipment or make changes to our existing operations to limit any adverse impact or potential adverse impact on the environment or the health and safety of our employees, and any violation of these regulations, whether or not accidental, may result in substantial fines, criminal sanctions, revocations of operating permits or a shutdown of our facilities. Due to the possibility of unanticipated regulatory developments, the amount and timing of future expenditures to comply with regulatory requirements may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental, health and safety regulations we are subject to, we may need to incur substantial capital expenditures to comply with such new regulations. Our costs of complying with current and future environmental, health and safety laws and our liabilities arising from failure to comply with applicable regulatory requirements may adversely affect our business, financial condition and results of operations.

4. ***Demand for our products and services depend on government policies in the power, oil and gas, energy and infrastructure sectors.***

Demand for our products and services in the power, oil and gas, energy and infrastructure sectors is primarily dependent on sustained economic development in the regions where we operate and government policies relating to infrastructure development. It is also significantly dependent on budgetary allocations made by governments to these sectors, as well as funding provided by international and multilateral development financial institutions for power, oil and gas, energy and infrastructure businesses. Investments by private sector companies in such businesses is dependent on the potential economic returns from such projects and is therefore linked to government policies relating to private sector participation and the sharing of risks and returns from such projects. Adverse changes in government policies or budgetary allocations could harm our business and results of operations.

5. ***Adverse weather conditions could affect our business and results of operations.***

We have business activities that could be adversely affected by severe weather, particularly in India, Southeast Asia and the Middle East. Incidences of severe weather conditions may require us to evacuate personnel or curtail services, damage our equipment or our facilities, requiring us to suspend our operations, preventing us from maintaining our contract schedules or generally reducing our productivity and profitability. Our operations are also adversely affected by difficult working conditions, including extremely high temperatures during summer months and heavy rain during monsoons, which could restrict our ability to carry on construction activities and fully utilize our resources.

6. ***Taxes and other levies imposed by the Central or State Governments, as well as other financial policies and regulations, may have an adverse effect on our business, financial condition and results of operations.***

We are subject to taxes and other levies imposed by the Central or State Governments in India, including customs duties, excise duties, central sales tax, state sales tax, fringe benefit tax, service tax, income tax, value added tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time. The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the Central or State Governments may adversely affect our competitive position and profitability. For example, the Central Government has recently introduced a fringe benefit tax payable in connection with certain expenditures incurred by us which has increased our tax liability. We cannot assure you that such tax incentives will continue to be available in the future. Changes in or elimination of such tax incentives could adversely affect our financial condition and results of operations.

7. ***Terrorist attacks, civil disturbances and regional conflicts in India and the rest of the world may have an adverse effect on our business and on the market for securities in India.***

Certain events that are beyond our control, including terrorist attacks and other acts of violence or war, including those involving India, the United States, the United Kingdom or other countries, may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect our business, results of operations and financial condition, and more generally, any of these events could lower confidence in India as an investment destination. Southern Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries. Although this has not been the case to date, such political tensions could create a perception that there is a risk of disruption of services provided by India-based companies, which could have an adverse effect on the market for our services. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue to operate. India has witnessed communal clashes in the past. Although such clashes in India have, in the recent past, been sporadic and have been contained within reasonably short periods of time, any such civil disturbance in the future could result in disruptions in transportation or communication networks, as well as have adverse implications for general economic conditions in India. Such events could have an adverse affect on our business, on the value of our Equity Shares and on your investment in our Equity Shares.

8. ***Political instability or changes in the Government or its policies could impact the liberalization of the Indian economy and adversely affect economic conditions in India generally.***

We are incorporated in India and a substantial majority of our facilities and assets are located in India. We derive a major portion of our income from our business in India. Consequently, our performance and the market price and liquidity of the Equity Shares may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments in and affecting India.

In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. Since 1991, the Indian government has pursued policies of economic liberalization, including providing significant tax incentives and relaxing certain regulatory restrictions, in order to encourage foreign investment in specific industries. We have benefited from tax holidays provided under these incentives. We cannot assure you that liberalization policies will continue. Furthermore, the rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our Equity Shares could also change. Since 1996, the government of India has changed six times and the current Indian government is a coalition of many parties, some of which do not want to continue India's current economic policies. Various factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India's economic liberalization and deregulation policies, disrupt business and economic conditions in India generally and our business in particular.

9. ***Government regulation of foreign ownership of Indian securities may have an adverse effect on the price of the Equity Shares.***

Foreign ownership of Indian securities is subject to Government regulation. Under foreign exchange regulations currently in effect in India, the RBI must approve the sale of the Equity Shares from a non-resident of India to a resident of India if the sale does not meet the requirements of a RBI Circular dated October 4, 2004. The RBI must approve the conversion of the Rupee proceeds from any such sale into foreign currency and repatriation of that foreign currency from India unless the sale is made on a stock exchange in India through a stockbroker at the market price. As provided in the foreign exchange controls currently in effect in India, the RBI will approve the price at which the Equity Shares are transferred based on a specified formula, and a higher price per share may not be permitted. The approval from the RBI or any other government agency may not be obtained on terms favorable to a non-resident investor in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

10. ***Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.***

India has experienced natural calamities, such as earthquakes, tsunamis, floods and drought in the past few years, which have had an adverse impact on the Indian economy. For example, as a result of drought conditions in the country during 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 also adversely affected sowing operations for certain crops. The occurrence of any such natural calamities in the future could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

11. ***An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have an adverse effect on our business and results of operations.***

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concerns could have a negative impact on the economies, financial markets and business activities in the countries in which our end markets are located, which could have an adverse effect on our business. The outbreak in 2003 of Severe Acute Respiratory Syndrome in Asia and the outbreak of avian influenza, or bird flu, across Asia and Europe, have adversely affected a number of countries and companies. Although we have not been adversely impacted by these outbreaks, we can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have an adverse effect on our business.

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

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to obtain financing, and the interest rates and other commercial terms at which such financing is available. Such revisions could have an adverse effect on our business and financial condition, our ability to obtain financing for working capital and capital expenditures and the price of our Equity Shares.

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

Our performance and growth are dependent on the health of the Indian economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in the

Indian economy may adversely impact our business and financial performance and the price of our Equity Shares.

14. ***A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely affect us.***

According to a report released by the RBI, India's foreign exchange reserves increased 47.5% during fiscal year 2004, 25.2% during fiscal year 2005 to US$129.4 billion as of March 31, 2005 and 14.9% during fiscal year 2006 to US$148.7 billion as of March 31, 2006. A decline in these reserves could result in reduced liquidity and higher interest rates in the Indian economy, which in turn could adversely affect our business and future financial performance and the market price of our Equity Shares.

Notes to Risks Factors

1. Public issue of 9,136,000 Equity Shares for cash at a price of Rs. [●] per Equity Share including a share premium of Rs. [●] per Equity Share aggregating Rs. [●] million. The Issue comprises a Fresh Issue of 4,320,000 Equity Shares by our Company and an Offer for Sale of 4,816,000 Equity Shares by the Selling Shareholders. The Issue would constitute 12.69% of the post Issue paid-up capital of the Company and the Net Issue will constitute 11.99% of our post-issue capital.

Our Company has entered into agreements dated November 6, 2007 with certain investors for a placement of 2,880,000 Equity Shares and a transfer by our Promoter of 1,440,000 Equity Shares. The Company proposes to complete the above transactions after the closing of the Bidding/Issue Period and before the Allotment of Equity Shares in the Issue to successful Bidders. For details of the same see History and Certain Corporate Matters" on page 115.

2. In terms of Rule 19 (2)(b) of the SCRR, this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remaining QIB Portion shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

3. The net worth of the Company was Rs. 834.83 million as of March 31, 2007 as per our restated unconsolidated financial statements included in this Red Herring Prospectus.

4. The basic and diluted net asset value (NAV) per Equity Share of Rs. 10 each was Rs. 12.88 and 12.73 respectively, as of March 31, 2007 as per our restated unconsolidated financial statements included in this Red Herring Prospectus. Basic NAV is post-bonus and diluted NAV is post bonus and ESOP's.

5. The average cost of acquisition of our Equity Shares by our Promoter is Rs. 0.023 per Equity Share. The average cost of acquisition of Equity Shares by our Promoter has been calculated by taking the average of the amount paid by him to acquire the Equity Shares issued by us, including bonus shares.

6. For details of our related party transactions, refer to the section titled "Related Party Transactions" on page 166.

7. Our Promoter and certain of our Directors are interested in our Company by virtue of their shareholding and to the extent of options granted to them under our ESOP plan, if any, in our Company. See "Capital Structure" and "Our Management" on page 25 and page 128, respectively.

8. Trading in Equity Shares of our Company for all investors shall be in dematerialised form only.

9. Any clarification or information relating to the Issue shall be made available by the BRLMs and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the BRLMs and the Syndicate Members for any complaints pertaining to the Issue.

10. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders, and Retail Bidders shall be on a proportionate basis. For more information, refer to the section titled "Basis of Allotment" on page 360.

11. Investors are advised to refer to the section titled "Basis for Issue Price" on page 47.

12. We were incorporated as GEA Energie Systems India Private Limited on February 18, 1985 by our Promoter Mr. B G. Raghupathy. For information relating to our Promoter, see "Our Promoter" on page 139 and "Our Management" on page 128. Our name was changed to GEA Energy System (India) Private Limited by a resolution of our shareholders on October 17, 1986, and a fresh certificate of incorporation consequent on change of name was issued to us on April 3, 1987. Our status was subsequently changed to a public limited company by a special resolution of our shareholders passed at the annual general meeting held on December 10, 1993. The fresh certificate of incorporation consequent on conversion was issued to our Company on March 3, 1994 by the Registrar of Companies, Andhra Pradesh at Hyderabad. Our name was changed to BGR Energy Systems Limited by a resolution of our shareholders on June 25, 2007. The fresh certificate of incorporation consequent to the change in name was issued to our Company on June 28, 2007.

SECTION III – INTRODUCTION

SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

The Company was originally incorporated in 1985, as a joint venture between GEA Energietechnik GmbH, Germany and our Promoter, Mr. B.G. Raghupathy, to produce and sell on-line condenser tube cleaning systems, debris filters and rubber cleaning balls used in thermal and nuclear power plants. In 1993 Mr. B.G. Raghupathy and members of his family became the sole shareholders of the Company and began to expand our range of product and services range in the power and oil and gas industries. On June 28, 2007 we changed our name from GEA Energy System (India) Limited, to BGR Energy Systems Limited.

We carry on our business in two segments, the supply of systems and equipment and turnkey engineering project contracting. In the systems and equipment business, we design, engineer, manufacture, sell and service a range of systems and equipment for the power, oil & gas, refinery, petrochemical and process industries. In the turnkey engineering project contracting business, we engineer, manufacture, procure, construct and commission projects in the power and oil & gas sector, wherein we take turnkey responsibility to supply a range of equipment and services, including the civil works required for a project and other work as may be required under the contract for such project.

We execute turnkey contracts to supply the balance of plant (“BOP”) equipment, services and civil works for power generation projects, in which we supply, from a single source, the balance of the plant, i.e. items other than the boiler, turbine and generator. Having successfully executed BOP contracts, we have begun to focus on engineering, procurement and construction (“EPC”) contracts, in which we design, engineer and supply all of the equipment required for a power plant including the boiler, turbine and generator and civil works. We are currently executing BOP and EPC contracts tailored to customer demands. We also have an infrastructure business intended to provide construction services and technology oriented projects to the infrastructure sector.

Our Company consists of seven complementary businesses, including:

- our power projects business, which provides turnkey EPC and BOP services for coal-based thermal power plants and gas-based combined cycle power plants typically over 150 megawatts (“MW”), and which completed its first contract in 2002,
- our captive power projects business, which provides turnkey EPC and BOP services for power plants typically under 100 MW which began operating in 2006,
- our oil and gas equipment business, which designs and manufactures gas conditioning & metering skids, storage tanks, pipeline pig launching & receiving systems, gas processing complexes and gas compressor packages related to the oil and gas industry for companies in India and abroad, and which began operating in 2001,
- our air fin coolers business, which designs and manufactures air fin coolers which cool process fluids and gases used in the refining, petrochemical, and oil and gas industries, and which began operating in 1994,
- our environmental engineering business, which designs manufactures and provides deaerators, desalination plants, water treatment plants and effluent treatment plants, which have application in power and process plants and other industrial plants, and which began operating in 1996,
- our electrical projects business, which designs supplies electrical systems and equipment such as gas insulated switchgear substations, optical fiber power ground wires, extra high voltage substations and transmission lines to power stations, refineries and petrochemical plants, and which began operating in 2003, and

- our infrastructure business, which is capable of building roads and industrial buildings, and which began operating in 2004.

We have executed several BOP power projects within India, including power projects in Valuthur in Tamil Nadu, and Chittorgarh and Dholpur in Rajastan and an EPC contract for a power project in Karuppur in Tamil Nadu. We are executing turnkey BOP coal-fired power projects in Vijayawada and Bhoopalapalli in Andhra Pradesh and Khaperkheda in Maharastra, all three with an output capacity of 500 MW each. We have commenced basic engineering for a 820 MW gas-based power plant for Konaseema Gas Power Limited in Andhra Pradesh, and we are executing EPC contracts in Valuthur for a gas-based power plant with an output capacity of 92.2 MW and in Mettur for a coal based captive power project with an output capacity of 25 MW. Our consolidated order backlog as of September 30, 2007 was Rs. 33,212 million.

We manufacture certain products related to our businesses through our subsidiary Progen Systems and Technologies Limited ("Progen"), which has its own manufacturing facility and through our second facility controlled by our air fin coolers business. Our manufacturing facilities are located in India and are certified by the American Society of Mechanical Engineers ("ASME"). The combined capabilities of our manufacturing facilities allow us to offer products and services in a timely and cost-efficient manner. Further, we are capable of manufacturing products specifically tailored to meet our clients' needs. The products we manufacture include heat exchangers, pressure vessels, condensers, high frequency resistance welded finned tubes, deaerators, pipeline equipment, heat recovery steam generators and various boiler components.

Our clients are located in Asia, the Middle East, Africa and Europe. To date, we have executed 131 contracts in 42 countries. Our air fin coolers, environmental engineering and oil and gas businesses provide products and services both in India and abroad. Our power projects, captive power, infrastructure and electrical projects businesses currently operate only in India. Our corporate head office is in Chennai and we have three sales and marketing offices in India.

Our consolidated income for the three months ended June 30, 2007 was Rs. 2,445.21 million and the 18 months ended March 31, 2007 was Rs. 7,902.76 million. For the years ended September 30, 2005 and 2004 our consolidated income was Rs. 2,991.31 million and Rs.2,694.46 million, respectively. For the 18 months ended March 31, 2007 our consolidated net profit after extraordinary items was Rs. 399.64 million. Our consolidated net profit after extraordinary items for the years ended September 30, 2005 and 2004 was Rs. 135.49 million and Rs. 111.78 million, respectively.

Total income by business/subsidiary[1] ***(In Rs. million)***

Business Division	For the three months ended June 30, 2007	For the 18 months ended March 31, 2007	For the year ended September, 2005	For the year ended September 30, 2004
Power Projects Business	1,150.90	3,926.05	1,141.08	1,509.27
Captive Power Business	935.83	632.42	N/A	N/A
Oil and Gas Equipment Business	0.06	93.29	19.39	42.63
Air Fin Coolers Business	40.42	969.64	571.57	434.69
Environmental Engineering Business	32.95	504.74	65.59	80.29
Electrical Projects Business	115.17	355.62	10.37	N/A
Infrastructure Business	2.92	646.14	614.80	160.21
Progen	68.42	92.27	52.90	27.04

[1] *Includes only income from sales to third parties. Many of the businesses (and Progen) provide substantial amounts of products and services to other of the Company's businesses.*

For the three month period ended June 30, 2007 and 18 month period ended March 31, 2007, approximately 3.60% and 12% of our consolidated income was derived from our international operations.

On June 30, 2007, we sold the assets and liabilities of our energy products business to GEA BGR Energy Systems Limited, an affiliate of our Promoter, for Rs. 250.00 million in cash, which represented the net book value of the assets and liabilities, by an agreement dated August 1, 2007. Effective June 30, we also sold all the shares of Schmitz Reinigungskugein GmbH ("Schmitz GmbH") to Schmitz India Private Limited, an affiliate of our Promoter, for Rs. 6.00 million. Schmitz GmbH is principally involved in marketing activities for our former energy products business.

Our Strengths

We believe that we have significant industry expertise and knowledge. In particular, we believe that the following strengths enable us to compete successfully in our industry:

Well positioned to capitalize on global demand in the energy and infrastructure industries

As our capabilities in project management expand from BOP to EPC contracts, we plan to capitalize on the growth of demand for BOP and EPC services in the power and oil and gas industries. We believe our track record, coupled with our skilled employees and depth of project experience, has put us in a position to exploit the global demand in the power and oil and gas industries.

Diverse design and engineering capabilities

We perform our design and engineering in house at our offices in Chennai, Hyderabad and Delhi. Our engineers work in conjunction with our clients to develop the overall engineering process, from conception to commission. We believe this gives us control over costs, design and scheduling.

Diverse range of complementary projects, products and services

We believe we have a diverse range of high-quality projects, products and services which are in demand across a range of industries. All of our products are custom-built to meet our customers' specific requirements.

Projects Expertise

Our expertise in designing and producing the products we make has served to prepare us, and provide us with valuable experience, for the broader scope of business we now undertake, including turnkey engineering projects.

Ability to undertake broad spectrum of power projects

We believe we are well positioned to undertake contracts for both large scale and small scale fuel-based power projects, ranging from 25 to 500 MW. Our project management expertise is an integral contributor to the success of our power projects business and captive power business.

Cost competitiveness

Designing and engineering in-house gives us control of the entire process, from conceptualization to completion of a given project. Lower costs associated with doing business in India, as well as lower costs for human resources allows us to compete with international companies which may have higher costs in this regard.

Highly qualified and motivated employee base and proven management team

Our management team is well-qualified and experienced in the industry and has been responsible for the growth in our operations. Our Chairman and Managing Director has worked with the Company for more than 20 years and has driven our growth since inception. In addition, our board of directors includes a strong combination of management as well as independent members that bring significant business experience to our Company.

Our Business Strategies

We intend to pursue the following principal strategies to exploit our competitive strengths and grow our business:

Focus on large BOP contracts and EPC contracts for power projects directly from power generation companies

We plan to utilize our power project management skills to access the growing demand for power and power projects in India and eventually abroad. We intend to increase the scale of our EPC operations and take advantage of the high growth opportunities provided by the expansion of the Indian power industry.

Expand our international businesses and operations

We plan to open a marketing office in Dubai to ensure proximity to clients. We also plan to open a manufacturing facility in China to expand our manufacturing capabilities. In pursuing our international strategies, we will seek to identify markets where we believe we can provide cost and operational advantages to our clients and distinguish ourselves from our competitors.

Increase our focus on the oil and gas businesses

We intend to capitalize on our experience of working in the oil and gas industry to benefit from the significant investments proposed in gas gathering, liquefaction, storage and transportation projects in India.

Exploit our experience in the infrastructure business to take advantage of growth in the infrastructure business

We intend to extend our infrastructure operations beyond roads and bridges to other civil infrastructure projects including ports and harbor projects, multilevel parking structures, airport expansion and other civil aviation projects.

Continue to develop our technological collaboration and relationships in various businesses

We intend to continue to enhance our strong technological capabilities to enable us to provide value added engineering services for, and win larger, more technically complex, EPC projects as well as specialized engineering and design consultancy services to clients independent of our projects.

Continue to focus on the competitiveness and quality of our projects, products, services and engineering capabilities

We are focused on improving our profit margins by reducing costs through efficient project management, as well as increasing our cash flows through the development of new projects, which will allow us to benefit from the increase in demand for power in India and globally.

FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated consolidated financial statements as of and for the years ended September 30, 2002, 2003, 2004, 2005 and 18 months ended March 31, 2007. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and are presented in the section titled "Financial Statements" beginning on page 169. The summary financial information presented below should be read in conjunction with our restated consolidated financial statements, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 258. Indian GAAP differs in certain significant respects from US GAAP and IFRS.

Consolidated Statement of Assets and Liabilities, as restated

(INR in Millions)

	Particulars	As at 30th September				As at 31st March	As on 30th June
		2002	2003	2004	2005	2007	2007
A.	**Assets**						
	Goodwill on Consolidation of Subsidiaries	4.66	4.66	4.67	4.74	4.59	5.87
	Fixed Assets-gross block	294.46	302.32	385.61	495.93	633.21	651.49
	Less: Depreciation	100.19	117.47	140.15	165.84	249.18	218.23
	Net Block	**194.27**	**184.86**	**245.45**	**330.09**	**384.04**	**433.26**
	Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
	Net Block after adjustment for Revaluation Reserve	**194.27**	**184.86**	**245.45**	**330.09**	**384.04**	**433.26**
	Capital Work in Progress	0.00	0.00	1.83	5.53	30.19	10.07
	Sub-total	**194.27**	**184.86**	**247.28**	**335.62**	**414.23**	**443.33**
B.	**Investments**	**1.03**	**1.03**	**1.03**	**1.03**	**2.80**	**5.30**
	(Goodwill on consolidation of associates - Refer Note below)	*0.06*	*0.08*	*0.08*	*0.08*	*0.08*	*0.08*
C.	**Current assets, loans and advances**						
	Inventories	84.82	116.39	123.39	187.32	293.33	257.53
	Sundry Debtors	573.36	755.28	754.59	1,181.30	3,688.00	4209.97
	Cash & bank balances	66.22	73.20	228.79	185.03	929.02	1064.57
	Other current assets	7.44	6.15	10.63	27.76	79.50	108.16
	Loans and advances	75.51	69.02	183.02	235.66	842.33	1184.90
	Sub-total	**807.35**	**1,020.04**	**1,300.43**	**1,817.07**	**5,832.19**	**6825.13**
	Total Assets	**1,007.30**	**1,210.59**	**1,553.40**	**2,158.46**	**6,253.81**	**7279.63**

(INR in Millions)

	Particulars	As at 30th September				As at 31st March 2007	As on 30th June 2007
		2002	2003	2004	2005		
D.	**Liabilities & Provisions**						
	Loan funds						
	Secured loans	405.67	471.37	505.23	831.47	2,404.73	2618.33
	Unsecured loans	54.67	58.22	56.95	57.55	59.43	59.08
	Sub- total	**460.34**	**529.59**	**562.17**	**889.02**	**2,464.15**	**2677.41**
	Minority Interest	0.54	1.00	1.48	2.34	15.36	21.44
	Current liabilities & provisions						
	Sundry liabilities	314.01	368.47	564.46	706.60	2,669.48	3234.20
	Provisions	54.39	70.98	97.92	124.29	275.60	352.50
	Sub-total	**368.40**	**439.45**	**662.38**	**830.89**	**2,945.08**	**3586.70**
	Liabilities & Provisions sub total	829.28	970.04	1226.03	1722.25	5424.59	6285.55
E.	**Net worth**						
	Represented by:						
	Shareholders funds						
	Share Capital	54.00	54.00	108.00	108.00	108.00	108.00
	Advance Share capital	0.90	0.90	0.90	0.90	0.00	0.00
	Reserves & surplus	**121.91**	**183.29**	**215.34**	**324.18**	**717.82**	**886.08**
	Add: Foreign currency translation reserve	1.22	2.36	3.12	3.14	3.41	0.00
	Less: Revaluation Reserve	0.00		0.00	0.00	0.00	0.00
	Reserves (Net of Revaluation Reserve)	178.02	240.55	327.36	436.21	829.21	994.08
	Less: miscellaneous expenditure not written off	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**178.02**	**240.55**	**327.36**	**436.22**	**829.21**	**994.08**
	Total	**1,007.30**	**1,210.59**	**1,553.40**	**2,158.46**	**6,253.81**	**7279.63**

Note:

As per AS-23 on Accounting for Investments in Associates in Consolidated financial statements, goodwill arising on valuation of associate, is presented separately

Consolidated Profit & Loss Account, as restated

Annexure - II

(INR in Millions)

Particulars	For the 12 month period ended 30th September				For the 18 month period ended 31st March	For the 3 month period ended 30th June
	2002	2003	2004	2005	2007	2007
Income						
Sale of Manufactured Goods	486.96	723.82	1,002.15	959.69	1,751.45	165.81
Sale of Traded goods	22.91	29.93	34.93	37.84	560.41	25.90
Contract Income	742.39	829.13	1,669.48	1,960.06	5,556.17	2204.54
Total	**1,252.26**	**1,582.88**	**2,706.56**	**2,957.59**	**7,868.03**	**2396.25**
Other income	1.69	4.06	2.32	(1.45)	2.95	6.20
Increase (decrease) in inventory	8.08	39.83	(14.42)	35.17	31.78	42.76
Total Income	**1,262.03**	**1,626.77**	**2,694.46**	**2,991.31**	**7,902.76**	**2445.21**
Expenditure						
Raw materials, goods consumed & goods purchased	789.96	1,106.06	2,019.97	2,082.57	5,598.92	1757.90
Staff costs	87.88	89.89	109.91	145.55	328.23	213.68
Other Manufacturing expenses	119.86	158.26	219.49	312.05	713.76	102.92
Selling & distribution expenses	4.90	8.18	7.27	12.58	24.94	4.02
General & Administration expenses	104.41	101.77	123.95	151.09	351.66	65.67
Interest	51.75	47.18	47.34	61.30	179.68	35.37
Depreciation	17.33	17.69	20.92	32.45	88.80	13.15
Miscellaneous expenditure written off	2.10	1.91	1.98	3.85	3.99	-
Total Expenditure	**1,178.19**	**1,530.94**	**2,550.83**	**2,801.44**	**7,289.98**	**2192.71**
Net Profit before tax and extraordinary items	**83.84**	**95.83**	**143.63**	**189.87**	**612.78**	**252.50**
Provision for taxation	19.83	20.36	31.85	54.38	213.14	77.66
Net profit after tax & before extra-ordinary items	**64.01**	**75.47**	**111.78**	**135.49**	**399.64**	**174.84**
Extraordinary items (net of tax)	-	-	-	-	-	-
Net profit after extraordinary items	**64.01**	**75.47**	**111.78**	**135.49**	**399.64**	**174.84**
Earlier year adjustments	-	-	-	-	-	-
Net profit after extraordinary items & earlier year adjustments	**64.01**	**75.47**	**111.78**	**135.49**	**399.64**	**174.84**

(*INR in Millions*)

Particulars	For the 12 month period ended 30th September				For the 18 month period ended 31st March	For the 3 month period ended 30th June
	2002	2003	2004	2005	2007	2007
Adjustments	-					
Depreciation on Development Expenditure	(1.23)	(1.23)	(1.44)	(1.63)	-	-
Miscellaneous expenditure written off	2.10	1.91	1.98	(1.73)	3.72	-
Depreciation on technical know-how	(0.37)	(0.37)	(0.37)	(0.37)	2.31	-
Foreign exchange variation	(0.10)	-	-	-	(0.08)	-
Restatement of Sundry creditors	(0.08)	0.13	(0.02)	0.11	-	-
Warranty provision	(1.58)	(0.43)	(1.41)	1.09	2.33	-
Royalty provision	0.29	1.39	0.96	(0.06)	(2.39)	-
Provision for taxation	1.67	(0.41)	0.18	0.96	2.61	-
General & Administration expenses	-	-	-	0.55	-	-
Restated profit	**64.71**	**76.46**	**111.66**	**134.41**	**408.14**	**174.84**
Restated profit before tax	**82.87**	**97.22**	**143.32**	**187.82**	**618.67**	**252.50**
Appropriations						
Transfer to general reserve	6.27	7.47	11.04	13.26	39.20	-
Proposed dividend	10.80	10.80	21.60	21.60	32.40	-
Tax on proposed dividend	-	2.80	2.82	3.03	5.51	-
Profit / (loss) Minority interest	(9.22)	(5.33)	(4.09)	0.25	(6.14)	6.16
Balance carried to Balance sheet	**56.86**	**60.72**	**80.29**	**96.27**	**337.17**	**168.68**

Consolidated Summary of Cash Flows, as restated

Annexure - III

(Rs. In Millions)

Particulars	For the 12 month period ended 30th September				For the 18 month period ended 31st March	For the 3 month period ended 30th June
	2002	2003	2004	2005	2007	2007
Cash Flow from Operating Activities						
Net Profit before tax	82.87	97.22	143.32	187.82	618.67	252.50
Adjustments for:						
Depreciation & Amortization	18.93	19.30	22.74	40.03	86.76	13.15
Dividend income	-	-	-	-	(0.22)	-
(Profit)/loss on Foreign Currency Translation	(0.10)	-	-	-	0.42	3.82
(Profit)/loss on disposal of investment on consolidation						
(incl Foreign exchange translation reserve)	-	-	-	-	-	(10.75)
(Profit)/loss on sales of Fixed assets	-	1.17	0.22	0.07	0.50	-
(Profit)/loss on sales of Business Unit	-	-	-	-	-	(4.26)
Interest Expense	51.75	47.18	47.34	61.30	179.68	35.37
Operating profit before working capital changes	**153.45**	**164.87**	**213.62**	**289.22**	**885.81**	**289.82**
(Increase) / Decrease in Sundry Debtors	(66.56)	(181.92)	0.69	(426.71)	(2,506.71)	(521.96)
(Increase) / Decrease in Inventories	(38.02)	(31.57)	(7.00)	(63.92)	(106.02)	35.80
(Increase) / Decrease in Other Current Assets	(0.01)	0.29	(5.48)	(17.13)	(14.77)	(28.65)
(Increase) / Decrease in Loans and Advances	(13.55)	7.49	(115.42)	(52.64)	(606.66)	(342.57)
Increase / (Decrease) in Sundry liabilities	132.18	54.46	195.99	142.13	1,962.89	564.72
Increase / (Decrease) in Provisions	4.00	(0.96)	0.45	(1.03)	(2.33)	0.68
Cash generated from Operations	**171.49**	**12.65**	**282.84**	**(130.07)**	**(387.79)**	**(2.16)**
Income taxes paid	(16.96)	(6.04)	(18.83)	(26.82)	(74.71)	(1.96)
Net Cash Flow from Operating Activities	**154.53**	**6.61**	**264.01**	**(156.88)**	**(462.50)**	**(4.12)**
Cash Flows (used in) / from Investing Activities						
Net proceeds on (Purchase) and sale of Fixed Assets	(6.40)	(10.64)	(83.46)	(124.95)	(143.50)	(37.74)
Purchase of Investments	-	1.00	-	-	(1.77)	3.50
Capital Work in progress	-	-	(1.83)	(3.71)	(24.66)	(1.50)
Dividend income	-	-	-	-	0.22	-
Net Cash Flow from Investing Activities	**(6.40)**	**(9.64)**	**(85.29)**	**(128.66)**	**(169.71)**	**(35.74)**

Particulars	For the 12 month period ended 30th September				For the 18 month period ended 31st March	For the 3 month period ended 30th June
	2002	2003	2004	2005	2007	2007
Cash Flows (Used in) / from Financing Activities						
Repayment of Share Capital Advance	-	-	-	-	(0.90)	-
Secured Loans (repaid) / availed	(160.27)	(3.55)	1.27	(0.60)	(1.88)	(25.07)
Unsecured Loans (repaid) / availed	10.04	(10.25)	(18.01)	46.78	(25.65)	(0.35)
Secured Working capital Loans (repaid) / availed	72.14	83.05	49.32	280.67	1,602.67	238.67
Interest Expense	(56.19)	(48.44)	(44.92)	(63.45)	(176.44)	(37.84)
Dividends Paid	(10.80)	(10.80)	(10.80)	(21.60)	(21.60)	-
Net Cash Flow (Used in) / from Financing Activities	**(145.08)**	**10.01**	**(23.13)**	**241.79**	**1376.20**	**175.41**
Net (Decrease) / Increase in Cash and cash Equivalents	3.06	6.98	155.59	(43.76)	743.99	135.56
Cash and Cash Equivalents at the beginning of the period	63.16	66.22	73.20	228.79	185.03	929.02
Cash and cash Equivalents at the end of the period	**66.22**	**73.20**	**228.79**	**185.03**	**929.02**	**1064.58**

Note:

(a) There has been a bonus issue in the ratio of 1:1 during the financial year ended 30th September, 2004. This issue has a non-cash impact of INR 54 million.

(b) Closing Cash and Cash equivalents as of 30 June, 2007 includes Rs. 739.41 million being deposits placed with banks under lien.

THE ISSUE

Equity Shares offered by

Issue*	9,136,000
Of which	
I) Fresh Issue by the Company	4,320,000 Equity Shares
II) Offer for Sale by the Selling Shareholders	4,816,000 Equity Shares
Of which:	
Employee reservation portion*	500,000 Equity Shares
*Therefore Net Issue to the Public**	8,636,000 Equity Shares
Of which	
A) Qualified Institutional Buyers (QIB) portion[1]	At least 5,181,600 Equity Shares(***Allocation on a proportionate basis***)
Of which	
Mutual Funds Portion	259,080 Equity Shares (***Allocation on a proportionate basis***)
Balance for all QIBs including Mutual Funds	4,922,520 Equity Shares (***Allocation on a proportionate basis***)
B) Non-Institutional Portion[2]	Not less than 863,600 Equity Shares (***Allocation on a proportionate basis***)
C) Retail Portion[2]	Not less than 2,590,800 Equity Shares (***Allocation on a proportionate basis***)
Equity Shares outstanding prior to the Issue	64,800,000 Equity Shares*
Equity Shares outstanding after the Issue	72,000,000 Equity Shares*
Use of Net Proceeds	See the section titled "Objects of the Issue" on page 37. The Company will not receive any proceeds from the Offer for Sale.

** Our Company has entered into agreements dated November 6, 2007 with certain investors for a placement of 2,880,000 Equity Shares and a transfer by our Promoter of 1,440,000 Equity Shares. The Company proposes to complete the above transactions after the closing of the Bidding / Issue Period and before the Allotment of shares in the Issue to successful Bidders. For details of the same see "History and Certain Corporate Matters" on page 115 .*

(1) Allocation to QIBs is proportionate as per the terms of this Red Herring Prospectus. 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion

(2) Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in the Non-Institutional Bidder and Retail Individual Bidder categories, would be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Company and the Selling Shareholders, in consultation with the BRLMs

GENERAL INFORMATION

Our Company was incorporated as GEA Energie Systems India Private Limited on February 18, 1985. Our name was changed to GEA Energy System (India) Private Limited by a resolution of our shareholders on October 17, 1986, and a fresh certificate of incorporation consequent on change of name was issued to us on April 3, 1987. Our status was subsequently changed to a public limited company by a special resolution of our shareholders passed at the annual general meeting held on December 10, 1993. The fresh certificate of incorporation consequent on conversion was issued to our Company on March 3, 1994 by the Registrar of Companies, Andhra Pradesh at Hyderabad. Our name was changed to BGR Energy Systems Limited by a resolution of our shareholders on June 25, 2007. The fresh certificate of incorporation consequent to the change in name was issued to our Company on June 28, 2007.

Registered Office

BGR Energy Systems Limited
A-5, Pannamgadu Industrial Estate
Ramapuram Post, Sullurpet Village
Nellore District 524 401
Andhra Pradesh, India
Registration Number: No. 5318 of 1984-85
Tel: (91 44) 2794 8249
Fax: (91 44) 2794 8359

Corporate Office
443, Anna Salai, Teynampet
Chennai 600 018
Tamil Nadu, India
Tel: (91 44) 2432 6171
Fax: (91 44) 2436 0576

Company identification number: U40106AP1985PLC005318
Email: investors@bgrenergy.com
Website: www.bgrcorp.com

Address of Registrar of Companies

The Registrar of Companies, Andhra Pradesh at Hyderabad

Second Floor, CPWD Building
Kendriya Sadan, Sultan Bazar, Koti
Hyderabad 500 195
Andhra Pradesh, India
Tel: (91 40) 4657 937/4657 2807
Fax: (91 40) 4657 2807
Email: rochyd.sb@sb.nic.in

Board of Directors of the Issuer

Name, Designation, Occupation	Age	Address
Mr. B.G. Raghupathy Chairman and Managing Director *Business*	54	New No. 60 (Old No. 100), IV Street Abhiramapuram Chennai 600 018 Tamil Nadu, India
Mr. S. Rathinam Director – Finance *Company Executive*	56	No. 19, Rajeswari Apartment 58, Bakthivatchalam Salai Mylapore Chennai 600 004 Tamil Nadu, India
Mr. V. R. Mahadevan Whole Time Director *Company Executive*	48	A 5, Shanti Heaven No.128, St Mary's Road, Alwarpet Chennai 600 018 Tamil Nadu, India
Ms. Sasikala Raghupathy Director *Business*	51	New No. 60 (Old No. 100) IV Street, Abhiramapuram Chennai 600 018 Tamil Nadu, India
Mr. Heinrich Bohmer Independent Director *Consultant*	71	Blumenweg 1D – 40489 Dusseldorf, Germany
Mr. M. Gopalakrishna Independent Director *Company Executive*	68	'Bhramara", 12-2-823A/23 Santoshnagar, Mehdipatnam Hyderabad 500 028 Andhra Pradesh, India
Mr.S.R. Tagat Independent Director *Chartered Accountant*	51	New No.7, Old No.4 Srikrishnapuram First Floor, Apartment 3 Royapettah Chennai 600 014 Tamil Nadu, India
Mr. S. A. Bohra Independent Director *Consultant*	62	A-602, Bagh-E-Rehmat,17 Meghraj Sethi Marg, Agripada Mumbai 400 008 Maharashtra, India

For further details of our Directors, see "Our Management" on page 128.

Company Secretary and Compliance Officer

Mr. R. Ramesh Kumar
443, Anna Salai, Teynampet
Chennai 600 018, Tamil Nadu
India
Tel: (91 44) 2432 6171
Fax: (91 44) 2436 0576
Email: investors@bgrenergy.com

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

Book Running Lead Managers

SBI Capital Markets Limited
202, Maker Tower E, Cuffe Parade
Mumbai 400 005, India
Tel: (91 22) 2218 9166
Fax: (91 22) 2218 8332
Email: bgr.ipo@sbicaps.com
Website: www.sbicaps.com
Contact Person: Ms. Neha Nagpal
SEBI Registration Number: INM000003531

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar, 229 Nariman Point,
Mumbai 400 021, India
Tel: (91 22) 6634 1100 Fax: (91 22) 2283 7517
Email: bgr.ipo@kotak.com
Investor grievance id: kmccredressal@kotak.com
Website: www.kotak.com
Contact Person: Mr. Chandrakant Bhole
SEBI Registration Number: INM 000008704

UBS Securities India Private Limited
2/F, Hoechst House, Nariman Point
Mumbai 400 021
Tel: (91 22) 2286 2005
Fax: (91 22) 2281 4676
Email: bgrenergy@ubs.com
Website: www.ibb.ubs.com/
Corporates/indianipoContact
Person: Mr. Venkat Ramakrishnan
SEBI Registration Number: INM000010809

CLSA India Limited
8/F, Dalamal House, Nariman Point,
Mumbai 400 021, India.
Tel : (91 22) 6650 5050
Fax: (91 22) 2285 6524
Email: bgr.ipo@clsa.com
Website: www.india.clsa.com
Contact Person: Mr. Sumit Jalan
SEBI Registration Number: INM000010619

Syndicate Members

Kotak Securities Limited
Bakhtawar, 1st Floor 229, Nariman Point
Mumbai 400 021, India
Tel : (91 22) 6634 1100 Fax : (91 22) 6630 3927
Email: umesh.gupta@kotak.com
Website: www.kotak.com
Contact Person: Mr. Umesh Gupta.
SEBI Registration Number: NSE: INB230808130,
BSE: INB010808153

SBICAP Securities Limited
191, Market Tower F, Cuffe Parade
Mumbai 400 005, IndiaTel: (91 22) 3027 3309
Fax: (91 22) 3027 3402
Email: prasad.chitnis@sbicaps.com
Website: www.sbicapsec.com
Contact: Mr. Prasad Chitnis
SEBI Registration Number: NSE: INB231052938,
BSE: INB011053031

Legal Advisors to the Company

S&R Associates
64, Okhla Industrial Estate, Phase III
New Delhi 110 020, India
Tel: (91 11) 4069 8000
Fax: (91 11) 4069 8001

Legal Advisors to the BRLMs

Legal Advisors as to US Law

Jones Day
29/F, Edinburgh TowerT
he Landmark15 Queen's Road
Central Hong Kong
Tel : (852) 2526 6895
Fax: (852) 2868 5871

30 Cecil Street
429-01 Prudential Towers
Singapore 049712
Tel: (65) 6538 3939
Fax: (65) 6536 3939

Legal Advisors as to Indian Law

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

Amarchand & Mangaldas &
Suresh A. Shroff & Co.
201, Midford House, Midford Garden
(Off M. G. Road)Bangalore 560 001, India
Tel: (91 80) 2558 4870 Fax: (91 80) 2558 4266

Registrar to the Issue

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (West), Mumbai 400 078
Tel: (91 22) 2596 0320
Fax: (91 22) 2596 0329
Email: bgrenergy.ipo@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Mr. Sachin Achar
SEBI Registration Number: INR00003761

Bankers to the Issue and Escrow Collection Banks

HDFC Bank
Process House, 2nd Floor, Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai 400 013, India
Tel : (91 22) 2498 8484
Fax : (91 22) 2496 3871
Email : rahul.sampat@hdfcbank.com
Contact Person : Mr. Rahul Sampat

ICICI Bank
ICICI Bank Limited
30, Mumbai Samachar Marg
Fort, Mumbai 400 001, India
Tel: (91 22) 2265 5207
Fax: (91 22) 2261 1138
Email : sidhartha.routray@icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray

IDBI Bank
P.M. Tower, 37,Greams Road
Thousands Lights,
Chennai 600 006, India
Tel: (91 44) 2829 2375
Fax: (91 44) 2829 5370
Email: s_narayan@idbibank.com
Contact Person: Ms. Sudha Hari Narayanan

ABN- AMRO Bank
ABN-AMRO Bank
N.V.18, Haddows Road
Chennai 600 006, India
Tel: (91 44) 4213 2931
Fax: (91 44) 2824 0951
Email : srija.doctor@in.abnamro.com
Contact Person: Ms Srija Doctor

Kotak Mahindra Bank Limited
4th Floor, Dani Corporate Park,
158, CST Road, Kalina Santacruz (East)
Mumbai-400 098
Tel: (91 22) 6759 4850
Fax: (91 22) 6648 2710
Email: ibrahim.sharief@kotak.com,
Mahesh.shekdar@kotak.com
Contact Person: Mr. Ibrahim Sharief /
Mahesh Shekdar

State Bank of India
New Issues and Securities Services Division
Mumbai Main Branch,
Mumbai Samachar Marg
P.B. No. 13, Fort , Mumbai 400 023, India
Tel : (91 22) 2266 2133
Fax: (91 22) 2267 0745
Email: mmbnewiss@sbi.co.in,
rajeev.kumar@sbi.co.in
Contact Person : Mr. Kannan Raj/
Mr. Rajeev Kumar

Punjab National Bank
Punjab National Bank Capital Services Branch
5, Sansad Marg
New Delhi 110 001
Tel : (91 11) 2373 7453
Fax: (91 11) 2373 7528
Email: bo4552@pnb.co.in
Contact person: Mr. Ajay Malhotra

Refund Bankers

HDFC Bank
Process House, 2nd Floor, Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai 400 013, India
Tel : (91 22) 2498 8484
Fax : (91 22) 2496 3871
Email : rahul.sampat@hdfcbank.com
Contact Person : Mr. Rahul Sampat

Kotak Mahindra Bank Limited
4th Floor, Dani Corporate Park
158, CST Road, Kalina,
Santacruz (East), Mumbai-400 098
Tel: (91 22) 6759 4850
Fax: (91 22) 6648 2710
Email: ibrahim.sharief@kotak.com
Mahesh.shekdar@kotak.com
Contact Person: Mr. Ibrahim Sharief /
Mahesh Shekdar

Bankers to the Company

Corporation Bank
101, Armenian Street, George Town Branch
Chennai 600 001, India
Tel: (91 44) 2534 1636
Fax: (91 44) 2534 2339
Email: cb005@corpbank.co.in
Contact Person: Mr. V. Gopalan

ICICI Limited
ICICI Towers, Bandra- Kurla Complex,
Bandra EastMumbai 400 051, India
Tel: (91 44) 4206 3123
Fax: (91 44) 2434 2588
Email: r.krishna@icicibank.com
Contact Person: Mr. R. M. Mathew

State Bank of Indore
Oriental House115, Broadway
Chennai 600 108, India
Tel: (91 44) 2538 3109
Fax: (91 44) 2538 3109
Email: sbn3220@sbindore.co.in
Contact Person: Mr. S. Ramesh Rao

State Bank of Travancore
Chennai Main Branch
United India Building,
Esplanade Chennai 600 108, India
Tel: (91 44) 2535 6317
Fax: (91 44) 2534 2538
Email: chennai@sbt.co.in
Contact Person: Mr. S. Santosh

Indian Bank
Adyar Branch
91 First Main Road, Gandhi Nagar
Chennai 600 020, India
Tel: (91 44) 2491 2616Fax: (91 44) 2440 3071
Email: ibadyar@indianbank.co.in
Contact Person: Mr. S. Baskaran

State Bank of Hyderabad
Industrial Finance Branch
45, II Line Beach, Chennai 600 001, India
Tel: (91 44) 2535 1372
Fax: (91 44) 2535 0059
Email: sbhifbchn@vsnl.net
Contact Person : Mr. Sudhakar Patnaik

State Bank of Patiala
30, Whites Road
Chennai 600 014, India
Tel: (91 44) 2852 1805
Fax: (91 44) 2852 1806
Email: sbp30wr@vsnl.net
Contact Person: Mr. V. Thiagarajan

State Bank of Bikaner and Jaipur
UTI House,29, Rajaji Salai
Chennai 600 001, India
Tel: (91 44) 2523 0282
Fax: (91 44) 2522 2326
Email: rschennai@sbbj.co.in
Contact Person: Mr. S. Bhushan Kumar

UCO Bank
Flagship Corporate Branch
212, Mount Road, Chennai 600 006, India
Tel: (91 44) 2852 4654
Fax: (91 44) 2852 0871
Email: ucomrche@vsnl.net
Contact Person: Mr. C. S. Vardarajan

State Bank of Mysore
Industrial Finance Branch
MOH Building576, Anna Salai
Chennai 600 006, India
Tel: (91 44) 2432 0173
Fax: (91 44) 2432 0174
Email: ifbchennai@sbm.co.in
Contact Person: Mr. S. Giridhar

State Bank of India
Settipalle Branch
Renigunta Road, Tirupati 517506, India
Tel: (91 877) 2275 381 Fax: (91 877) 2275583
Email: sa.06677@sbi.co.in
Contact Person: Mr. M. Bhaskaran

IDBI Bank
Chennai Main Branch
115, Anna Salai, Saidapet.
Chennai 600 015, India
Tel: (91 44) 2220 2248
Fax: (91 44) 2235 5226
Email: dr.jawahar@idibi.co.in
Contact Person: Mr. D. R. Jawahar

Auditors

Manohar Chowdhry and Associates, Chartered Accountants
New No. 10, Old No. 30, Arcot Street
T. Nagar, Chennai 600 017
Tamil Nadu, India
Tel: (91 44) 4264 1526
Fax: (91 44) 2431 0348
Email: grhari@mca.co.in
Contact Person: Mr. Hari GR., CA, Partner, Membership No. 206386

IPO Grading Agency

ICRA Limited
2nd Floor, Vayudooth Chambers,
Trinity Circle, 15-16, M.G Road
Bangalore 560 001
Karnataka, India
Tel: (91 80) 2555 0851
Fax: (91 80) 2559 4065
Email: jayantac@icraindia.com
Website: www.icra.in
Contact Person: Mr. Jayanta Chatterjee

Monitoring Agency

Industrial Development Bank of India Limited
SSD, 14th Floor, IDBI Tower
Cuffe Parade
Mumbai 400 005
Maharashtra, India
Tel: (91 22) 6655 2081
Fax: (91 22) 2215 5742
Email: raj.kumar@idbi.co.in
Website: www.idbi.com
Contact Person: Mr. Rajeev Kumar

Inter se allocation of Responsibilities between the Book Running Lead Managers

The responsibilities and co-ordination for various activities in this Issue are as under:

S. No.	Activity	Responsibility	Co-ordinator
1	Capital structuring with the relative components and f ormalities such as type of instruments, etc.	SBICAP,KMCC, UBS, CLSA	UBS
2.	Finalisation of ESOP scheme, restructuring of Board, approvals from Board and Shareholders for Issue & Audit of Accounts as per SEBI DIP Guidelines	SBICAP,KMCC, UBS, CLSA	UBS
2.	Due diligence of the Company's operations / management / business plans/legal etc. Drafting and design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange (including co-ordination with Stock Exchanges for book building software, bidding terminals and mock trading), Registrar of Companies and SEBI, including finalization of Prospectus and filing the same with the Registrar of Companies.	SBICAP,KMCC, UBS, CLSA	SBICAP
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, corporate films etc	SBICAP,KMCC, UBS,CLSA	UBS
4.	Appointment of registrar and bankers to the Issue	SBICAP,KMCC, UBS, CLSA	KMCC
5.	Appointment of printer and advertisement agency	SBICAP,KMCC, UBS, CLSA	SBICAP
6.	Non institutional and retail marketing of the Issue, which will cover inter alia, ● Formulating marketing strategies, preparation of publicity budget ● Finalize media and public relations strategy. Finalizing centers for holding conferences for brokers, etc. ● Finalize collection centers ● Follow-up on distribution of publicity and offer material including form, prospectus and deciding on the quantum of the offer material	SBICAP,KMCC, UBS, CLSA	KMCC
7.	Domestic Institutional marketing of the Issue, which will cover, inter alia, ● Institutional marketing strategy. Finalizing the list and division of investors for one to one meetings, and ● Finalizing road show schedule and investor meeting schedules	SBICAP,KMCC, UBS, CLSA	KMCC

S. No.	Activity	Responsibility	Co-ordinator
8	Institutional marketing of the Issue, which will cover, inter alia, ● Institutional marketing strategy including road-show marketing presentation and FAQ preparation ● Finalizing the list and division of investors for one to one meetings, and ● Finalizing road show schedule and investor meeting schedules	SBICAP,KMCC, UBS, CLSA	UBS
9	Managing the book and finalisation of pricing in consultation with the company	SBICAP,KMCC, UBS, CLSA	KMCC
10.	Post bidding activities including management of escrow accounts, co-ordination of allocation, intimation of allocation and dispatch of refunds to bidders, etc. The post issue activities for the Issue will involve essential follow-up steps including finalisation of trading and dealing of instruments and dispatch of certificates and demat and delivery of shares with the various agencies connected with the work such as the Registrar(s) to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with our Company	SBICAP,KMCC, UBS, CLSA	KMCC

Even if many of these activities will be handled by other intermediaries, the designated BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with our Company.

Credit Rating

As the Issue is of equity shares, credit rating is not required.

IPO Grading

This Issue being has been graded by ICRA Limited as IPO Grade 3 indicating average fundamentals, pursuant to Clauses 2.5A, 5.6B and 6.17.3A of the SEBI Guidelines.

As per the rationale provided by ICRA Limited the rating of IPO Grade 3 assigned by ICRA Limited reflects BGR's established track record in implementing BOP contracts for power projects, its in-house design engineering capabilities, and its strong order book position, besides the favourable prospects for its business in the power sector. BGR's technical collaborations with foreign licensors have enabled the company absorb the technology required for design engineering and manufacturing of products such as air-fin coolers, deareators, water treatment systems, and oil and gas equipment over the past few years. The Company's products business, although currently small in terms of contribution to overall revenues, offer considerable growth potential and also support its competitive advantage in power project contracts. These strengths, along with buoyant investment in the power generation segment, have led to BGR reporting a revenue growth of 80% (annualised) in 2006-07. The grading also takes due note of the fact that despite moderate profit margins, BGR's returns on capital employed and on net worth have remained strong (24.2% and 39.3% respectively, in 2006-07) because of the low fixed-capital intensity of its business.

The grading is however constrained by the increasing competitive pressures from both domestic and international players in all of BGR's business segments, the Company's high working capital intensity, and the sensitivity of its operating profits to fluctuations in the prices of basic raw materials and bought-out components (given the fixed-price nature of contracts in the project business). ICRA further notes that BGR does not have facilities for manufacture of critical plant equipments such as BTG. This makes it critical for the Company to be able to tie up with OEMs for sourcing of BTG while bidding for the entire portion of EPC contracts for power projects. Also, BGR's success at recruiting engineers and retaining its key management/experienced personnel, and its ability to execute contracts in a timely manner without cost overruns, given the anticipated growth in business volumes, would remain critical factors from the grading perspective.

Trustees

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

Project Appraisal

There is no project being appraised.

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company and the Selling Shareholders;
2. The BRLMs;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members are appointed by the BRLMs; and
4. Registrar to the Issue.

In terms of Rule 19 (2)(b) of the SCRR this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For further details on the terms of the Issue see "Terms of the Issue" on page 328.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and procure subscriptions to the Issue.

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

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

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

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

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

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see "Issue Procedure - Who Can Bid" on page338);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your bid amount is greater than Rs. 50,000, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see "Issue Procedure -'Permanent Account Number' or 'PAN' or 'GIR' Number" on page 355); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLMs, reserve the right not to proceed with the Issue at anytime including after the Bid/ Issue Closing Date, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for only after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

Bid/Issue Programme

Bidding/Issue Period

BID/ISSUE OPENS ON	**WEDNESDAY, DECEMBER 05, 2007**
BID/ISSUE CLOSES ON	**WEDNESDAY, DECEMBER 12, 2007**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form and uploaded until such time as permitted by the BSE and the NSE on the Bid/ Issue Closing Date.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case no later than 3 p.m (IST) on the Bid/Issue Closing Date. Bidders are cautioned that a large number of bids are received on the Bid/Issue closing date. In the past in some public issues, some Bids have not been uploaded due to lack of sufficient time to upload; such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on Business Days.

We reserve the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

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

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to the filing of the Prospectus with the RoC, our Company and Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein. The Underwriting Agreement is dated **[●]** and has been approved by the Company’s Board of Directors.

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

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

Details of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten *(Rs. In Million)*
SBI Capital Markets Limited, 202, Maker Tower ECuffe Parade Mumbai 400 005, India SEBI Registration Number: INM000003531	**[●]**	**[●]**
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India SEBI Registration Number: INM 000008704	**[●]**	**[●]**
UBS Securities India Private Limited 2/F, Hoechst HouseNariman Point Mumbai 400 021, India SEBI Registration Number: INM000010809	**[●]**	**[●]**
CLSA India Limited 8/F, Dalamal House, Nariman Point, Mumbai 400 021, India SEBI Registration Number: INM000010619	**[●]**	**[●]**
Kotak Securities Limited Bakhtawar, 1st Floor 229, Nariman Point Mumbai 400 021, India SEBI Registration Number: NSE: INB 230808130, BSE: INB 010808153	**[●]**	**[●]**
SBICAP Securities Limited 191, Market Tower F, Cuffe Parade Mumbai 400 005, India SEBI Registration Number: NSE: INB231052938, BSE: INB011053031	**[●]**	**[●]**

The above mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under S. 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors, at its meeting held on **[●]**, has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to Equity Shares to the extent of the defaulted amount.

CAPITAL STRUCTURE

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

(In Rupees, except share data)

		Aggregate Nominal Value	Aggregate Value at Issue Price
A)	**AUTHORISED SHARE CAPITAL**		
100,000,000	Equity Shares of Rs. 10 each	1,000,000,000	
B)	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**		
64,800,000	fully paid up Equity Shares of Rs. 10 each*	648,000,000	
C)	**PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS**		
9,136,000	Equity Shares of Rs. 10 each	91,360,000	[●]
	Out of which		
	a) Fresh Issue[1]		
4,320,000	Equity Shares of Rs. 10 each	43,200,000	
	b) Offer for Sale[2]		
4,816,000	Equity Shares of Rs. 10 each	48,160,000	
D)	**EMPLOYEE RESERVATION PORTION**		
500,000	EquityShares of Rs. 10 each	5,000,000	
E)	**NET ISSUE TO THE PUBLIC**		
8,636,000	Equity Shares of Rs. 10 each	86,360,000	
F)	**EQUITY CAPITAL AFTER THE ISSUE**		
72,000,000	Equity Shares of Rs. 10 each**	720,000,000	[●]
G)	**SHARE PREMIUM ACCOUNT**		
	Before the Issue	Nil	
	After the Issue	[●]	

**Our Company has entered into agreements dated November 6, 2007 with certain investors for a placement of 2,880,000 Equity Shares and a transfer by our Promoter of 1,440,000 Equity Shares. The Company proposes to complete the above transactions after the closing of the Bidding / Isssue Period and before the Allotment of Equity Shares in the Issue to successful Bidders. For details of the same see "History and Certain Corporate Matters" on page 115.*

*** The equity capital of our Company upon completion of the Issue, assuming full exercise of all the outstanding options under ESOP 2007, will comprise 72,704,770 Equity Shares. For details, refer to Note 5 of the Notes to the Capital Structure. This includes a placement of 2,880,000 Equity Shares and a transfer by our Promoter of 1,440,000 Equity Shares. The Company proposes to complete the above transactions after the closing of the Bidding/Issue Period and before the Allotment of Equity Shares in the Issue to successful Bidders*

Notes:

1. The Fresh Issue has been authorized by a resolution of our Board dated July 7, 2007 and by special resolution passed pursuant to S. 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on July 11, 2007.

2. The Offer for Sale has been authorized by the Selling Shareholders as follows:

S. No.	Selling Shareholder	No. of Shares Offered	Date of Consent
1.	Mr. B.G. Raghupathy	2,502,000	July 2, 2007
2.	Ms. Sasikala Raghupathy	2,314,000	July 2, 2007
	Total	**4,816,000**	

Changes in the Authorised Share Capital of the Company since Incorporation:

1. The authorized share capital of our Company was increased from Rs. 2,500,000 consisting of 250,000 Equity Shares to Rs. 10,000,000 consisting of 1,000,000 Equity Shares by means of a resolution of our shareholders at their Annual General Meeting dated December 24, 1992.

2. The authorized capital of our Company of Rs. 10,000,000 comprising 1,000,000 Equity Shares was increased to Rs. 30,000,000 consisting of 3,000,000 Equity Shares in accordance with a resolution of our shareholders passed at the Annual General Meeting of our Company dated September 26, 1994.

3. The authorized capital of our Company of Rs. 30,000,000 comprising 3,000,000 Equity Shares was increased to Rs. 60,000,000 consisting of Rs 6,000,000 Equity Shares in accordance with a resolution of our shareholders passed at the Annual General Meeting of our Company dated July 15, 1995.

4. The authorized capital of our Company of Rs. 60,000,000 comprising 6,000,000 Equity Shares was increased to Rs. 150,000,000 consisting of 15,000,000 Equity Shares in accordance with a resolution of our shareholders passed at the Annual General Meeting of our Company dated March 29, 2004.

5. The authorized capital of our Company of Rs. 150,000,000 consisting of 15,000,000 Equity Shares was increased to Rs 1,000,000,000 consisting of 100,000,000 Equity Shares in accordance with a resolution of our shareholders passed at the Annual General Meeting of our Company dated July 11, 2007.

Notes to the Capital Structure

1. Share Capital History

*(a) Equity Share Capital History of our Company**

Date of allotment of the Equity Shares	Allotted To	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative number of Equity Shares	Cumulative Issued Capital (Rs.)	Cumulative Share Premium (Rs.)
February 18, 1985	Mr. B.G. Raghupathy (our Promoter) and Mr. N.N. Nanda	2[1]	10	10	Cash	Subscription to memorandum	2	20	Nil
July 21, 1986	Mr. B.G Raghupathy (our Promoter) and Mr. S.K. Sridhar, Mr. V. Thangaraj and Mr. D. Bhoopathy	25,030[2]	10	10	Cash	Preferential Allotment	25,032	250,320	Nil
April 14, 1987	Mr. B.G. Raghupathy (our Promoter) and Mr. S.K. Sridhar	14,679[3]	10	10	Cash	Preferential Allotment	39,711	397,110	Nil
April 25, 1987	Mr. B.G. Raghupathy (our Promoter)	3,100[4]	10	10	Cash	Preferential Allotment	42,811	428,110	Nil
May 25, 1987	Mr. B.G. Raghupathy (our Promoter) Mr. G. Radhakrishnan, M/s K E Ess Electricals and Electronics Private Limited, and Ms. Sasikala Raghupathy (A Promoter Group Individual)	15,955[5]	10	10	Cash	Preferential Allotment	58,766	587,660	Nil
June 10, 1987	Mr. B.G. Raghupathy (our Promoter) and Ms. Sasikala Raghupathy (A Promoter Group Individual)	31,234[6]	10	10	Cash	Preferential Allotment	90,000	900,000	Nil
September 6, 1987	GEA EnergieTechnik Gmbh	60,000[7]	10	10	Cash	Preferential Allotment	150,000	1,500,000	Nil
March 31, 1994		750,000	10	-	Bonus	Bonus issue in the ratio 5:1	900,000	9,000,000	Nil
December 30, 1994		1,800,000	10	-	Bonus	Bonus issue in the ratio 2:1	2,700,000	27,000,000	Nil
January 24, 1996		2,700,000	10	-	Bonus	Bonus issue in the ratio 1:1	5,400,000	54,000,000	Nil
July 14, 2004		5,400,000	10	-	Bonus	Bonus issue in the ratio 1:1	10,800,000	108,000,000	Nil
July 18, 2007		54,000,000	10	-	Bonus	Bonus in the ratio 5:1	64,800,000	648,000,000	Nil

1. Allotment of oone Equity Share each to Mr. B.G. Raghupathy and Mr. N.N. Nanda.
2. Allotment of 25,000 Equity Shares to Mr. B.G Raghupathy and ten Equity Shares each to Mr. S.K. Sridhar, Mr. V. Thangaraj and Mr. D. Bhoopathy.
3. Allotment of 13,179 Equity Shares to Mr. B.G. Raghupathy and 1,500 Equity Shares to Mr. S.K. Sridhar.
4. Allotment of 3,100 Equity Shares to Mr. B.G. Raghupathy.
5. Allotment of 12,300 Equity Shares to Mr. B.G. Raghupathy, 2,100 Equity Shares to Ms. Sasikala Raghupathy, 1,550 Equity Shares to Mr. G. Radhakrishnan and five Equity Shares to M/s K.E. Ess Electricals and Electronics Private Limited.
6. Allotment of 30,060 Equity Shares to Ms. Sasikala Raghupathy and 1,174 Equity Shares to Mr. B.G. Raghupathy.
7. Allotment of 60,000 Equity Shares to GEA EnergieTechnik Gmbh.

* *Our Company has entered into agreements dated November 6, 2007 with certain investors for a placement of 2,880,000 Equity Shares and a transfer by our Promoter of 1,440,000 Equity Shares. The Company proposes to complete the above transactions after the closing of the Bidding Period and before the Allotment of Equity Shares in the Issue to successful Bidders. For details of the same see "History and Certain Corporate Matters" on page 115.*

2. Promoters' Contribution and Lock-in

All Equity Shares, which are being locked in are eligible for computation of promoters' contribution as per Clause 4.6 of the SEBI Guidelines and are being locked-in under Clause 4.11 of the SEBI Guidelines.

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

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

Name	Date of Allotment/ Acquisition	Date when made fully paid-up	Nature of Allotment	Nature of Consideration (Cash, bonus, kind, etc.)	No. of shares locked in	Face Value (Rs.)	Issue Price/ Purchase Price (Rs.)	Percentage of Post-Issue paid-up capital**
Mr. B.G. Raghupathy	July 18, 2007	July 18, 2007	Bonus issue in the ratio 5:1	Bonus	14,400,000	10	Bonus	20%

b) Historical Build up of capital in our Company of our Promoter and certain of our Promoter Group Companies

Name	Date of allotment / Acquisition	No. of Equity Shares	Face Value (Rs.)	Price (Rs.)	Mode of Acquisiton
Mr. B.G. Raghupathy	March 10, 1985	1	10	10	Subscription to Memorandum
	July 21, 1986	25,000	10	10	Allotment
	April 14, 1987	13,179	10	10	Allotment
	April 25, 1987	3,100	10	10	Allotment
	May 25, 1987	12,300	10	10	Allotment
	June 10, 1987	1,174	10	10	Allotment
	February 22, 1988	1	10	10	Transfer
	March 31, 1994	273,775	10	-	Bonus
	December 30, 1994	657,060	10	-	Bonus
	January 24, 1996	985,590	10	-	Bonus
	July 14, 2004	1,971,180	10	-	Bonus
	July 18, 2007	19,711,800	10	-	Bonus
	TOTAL	**23,654,160**			
Arjun Securities Private Limited	March 31, 1994	10,000	10	50	Transfer
	March 31, 1994	10	10	50	Transfer
	March 31, 1994	500	10	50	Transfer
	March 31, 1994	52,550	10	-	Bonus
	December 30, 1994	126,120	10	-	Bonus
	January 24, 1996	189,180	10	-	Bonus
	July 14, 2004	378,360	10	-	Bonus
	July 18, 2007	3,783,600	10	-	Bonus
	TOTAL	**4,540,320**			
Vani Securities Private Limited	March 31, 1994	10	10	50	Transfer
	March 31, 1994	10,000	10	50	Transfer
	March 31, 1994	1,000	10	50	Transfer
	March 31, 1994	55,050	10	-	Bonus
	September 19, 1994	1,550	10	50	Transfer
	September 19, 1994	7,750	10	50	Transfer
	September 19, 1994	5	10	50	Transfer
	September 19, 1994	25	10	50	Transfer
	December 30, 1994	150,780	10	-	Bonus
	January 24, 1996	226,170	10	-	Bonus
	July 14, 2004	452,340	10	-	Bonus
	July 18, 2007	4,523,400	10	-	Bonus
	TOTAL	**5,428,080**			

Name	Date of allotment / Acquisition	No. of Equity Shares	Face Value (Rs.)	Price (Rs.)	Mode of Acquisiton
Priya Securities Private Limited	March 31, 1994	20,000	10	50	Transfer
	March 31, 1994	100,000	10	-	Bonus
	December 30, 1994	240,000	10	-	Bonus
	January 24, 1996	360,000	10	-	Bonus
	July 14, 2004	720,000	10	-	Bonus
	July 18, 2007	7,200,000	10	-	Bonus
	TOTAL	**8,640,000**			
Swarna Leasing Private Limited	March 31, 1994	20,000	10	50	Transfer
	March 31, 1994	100,000	10	-	Bonus
	December 30, 1994	240,000	10	-	Bonus
	January 24, 1996	360,000	10	-	Bonus
	July 14, 2006	720,000	10	-	Bonus
	July 18, 2007	7,200,000	10	-	Bonus
	TOTAL	**8,640,000**			

c) Details of share capital locked in for one year:

In terms of clause 4.14.1 of the SEBI Guidelines, in addition to 20% of post-Issue shareholding of our Company, held by the Promoter and locked-in for three years, as specified above, and other than 4,816,000 Equity Shares being offered by way of an Offer for Sale which are exempt from lock in, our entire pre-Issue equity share capital constituting 48,464,000 Equity Shares will be locked-in for a period of one year from the date of Allotment in this Issue.

In terms of Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Further, in terms of clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and among the Promoter group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable.

Locked-in securities held by promoters may be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan and further that the loan has been granted by such banks or financial institutions for the purposes of financing one or more of the Objects of the Issue.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended.

3. Our shareholding pattern

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue, and the Offer for Sale by the Selling Shareholders:

	Pre-Issue		**Post-Issue**	
	No. of shares	**%**	**No. of shares**	**%**
Promoter				
Mr. B.G. Raghupathy	23,654,160	36.50	19,712,160	27.38
Promoter Group				
Ms. Sasikala Raghupathy	13,893,120	21.44	11,579,120	16.08
Swarna Leasing Private Limited	8,640,000	13.33	8,640,000	12.00
Priya Securities Private Limited	8,640,000	13.33	8,640,000	12.00
Vani Securities Private Limited	5,428,080	8.38	5,428,080	7.54
Arjun Securities Private Limited	4,540,320	7.01	4,540,320	6.30
Mr. S. K. Sridhar	4,320	0.01	4,320	0.01
Sub Total	64,800,000	100.00	58,544,000	81.31
Pre-IPO Investors*				
Gautam Nayak & Keshav Bhujle as trustees of:				
CVCIGP II Ajay Relan Trust	Nil	0.00	11,111	0.02
CVCIGP II Vivek Chhachhi Trust	Nil	0.00	1,111	0.00**
CVCIGP II Jayanta Kumar Basu Trust	Nil	0.00	444	0.00**
CVCIGP II P R Srinivasan Trust	Nil	0.00	1,111	0.00**
CVCIGP II Ajay Tandon Trust	Nil	0.00	222	0.00**
CVCIGP II Vinayak Shenvi Trust	Nil	0.00	444	0.00**
CVCIGPII Client Rosehill Limited	Nil	0.00	1,836,822	2.55
CVCIGPII Employee Rosehill Limited	Nil	0.00	1,028,735	1.43
Reliance Capital Trustee Company Limited A/c Reliance Diversified Power Sector Fund	Nil	0.00	1,440,000	2.00
Sub Total	*Nil*	*0.00*	*4,320,000*	*6.00*
Public	Nil	0.00	8,636,000	11.99
Employees	Nil	0.00	500,000***	0.70
Total	**64,800,000**	**100.00**	**72,000,000**	**100.00**

* Our Company has entered into agreements dated November 6, 2007 with certain investors for a placement of 2,880,000 Equity Shares and a transfer by our Promoter of 1,440,000 Equity Shares. The Company proposes to complete the above transactions after the closing of the Bidding / Issue Period and before the Allotment of Equity Shares in the Issue to successful Bidders. For details of the same see History and Certain Corporate Matters on page 115.

** Less than 0.01%

*** *Assuming full subscription to the employee reservation portion*

The following Directors hold Equity Shares:

S. No.	Name	Number of Equity Shares Held Pre Issue	Percentage of Pre Issue Share Capital (%)	Number of Equity Shares held Post Issue	Percentage of Post Issue Share Capital (%)
1.	Mr. B.G. Raghupathy	23,654,160	36.50	19,712,160	27.38
2.	Mrs. Sasikala Raghupathy	13,893,120	21.44	11,579,120	16.08
	Total	**37,547,280**	**57.94**	**31,291,280**	**43.46**

4. Top seven shareholders

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

(a) Our top seven shareholders and the number of Equity Shares held by them as on the date of filing this Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares Held	Percentage (%)
1.	Mr B.G. Raghupathy	23,654,160	36.50
2.	Ms. Sasikala Raghupathy	13,893,120	21.44
3.	Swarna Leasing Private Limited	8,640,000	13.33
4.	Priya Securities Private Limited	8,640,000	13.33
5.	Vani Securities Private Limited	5,428,080	8.38
6.	Arjun Securities Private Limited	4,540,320	7.01
7.	Mr. S. K. Sridhar	4,320	0.01
	Total	**64,800,000**	**100.00**

(b) Our top seven shareholders and the number of Equity Shares held by them ten days prior to filing of this Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares Held	Percentage (%)
1.	Mr B.G. Raghupathy	23,654,160	36.50
2.	Ms. Sasikala Raghupathy	13,893,120	21.44
3.	Swarna Leasing Private Limited	8,640,000	13.33
4.	Priya Securities Private Limited	8,640,000	13.33
5.	Vani Securities Private Limited	5,428,080	8.38
6.	Arjun Securities Private Limited	4,540,320	7.01
7.	Mr. S. K. Sridhar	4,320	0.01
	Total	**64,800,000**	**100.00**

(c) Our top seven shareholders and the number of Equity Shares held by them as of two years prior to filing this Red Herring Prospectus were as follows:

S. No.	Shareholder	No. of Equity Shares Held	Percentage (%)
1.	Mr B.G. Raghupathy	3,942,360	36.50
2.	Ms. Sasikala Raghupathy	2,315,520	21.44
3.	Swarna Leasing Private Limited	1,440,000	13.33
4.	Priya Securities Private Limited	1,440,000	13.33
5.	Vani Securities Private Limited	904,680	8.38
6.	Arjun Securities Private Limited	756,720	7.01
7.	Mr. S. K. Sridhar	720	0.01
	Total	**10,800,000**	**100.00**

5. Employee stock option plan

We have one employee stock option plan.

The ESOP 2007 was adopted by our shareholders on July 11, 2007 with the object of securing greater employee participation by providing a reward for loyalty and commitment to the Company, as an incentive to attract, retain and reward employees and motivate such employees to contribute to the growth and profitability of the Company. We had no stock option plans in place for the employees of the Company prior to implementation of ESOP 2007. The ESOP 2007 is in compliance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

ESOP 2007 provides for grant of options amounting to not more than 1.5% of the issued and paid up equity capital of the Company outstanding at any point of time to officers, directors and key employees to purchase Equity Shares of face value of Rs. 10 each, with each such option conferring a right upon the employee to apply for one Equity Share of the Company, in accordance with the terms and conditions of such issue.

We have granted 704,770 options under ESOP 2007 on July 18, 2007 to eligible employees based, among other things, on their criticality, length of service and future potential. No Equity Shares have been issued as of the date of this Red Herring Prospectus under ESOP 2007.

No employee has received options entitling him/her to subscribe to more than 1% of the equity share capital of the Company.

Particulars	Data for the last three years
Options granted	704,770
Exercise price of options	85% of the Issue Price
Total options vested (including options exercised)	Nil
Options exercised	Nil
Total number of Equity Shares arising as a result of full exercise of options already granted	704,770
Options forfeited/ lapsed/ cancelled	Nil
Variations in terms of options	None
Money realised by exercise of options	None
Options outstanding (in force)	704,770

Person wise details of options granted to

i)	Directors and key managerial employees**			
ii)	Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year			
		Name of employee	**Fiscal**	**No. of options granted**
			None	
iii)	Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant		None	
	Fully diluted EPS on a Pre-Issue basis for Fiscal 2007		5.98	
	Vesting Schedule		Maximum time of four years	
	Lock-in		Nil	
	Impact on profits and EPS of the last three years		Nil	

**Details regarding options granted under ESOP 2007 are set forth below:

Name of director/ Key Managerial Personnel	No. of options granted	No. of options exercised	No. of options outstanding
Mr. S. Rathinam	20,000	Nil	20,000
Mr. V.R. Mahadevan	20,000	Nil	20,000
Mr. A. Swaminathan	43,590	Nil	43,590
Major H.L Khajuria	15,680	Nil	15,680
Mr. R. Ramesh Kumar	20,000	Nil	20,000
Mr. G. Suresh	18,670	Nil	18,670
Mr. V. Balakrishnan	12,950	Nil	12,950
Mr. S. Ilanchezhiyan	11,000	Nil	11,000
Mr. N Murali	13,740	Nil	13,740
Mr. P.R. Easwar Kumar	11,000	Nil	11,000

There were no stock options granted during the previous three years where the exercise price is either less than fair market price or is greater than the market price.

There are no options that would vest prior to July 2008, except under any exceptional circumstances such as death or permanent incapacity of an employee, accordingly there are no Equity Shares arising pursuant to the exercise of options for a period of three months after the listing of the Equity Shares of the company pursuant to this Issue which would be sold during the above-referenced period of three months. This disclosure is made in accordance with paragraphs 15.3(b) and 15.3(c) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended.

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

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

At least 60% of the Net Issue, that is 5,181,600 Equity Shares shall be available for allocation on a proportionate basis to QIBs, out of which 5% that is, 259,080 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Not less than 10% of the Net Issue, i.e. 863,600 Equity Shares shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue, that is 2, 590,800 Equity Shares shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 500,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees subject to valid Bids being received at or above the Issue Price.

8. Under-subscription, if any, in the Retail or Non Institutional Portion would be met with spill over from other categories or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the company, the selling shareholders and the BRLMs. In case of under-subscription in the Net Issue, spillover to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

9. Except allotment of Equity Shares pursuant to the bonus issue, and the transfer of 1,440,000 shares from the Promoter to certain investors as part of the transfer by the Promoter in the Pre-IPO Placement, the Directors, the Promoter or the Promoter Group have not purchased or sold any securities of our Company, during a period of six months preceding the date of filing this Red Herring Prospectus with SEBI.

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

11. Our Company has entered into agreements dated November 6, 2007 with certain investors for a placement of 2,880,000 Equity Shares and a transfer by our Promoter of 1,440,000 Equity Shares. The Company proposes to complete the above transactions after the closing of the Bidding/Issue Period and before the Allotment of Equity Shares in the Issue to successful Bidders. For details of the same see "History and Certain Corporate Matters" on page 115.. Subject to the Pre-IPO Placement and transfer and except as disclosed in this Red Herring Prospectus, there will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.

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

13. As on the date of this Red Herring Prospectus, the total number of holders of Equity Shares are seven, excluding holders of options outstanding under ESOP 2007.

14. We have not raised any bridge loans against the Net proceeds.

15. We have not issued any Equity Shares out of revaluation reserves. Further, except as disclosed in this Red Herring Prospectus, we have not issued any Equity Shares for consideration other than cash except for the bonus Equity Shares issued out of free reserves.

16. Other than options granted under the ESOP 2007 as set forth in note 5 above, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into the Equity Shares.

17. The Equity Shares held by the Promoter are not subject to any pledge.

18. Our Promoter and members of our Promoter Group will not participate in this Issue.

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

OBJECTS OF THE ISSUE

The objects of the Issue are to (a) augment long term working capital requirements, (b) expand our production capacity by establishing additional manufacturing facilities in India, China and the Middle East, (c) fund expenditure for general corporate purposes and (d) achieve the benefits of listing on the Stock Exchanges.

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

The Issue consists of a Fresh Issue of 4,320,000 Equity Shares and an Offer for Sale of 4,816,000 Equity Shares by the Selling Shareholders. The Company will not receive any proceeds from the Offer for Sale.

Our Company has entered into agreements dated November 6, 2007 with certain investors for a placement of 2,880,000 Equity Shares and a transfer by our Promoter of 1,440,000 Equity Shares. The Company proposes to complete the above transactions after the closing of the Bidding / Issue Period and before the Allotment of Equity Shares in the Issue to successful Bidders. For details of the same see History and Certain Corporate Matters on page 115.

Under the agreements, the investors have agreed to subscribe to or purchase 4,320,000 equity shares of our Company in the following manner:

Investor	**Number of Shares**	**Payment terms**
Gautam Nayak & Keshav Bhujle as trustees of:		
CVCIGP II Ajay Relan Trust	11,111	Subscription at the price of Rs. 450 per share or the Issue Price, whichever is lower
CVCIGP II Vivek Chhachhi Trust	1,111	
CVCIGP II Jayanta Kumar Basu Trust	444	
CVCIGP II P R Srinivasan Trust	1,111	
CVCIGP II Ajay Tandon Trust	222	
CVCIGP II Vinayak Shenvi Trust	444	
CVCIGPII Client Rosehill Limited	1,836,822	
CVCIGPII Employee Rosehill Limited	1,028,735	
CVC (Sub Total)	*2,880,000*	
Reliance Capital Trustee Company Limited A/c Reliance Diversified Power Sector Fund	*1,440,000*	Purchase at the price of Rs. 450 per share
Total	**4,320,000**	

Pursuant to the above, our Company expects to raise a maximum of approximately Rs. 1,296 million and a minimum of Rs. 1,224 million from the placement of shares to the CVCIGP II Investors. Upon the determination of the Issue Price, the Objects of the Issue will be reduced to the extent of moneys raised from the said placement.

Expenses related to the Issue, including underwriting and management fees, selling commissions and other expenses will be borne by our Company and the Selling Shareholders in proportion to the shares contributed to the Issue.

We intend to utilize the proceeds of the Fresh Issue, after deducting the Company's share of the underwriting and management fees, selling commissions and other expenses associated with the Issue ("Net Proceeds"), which is estimated at Rs. [●] in the manner set forth below:

(In Rs. Million)

S. No.	Expenditure Items	Total cost	Estimated amount to be financed from Net Proceeds of the Issue	Estimated Net Proceeds utilization as onMarch 31,	
				2008	2009
1.	Augment long term working capital requirements	2,145	1,250	1,250	
2.	Establish manufacturing and assembly facilities	826	800	418	382
3.	Fund expenditure for general corporate purposes	[●]	[●]	[●]	[●]
	Total	**[●]**	**[●]**	**[●]**	**[●]**

The difference between the total cost and the Net Proceeds of the Issue will be met from internal accruals and/ or debt.

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution. These are based on current conditions and are subject to change in light of changes in external circumstances or costs, other financial conditions, business or strategy, as discussed further below.

In case of variations in the actual utilization of funds allocated for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through our internal accruals and/or debt.

We operate in a competitive and dynamic market, and may have to revise our estimates from time to time on account of new projects that we may pursue, including any industry consolidation initiatives, such as potential acquisition opportunities. We may also reallocate expenditure to newer projects or those with earlier completion dates in the case of delays in our existing projects. Consequently, our fund requirements may also change accordingly. Any such change in our plans may require rescheduling of our expenditure programs, starting projects which are not currently planned, discontinuing projects currently planned and an increase or decrease in the expenditure for a particular project or land acquisition in relation to current plans, at the discretion of the management of the Company. In case of any shortfall or cost overruns, we intend to meet our estimated expenditure from our cash flow from operations and/or debt.

Details of the Objects

Augment Long Term Working Capital Requirements

Our business is working capital intensive and requires significant amount of working capital. We avail a major portion of working capital in the ordinary course of our business from our banks as loans. As of the date of this Red Herring Prospectus, the Company has received sanction of aggregate fund based limits of Rs. 8,020 million and non fund based limits of Rs. 11,050 million. As per the lending practice of our banks, we are required to bring in part of the working capital out of net owned funds. Net owned funds are required is to be provided by shareholders by way of share capital, share premium and reserves and surplus.

The working capital requirements set forth below are our estimates based on past experience and projections for the future. We propose to uitlize Rs. 1,250 million towards our working capital requirements. The basis of our estimates of working capital requirements are provided below:

Funding Long Term Working Capital Requirements

(Rs. in Million)

S. No.	Particulars	As at March 31, 2007	As at March 31, 2008 (Estimated)
1	**Current Assets**		
	Inventories	262.24	592.50
	Debtors	3,456.18	5,130.90
	Loans and Advances	858.42	1,213.59
	Total	**4,576.84**	**6,936.99**
2	**Current Liabilities**	**2,953.12**	**2,422.50**
	Sundry Creditors	836.87	592.50
	Other Current Liabilities	**2,116.25**	**1,830.00**
3	**Working Capital Requirements**	**1,623.72**	**4,514.49**
4	Cash Margin held with Bank for Non Fund Limits	921.14	1,272.50
5	**Total Working Capital Requirement**	**2,544.86**	**5,786.99**
	Financed by:		
	Banks	2,230.70	3,572.23
	Own Funds	314.16	964.76
	Part Proceeds of the Issue		**1,250.00**
	Total	**2,544.86**	**5,786.99**

Assumptions for Working Capital Requirements

S. No.	Particulars	Number of Days Outstanding	Number of Days Outstanding
1	Inventories	12	13
2	Debtors	161	106
3	Creditors	56	16

Investment in establishment of manufacturing and assembly facilities

We currently own and operate a manufacturing facility at Panjetty, near Chennai and operate another facility through our subsidiary Progen the same location,for the manufacture of our various products by us. We propose to increase our manufacturing base and capacity by establishing manufacturing facilities for air fin coolers, deaerators, desalination plants, water treatment plants, effluent treatment plants, gas conditioning skids, pipeline pig launchers and receivers, gas compressor packages, pressure vessels, heat exchangers and finned tubes.

We currently supply our products to customers at locations around the world from our manufacturing facilities located in India. We propose to extend our operations to locations in the Middle East and China by establishing facilities at these locations. We believe that this will enable us to reduce our delivery times and increase the cost efficiency of our operations and also give us greater proximity and access to our customers.

(In Rs. Million)

S. No.	Project	Funds Requirement	Deployment in Fiscal 2008	Deployment in Fiscal 2009
1.	Facility in the Mundra Multi Sectoral Special Economic Zone. Kutch, India	271.94	144.27	127.67
2.	Bahrain International Investment Park, Bahrain	335.12	174.60	160.52
3.	Langfang, China	218.90	99.47	119.43
4.	**Total**	**825.96**	**418.33**	**407.63**

Investment in establishment of manufacturing facilities in the Mundra Special Economic Zone

We propose to establish a manufacturing unit at the Mundra Special Economic Zone in Kutch which has been notified as a Multi Sectoral Special Economic Zone. We believe that establishing facilities in a special economic zone will enable us to avail certain benefits for which such units are eligible. We further believe that such benefits will help us optimize our operational and manufacturing costs.

We estimate to incur an expenditure of approximately Rs. 271.94 million towards the establishment of this manufacturing facility. The break-down of the expenditure is as set forth below:

(In Rs. Million)

S.No.	Item	Funds Requirement	Deployment in Fiscal 2008	Deployment in Fiscal 2009
1.	Lease expenditure	33.18	33.18	0.00
2.	Infrastructure			
	● Building Expenditure	95.32	76.26	19.06
	● Electrical Installation	1.89	-	1.89
3.	Other infrastructure expenses	2.20	-	2.20
4.	Plant and Machinery	139.36	34.84	104.52
	Total	**271.94**	**144.27**	**127.67**

Lease Expenditure: We propose to locate this facility in approximately 5 acres (217,806.55 square feet) of developed space which we intend to lease for a preliminary period of 25 years. In addition to a one time infrastructure lease payment of Rs. 32.37 towards water supply, sanitary, effluent treatment and disposal facilities, we further expect to incur an expenditure of approximately Rs. 0.81 million annually towards such space. This estimate is based on an estimate dated June 28, 2007 from the Mundra Port and Special Economic Zone Limited. We have not entered into a lease agreement for the above premises as yet. For risks associated with our proposed utilization of the Net Proceeds of the Issue, refer to Risk Factors on page xvi.

Building Expenditure**:** We propose to construct a factory building on the aforesaid developed space and the estimated cost for such construction is Rs. 95.32 million**.** This estimate is based on an architects' certificate from D. Parthasarathi Associates dated July 28, 2007.

Electrical Installation: We propose to incur a cost of Rs. 1.89 million towards installing electrical infrastructure in the factory building**.** This estimate is based on various quotations and estimates provided to us.

Other infrastructure expenses: For operationalizing the facility we will be required to incur expenditure towards equipment, furniture, interior fit outs, vehicles and other related expenses. We estimate an expenditure of Rs.2.2 million towards such infrastructure. This estimate is based on various quotations and estimates provided to us.

Plant and Machinery: We propose to install certain plant and machinery in this facility. The following are the details of the plant and machinery proposed to be constructed and / or acquired by us:

(In Rs. Million)

S.No.	Item	Funds Requirement	Deployment Fiscal 2008	Deployment Fiscal 2009
1.	Finning Machine	42.98	10.75	32.24
2	Extruded Finning Machine	31.25	7.81	23.44
3	Overhead Crane	8.05	2.01	6.03
4	Pillar Drilling Machine	26.37	6.59	19.77
5.	Gantry Crane	12.64	3.16	9.48
6.	Other Plant and Machinery including freight, packaging and insurance	18.08	4.52	13.56
	TOTAL	**139.36**	**34.84**	**104.52**

We estimate that we shall incur approximately Rs. 139.36 million towards the installation and operationalizing of the plant and machinery and other infrastructure. We have not placed any orders for such plant and machinery. Certain information with respect to the estimates that we have obtained with respect to such plant and machinery is set forth below:

S.No.	Item	Estimates from	Date
1.	Finning Machine	Mc Elroy Manufacturing Inc	June 27, 2007
2	Extruded Finning Machine	ORT (Thread Rolling) Limited	January 3, 2007
3	Overhead Crane	Brady and Morris Engineering Company Limited	June 27, 2007
4	Pillar Drilling Machine	Quick Mill	February23, 2006
5.	Gantry Crane	Brady and Morris	April 6, 2006

Investment in establishment of manufacturing facilities in Bahrain International Investment Park

We propose to establish manufacturing facilities at the Bahrain International Investment Park. We believe that establishing facilities in the Middle East will enable us to more effectively and efficiently service our clients in the Middle East, Europe and North Africa.

We estimate to incur an expenditure of approximately Rs. 335.12 million towards the establishment of this manufacturing facility. The break-down of the expenditure is as set forth below:

(Rs. In Million)

S. No.	Item	Funds Requirement	Deployment in Fiscal 2008	Deployment in Fiscal 2009
1.	Lease Expenditure	0.98	0.98	Nil
2.	Infrastructure			
	• Building Expenditure	185.01	138.76	46.25
	• Electrical Installation	3.25	-	3.25
3.	Other infrastructure expenses	6.45	-	6.45
4.	Plant and Machinery	139.43	34.86	104.57
	Total	**335.12**	**174.60**	**160.52**

Lease Expenditure**:** We propose to locate this facility in approximately 193,752 square feet (18,000 square meter) of developed space which we intend to lease for a period of 50 years by making annual payments of Rs. 0.98 million. The above expenditure has been estimated based on a letter dated July 1, 2007 from the Bahrain International Investment Park. We have not entered into a lease agreement for the above premises as yet. For risks associated with our proposed utilization of the Net Proceeds of the Issue, refer to Risk Factors on page xvi.

Building Expenditure**:** We propose to construct a factory building on the aforesaid developed space and the estimated cost for such construction is Rs. 185.01 million**.** This estimate is based on an estimate from Perfect Industries LLC dated July 4, 2007.

Electrical Installation: We propose to incur a cost of 3.25 million towards installing electrical infrastructure in the factory building**.** This estimate is based on an estimate dated June 28, 2007 from Tianjin Binhai Urban Planning and Architectural Designing Company (BPAD).

Other infrastructure expenses: For operationalizing the facility we will be required to incur expenditure towards equipment, furniture, interior fit outs, vehicles and other related expenses. We estimate an expenditure of Rs. 6.45 million towards such infrastructure. This estimate is based on various quotations and estimates provided to us.

Plant and Machinery: We propose to install certain plant and machinery in this facility. The following are the details of the plant and machinery proposed to be constructed and / or acquired by us:

(In Rs. Million)

S. No.	Item	Funds Requirement	Deployment Fiscal 2008	Deployment Fiscal 2009
1.	Finning Machine	42.92	10.73	32.19
2	Extruded Finning Machine	31.33	7.83	23.50
3	Overhead Crane	8.05	2.02	6.03
4	Pillar Drilling Machine	26.41	6.60	19.80
5.	Gantry Crane	12.64	3.16	9.48
6.	Other Plant and Machinery including freight, packaging and insurance	18.08	4.52	13.56
	TOTAL	**139.43**	**34.86**	**104.57**

We estimate that we shall incur approximately Rs. 139.43 million towards the installation and operationalizing of the plant and machinery and other infrastructure. We have not placed any orders for the said plant and machinery. We have obtained estimates in this regard, as below:

S. No.	Item	Estimates from	Date
1.	Finning Machine	Mc Elroy Manufacturing Inc	June 27, 2007
2	Extruded Finning Machine	ORT (Thread Rolling) Limited	January 3, 2007
3	Overhead Crane	Brady and Morris Engineering Company Limited	June 27, 2007
4	Pillar Drilling Machine	Quick Mill	February 23, 2006
5.	Gantry Crane	Brady and Morris	April 6, 2006

We have received preliminary approval from the Industrial Areas Directorate, Government of Bahrain for the proposed manufacturing facility and have been allocated 40,000 square meters of land by , Bahrain International Investment Park.

Investment in establishment of assembly facilities in China

We propose to establish an assembly facility for our products at Langfang, China. We believe that establishing facilities in China will enable us to avail benefits including easier access to or customers in South East Asia and the Far East, reduced shipping and transportation costs and ability to deliver our products and services faster.

We estimate to incur an expenditure of approximately Rs. 218.90 million towards the setting up of our assembly facility. The break-up of the expenditure is as set forth below:

(Rs. In Million)

S. No.	Item	Funds Requirement	Deployment Fiscal 2008	Deployment Fiscal 2009
1.	Lease Expenditure	17.37	17.37	Nil
2.	Infrastructure			
	• Building Expenditure	59.14	47.32	11.83
	• Electrical Installation	3.25	-	3.25
3.	Plant and Machinery	139.14	34.78	104.35
	Total	218.90	99.47	119..43

Lease Expenditure: We propose to locate this facility in approximately 185,130 square feet of developed space which we intend to lease for a 50 year term. We expect to incur an expenditure of approximately 17.37 million for such space. This estimate is based on estimates dated June 28, 2007 from Tianjin Binhai Urban Planning and Architectural Designing Company (BPAD). We have not entered into a lease agreement for the above premises. For risks associated with our proposed utilization of the Net Proceeds of the Issue refer to Risk Factors on page xvi.

Building Expenditure: We propose to construct a factory building on the aforesaid developed space and the estimated cost for such construction is Rs. 59.14 million. This estimate is based on an estimate dated June 28, 2007 from Tianjin Binhai Urban Planning and Architectural Designing Company (BPAD).

Electrical Installation We propose to incur a cost of 3.25 million towards installing electrical infrastructure in the factory building. This estimate is based on an estimate dated June 28, 2007 from Tianjin Binhai Urban Planning and Architectural Designing Company (BPAD).

Plant and Machinery: We propose to install certain plant and machinery in this facility. The following are the details of the plant and machinery proposed to be constructed and / or acquired by us:

(In Rs. Million)

S. No.	Item	Funds Requirement	Deployment Fiscal 2007	Deployment Fiscal 2008
1.	Finning Machine	42.69	10.67	32.02
2	Extruded Finning Machine	31.42	7.85	23.56
3	Overhead Crane	8.05	2.01	6.03
4	Pillar Drilling Machine	26.27	6.57	18.70
5.	Gantry Crane	12.64	3.16	9.48
6.	Other Plant and Machinery including freight, packaging and insurance	**18.08**	**4.52**	**13.56**
	TOTAL	**139.14**	**34.78**	**104.35**

We estimate that we shall incur approximately Rs. 139.14 million towards the installation and operationalizing of the plant and machinery and other infrastructure. We have not placed any orders for the said plant and machinery. We have obtained estimates in this regard as below:

S.No.	Item	Estimates from	Date
1.	Finning Machine	Mc Elroy Manufacturing Inc	June 27, 2007
2	Extruded Finning Machine	ORT (Thread Rolling) Limited	January 3, 2007
3	Overhead Crane	Brady and Morris Engineering Company Limited	June 27, 2007
4	Pillar Drilling Machine	Quick Mill	February 23, 2006
5.	Gantry Crane	Brady and Morris	April 6, 2006

General Corporate Purposes

In accordance with the policies set up by our Board, will have flexibility in applying the remaining Net Proceeds, for general corporate purposes towards acquisition of land, construction of projects, strategic initiatives and acquisitions, brand building exercises, the strengthening of our marketing capabilities, research development of existing products of company, human resource development initiative & training facilities and market development in new geographies like South America, North and South Africa and Eastern Europe.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds. In case of a shortfall in the Net Proceeds of the Issue, our management may explore a range of options including utilizing our internal accruals or seeking debt from future lenders. Our management expects that such alternate arrangements would be available to fund any such shortfall.

Issue Related Expenses

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

(Rs. in million)

Activity	Expenses*
Lead management fee and underwriting commissions	[•]
Advertising and Marketing expenses	[•]
Printing and stationery	[•]
Others (IPO Grading Fees, Registrars fee, legal fee, Monitoring agency fees etc.)	[•]
TOTAL	**[•]**

* *Will be incorporated after finalisation of the Issue Price*

Expenses associated with the Issue, including underwriting and management fees, selling commissions and other expenses will be borne by our Company and the Selling Shareholders in proportion of the shares contributed to the Issue.

Working Capital Requirement

The Net Proceeds of this Issue will not be used to meet working capital requirements for our current projects as we expect sufficient internal accruals to meet our existing working capital requirements or to raise sufficient loans for the same.

Interim use of funds

Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or for reducing overdrafts. Our management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds of the Issue.

Monitoring Utilization of Funds

Our Company has appointed IDBI as the monitoring agency. For further details see "General Information" on page 12.

Our Board will monitor the utilization of the Net Proceeds.

We will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statements fiscal 2008, fiscal 2009 and fiscal 2010, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges and in particular Clause 49 of the Listing Agreement.

No part of the proceeds from the Fresh Issue will be paid by us as consideration to our Promoter, our Directors, Promoter Group Entities or key managerial employees, except in the normal course of our business. The Proceeds of the Offer for sale less the Issue Expenses will accrue to the Selling Shareholders.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by us and the Selling Shareholders in consultation with the BRLMs on the basis of demand from investors for the Equity Shares through the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is 42.5 times the face value at the lower end of the Price Band and 48 times the face value at the higher end of the Price Band.

Qualitative Factors

For some of the qualitative factors, which form the basis for computing the price refer to "Our Business" on page 85 and "Risk Factors" on page xvi.

Quantitative Factors

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

1. Basic and Diluted Earnings Per Share

1 a) Standalone Basic and Diluted Earnings Per Share

Period ended	Basic EPS based on Standalone restated financial statements (Rs.)	Diluted EPS based on standalone restated financial statements (Rs.)	Weight
September 30, 2004	1.70	1.68	1
September 30, 2005	2.02	2.00	2
March 31, 2007 (annualized)	4.12	4.07	3
Weighted Average	3.02	2.98	

1 b) Consolidated Basic and Diluted Earnings Per Share

Period ended	Basic EPS based on Consolidated restated financial statements (Rs.)	Diluted EPS based on Consolidated restated financial statements (Rs.)	Weight
September 30, 2004	1.72	1.70	1
September 30, 2005	2.07	2.05	2
March 31, 2007 (annualized)	4.20	4.15	3
Weighted Average	3.08	3.04	

Note:

- The basic earnings per share has been computed by dividing net profit attributable to equity shareholders, as restated, by the weighted average number of equity shares outstanding during the year, in accordance with Accounting Standard -20 on 'Earnings per share' issued by Institute of Chartered Accountants of India.

The diluted earnings per share has been computed by dividing net profit attributable to equity shareholders, as restated, by the sum of weighted average number of equity shares outstanding during the year considered for deriving basic earnings per share and the weighted average number of equity shares, which could have been issued on the conversion of dilutive potential equity shares such as dilutive options and dilutive convertible preference share, in accordance with Accounting Standard -20 on 'Earnings per share' issued by Institute of Chartered Accountants of India. The Basic EPS has been prepared after taking into account the bonus shares. The diluted EPS has been prepared taking into consideration ESOP and Bonus shares, which are issued by the Issuer Company till the date of filing of draft offer document with SEBI. The Weighted Average has been computed taking into account the annualized EPS for eighteen month period ended March 31, 2007.

- Net profit, as restated and appearing in the summary statement of profits and losses of our Company has been considered for the purpose of computing the above ratio

2. Price Earning Ratio (P/E) in relation to the Issue Price of Rs. [●] per share of Rs. 10 each

	Stand Alone EPS		Consolidated EPS	
	Upper Band	**Lower Band**	**Upper Band**	**Lower Band**
P/E based on EPS for the year ended March 31, 2007	117.94 times	104.42 times	115.66 times	102.41 times
P/E based on Weighted average EPS	161.07 times	142.62 times	157.89 times	139.80 times
Peer Group P/E*				
i. Highest : 74.40				
ii. Lowest : 43.50				
iii. Industry Composite : 56.24				

[Source: Capital Market Magazine (Oct 22 to Nov 04, 2007)]

We have taken BHEL, Alstom Projects, Thermax, L&T, ABB India, Areva T&D, Siemens and Cromptom & Greaves as the Peer Group.

3. Average Return on Networth (RoNW)

3 a) Standalone RONW

Period ended	**Standalone RoNW (%)**	**Weight**
September 30, 2004	30.00%	1
September 30, 2005	27.00%	2
March 31, 2007(annualized)	38.00%	3
Weighted Average	33.00%	

3 b) Consolidated RONW

Period ended	Consolidated RoNW (%)	Weight
September 30, 2004	34.00%	1
September 30, 2005	31.00%	2
March 31, 2007(annualized)	39.00%	3
Weighted Average	35.50%	

Note:

i. The return on net worth has been computed by dividing net profit after tax, as restated, by the net worth excluding share application money at the end of the year.

ii. Net profit, as restated and appearing in the summary statement of profits and losses of our Company has been considered for the purpose of computing the above ratio

4. Minimum Return on Total Net Worth after issue needed to maintain Pre-Issue EPS for the year ended March 31, 2007 is [●]

5. Net Asset Value

5 a) Net Asset Value Per Share After Bonus Issue - Standalone

Rs. in Million

S. No.	Particulars	As at September 30,				18 month period ended March 31, 2007
		2002	2003	2004	2005	
1	Weighted average number of equity shares outstanding during the year (nos) – BASIC (after bonus)	64.80	64.80	64.80	64.80	64.80
2	Net Asset Value	219.02	281.23	366.77	473.04	834.62
3	Net Asset value per share (units)	3.38	4.34	5.66	7.30	12.88

5 b) Net Asset Value Per Share After Bonus Issue - Consolidated

Rs. in Million

S. No.	Particulars	As at September 30,				18 month period ended March 31, 2007
		2002	2003	2004	2005	
1	Weighted average number of equity shares outstanding during the year (nos)–BASIC (after bonus)	64.80	64.80	64.80	64.80	64.80
2	Net Asset Value	178.02	240.55	327.36	436.21	829.21
3	Net Asset value per share (units)	2.75	3.71	5.05	6.73	12.80

Notes:

i. Weighted average shares

Particulars	No's in Millions
No of shares as on March 31, 2007	10.80
Add: Bonus shares	54.00
No of shares – Basic	64.80

ii. The NAV per Equity Share has been computed by using the following formulas:

A. NAV per Equity Share (Units) = $\dfrac{\text{Consolidated Net worth at the end of the year}}{\text{No. of Equity Shares of holding company outstanding at the end of the year including the bonus shares issued subsequent to balance sheet date.}}$

NAV after the issue : Rs. [●] per Equity Share

Issue Price : Rs. [●] per Equity Share

The Issue Price of Rs. [●] per Equity Share has been determined by us and the Selling Shareholders in consultation with the BRLMs on the basis of demand from investors through the book building process and is justified on the basis of the above accounting ratios.

6. Comparison with other listed companies

	EPS (Rs.)	P/E Mutliple (times)	RoNW (%)	NAV (Rs.)	Sales (Rs in million)
BGR* (Standalone)	4.07	-	38.00%	12.88	5167.61
BGR* (Consolidated)	4.15	-	39.00%	12.80	5245.35
BHEL	50.4	47.9	25.20%	179.5	172,375
ALSTOMProjects	17.2	54.6	34.60%	49.5	12,197
L&T	56.0	61.0	21.70%	204.4	175,788
Thermax	19.4	43.5	35.50%	48.6	20,682
ABB India	19.4	74.4	32.90%	55.7	42,740
Areva T&D	40.5	45.5	24.40%	77.7	13,514
Siemens	24.0	63.1	38.60%	64.4	44,967
Crompton Greaves	6.0	59.9	32.60%	18.0	33,600

* Figures are annualized for the year ending March 31, 2007 (18 months period)

Note:

- None of the above entities may be compared with us directly
- P/E and EPS for peer set are trailing twelve month figures while other ratios are for full year ending March 31, 2007.
- All figures for peer set taken from Capital Market Magazine (Oct 22 to Nov 04, 2007).

The issue price of Rs. [●] per Equity Share has been determined by us and the Selling Shareholders, in consultation with the BRLMs, on the basis of assessment of market demand for the offered securities by way of Book building process and is justified based on the above accounting ratios. For further details see "Risk Factors" on page xvi and the financials of our Company including profitability and return ratios, as set out in the auditors report on page 169 for a more informed view.

STATEMENT OF TAX BENEFITS

31st October, 2007

The Board of Directors
BGR Energy Systems Ltd.
Chennai.

Dear Sirs,

We hereby report that the enclosed annexure states the possible "General tax benefits" available to BGR Energy Systems Ltd. ("Company") and its shareholders under the current tax laws in India. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the company or the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the company faces in the future, the company may or may not choose to fulfill.

We further report that the Company does not enjoy any special tax benefits as of now. The Statement of tax benefit included in RHP covers only general tax benefits available to the company and its shareholders. These general tax benefits are available to all companies or to the share holders of any company after fulfilling certain conditions as provided under the respective Acts.

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

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

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

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

No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to BGR Energy Systems Ltd. for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

Thanking you,

Yours faithfully,

Manohar Chowdhry & Associates.
Chartered Accountants

CA Hari. G.R.,
Partner
Membership no.206386

STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO BGR ENERGY SYSTEMS LIMITED AND TO ITS SHAREHOLDERS

Special Tax Benefits available to Issuer Company and its shareholders.

Company does not enjoy any special tax benefits as of now.

General Tax Benefits available to Issuer Company and its shareholders

Following is the list of general tax benefits available to the company and its shareholders. These general tax benefits are available to all companies or to the share holders of any company after fulfilling certain conditions as provided under the respective act.

A. Under the Income Tax Act, 1961 ("the Act")

A.1. Benefits available to the Company

A.1.1Exempt Income

a. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) is exempt from tax.

b. According to section 10(35) of the Act, the following income will be exempt from tax in the hands of the Company:

i) Income received in respect of the units of a Mutual Fund specified under section 10(23D); or

ii) Income received in respect of units from the Administrator of the specified undertaking; or

iii) Income received in respect of units from the specified company:

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

For this purpose (i) "Administrator" means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) "Specified Company" means a company as referred to in section 2(h) of the said Act.

A.1.2Capital Gains

a. As per section 10(38) of the Act, long term capital gains arising to the Company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to Securities Transaction Tax, will be exempt in the hands of the Company.

For this purpose, "equity oriented fund" means a fund –

i) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty-five percent of the total proceeds of such funds; and

ii) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

However, the exemption provided u/s 10(38) is not applicable while calculating "book profits" for the purpose of "Minimum Alternate Tax" u/s 115JB. Accordingly, the Company will not be entitled to reduce the long term capital gains to which the provisions of section 10(38) of the Act for the computation of Minimum Alternate Tax apply.

b. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures will be computed after indexing the cost of acquisition/ improvement. However, the term bonds does not include Capital Indexed Bonds issued by the Government and accordingly, entitled to indexation.

c. According to section 54EC of the Act and subject to the conditions specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer. Where an assessee transfers or converts the long term specified asset into m oney within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money. However, the amount of investment made under this section during the financial year shall not exceed Rs. 50 Lakhs.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

d. As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity shares or units of an equity oriented mutual fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

e. As per section 112 of the Act, long-term capital gains on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) will be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge and education cess) without indexation benefits, whichever is lower.

A.2. Benefits available to Resident Shareholders

A.2.1 Exempt Income

As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of the Company is exempt from tax.

A.2.2 Capital Gains

a. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt from tax in the hands of the shareholder.

b. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures will be computed after indexing the cost of acquisition/ improvement. However, the term bonds does not include Capital Indexed Bonds issued by the Government and accordingly, entitled to indexation.

c. According to section 54EC of the Act and subject to the conditions specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer. Where an assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money. However, the amount of investment made under this section during the financial year shall not exceed Rs. 50 Lakhs.

   A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

   i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

   ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

d. As per section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares; and

the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

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

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

e. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

f. As per section 112 of the Act, long-term capital gains on sale of listed securities (in cases not covered under section 10(38) of the Act) will be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, whichever is less.

A.2.3 As per section 88E of the Act, the Securities Transaction Tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business will be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits and Gains of Business or Profession" arising from taxable securities transactions, subject to certain limit specified in the section. As such, no deduction will be allowed in computing the income chargeable to tax as "capital gains" or under the head "Profits and gains of Business or Profession" for such amount paid on account of securities transaction tax.

A.3 Benefits available to Non-Resident Shareholders (Other than FIIs and Venture Capital Companies/ Funds)

A.3.1Exempt Income

As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of the Company is exempt from tax.

A.3.2 Capital gains

a. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt from taxAs per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

d. c. In the case of a non resident shareholder, the capital gain/loss arising from transfer of shares of the Company, acquired in convertible foreign exchange, will be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively incurred in connection with such transfer, into the same foreign currency which was initially utilized in the purchase of shares. The benefit of indexation of Cost for inflation will not be available in such a case - First proviso to section 48 of the Act. According to section 112 of the Act, long-term capital gains, if any, on sale of shares of the Company (in cases not covered under section 10(38) of the Act) will be charged to tax at the rate of 20% (plus applicable surcharge and education cess). According to section 54EC of the Act and subject to the conditions specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a “long term specified asset” within a period of six months after the date of such transfer. Where an assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money. However, the amount of investment made under this section during the financial year shall not exceed Rs. 50 Lakhs.

A “long term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

e. As per section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

a. if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or

- purchases another residential house within a period of one year after the date of transfer of the shares; or

- constructs another residential house within a period of three years after the date of transfer of the shares; and

b. the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

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

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

f. Tax on “Investment income” and “Long term capital gains” – Sec.115E

Where the total income of a share holder being a non resident Indian consists only of “Investment income” and/or income by way of “long term capital gains” arising from the transfer of any foreign exchange asset, such investment income shall be charged to income tax at a flat rate of 20% and such long term capital gains shall be charged at 10%.

The investment income and/or long term capital gains in respect of foreign exchange asset will constitute a separate block of income and charged to income tax at a flat rate of 20% or 10%, as the case may be. The tax rates specified here shall be increased with applicable surcharge and education cess.

g. Exemption for long term capital gains – Sec.115F

The long term capital gains arising to a share holder being a non-resident, from the transfer of any foreign exchange asset will be exempt from tax in proportion to the extent of the net proceeds realised on such transfer that are re invested or re deposited within 6 months after the date of such transfer in the above mentioned “Foreign exchange assets” or savings certificates notified u/ s.10(4B). However, where the new asset is transferred or converted (otherwise than by transfer) into money within a period of three years from its acquisition, the capital gains arising from the transfer of the original asset which has been exempted from tax shall be deemed to be the long term capital gains of the previous year in which the new asset is transferred or converted into money.

h. Return of income need not be filed – Sec.115G

A share holder, being a non resident Indian, having only investment income or income by way of long term capital gains arising from the transfer of any foreign exchange asset or both, need not file the return of income u/s.139, where the tax deductible from such income in accordance with the provisions of Chapter XVII-B of the Act has been correctly deducted at source. However, it is permissible for such non-resident to opt u/s.115-I of the Income-tax Act to submit the return of income and claim the refund due, if any.

i. Benefit after the assessee becomes resident – Sec.115H

As per section 115H of the Act, where a non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

j. Option to assessee – Sec.115-I

A shareholder, being a non resident Indian, has the option to claim that in respect of any particular assessment year the special provisions relating to taxation of "investment income" and "long term capital gains" under which the tax on such income is to be charged at a flat rate should not apply to him by furnishing his return of income with such declaration for that assessment year u/s.139. In such a case, the whole of the total income of that assessment year will be charged to tax under the general provisions of the Income tax Act.

A.3.3 As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business will be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits and Gains of Business or Profession" arising from taxable securities transactions, subject to certain limit specified in the section. As such, no deduction will be allowed in computing the income chargeable to tax as "capital gains" or under the head "Profits and gains of Business or Profession" for such amount paid on account of securities transaction tax.

A.3.4 Double Taxation Avoidance Agreement (DTAA)

The tax rates and consequent tax provisions mentioned above will be further subject to any benefits available under the DTAA, if any, between India and the country in which the non-resident has fiscal domicile. According to section 90(2) of the Act, where the Central Government has entered into any DTAA, would normally apply to the non- resident share holder, who is covered by such DTAA. However, if the relevant provisions under the Indian Income Tax Act are more beneficial, then to that extent, such non-resident share holder can seek application of the provisions of the Indian Income Tax Act as against the provisions of DTAA.

A.4 Benefits available to Foreign Institutional Investors ('FIIs')

A.4.1 Exempt Income

As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of the Company is exempt from tax.

A.4.2 Capital gains

a. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of the FIIs.

b. Section 115AD of the Act provides for special rates of taxation in the case of Foreign Institutional Investors (FII). Accordingly, the tax rates are prescribed based on the nature of income which are as follows:

Nature of Income	Tax Rate
Income other than dividend covered u/s 115-O in respect of securities listed in the recognised stock exchange in India.	20%
Any short term capital gains on transfer of:	
a. securities covered u/s. 111A	10%
b. securities not covered u/s. 111A	30%
Long term capital gains arising from transfer of securities	10%

The above rates of tax shall be increased by applicable surcharge and education cess.

In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

According to section 54EC of the Act and subject to the conditions specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a "long term specified asset" within a period of six months after the date of such transfer. Where a FII transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money. However, the amount of investment made under this section during the financial year shall not exceed Rs. 50 Lakhs.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

A.4.3 Double Taxation Avoidance Agreement (DTAA)

The tax rates and consequent tax provisions mentioned above will be further subject to any benefits available under the DTAA, if any, between India and the country in which the FII has fiscal domicile. According to section 90(2) of the Act, where the Central Government has entered into any DTAA, the same would normally apply to FII share holder, which is covered by such DTAA. However, if the relevant provisions under the Indian Income Tax Act are more beneficial, then to that extent, such FII share holder can seek application of the provisions of the Indian Income Tax Act as against the provisions of DTAA.

A.5 Benefits available to mutual fund

Section 10(23D) of the Act deals with taxation of income derived by mutual fund. According to this section**,** any income of a mutual fund-

a) registered under the Securities Exchange Board of India Act, 1992 or regulations made there under; or

b) income of any other mutual fund set up by a public sector bank or a public financial institution authorised by the Reserve Bank of India and subject to such conditions as may be notified by the Central Government are fully exempt from taxability.

A.6 Benefits available to venture capital companies / funds

As per section 10(23FB) of the Act, any income of a Venture Capital Company or Venture Capital Fund for investment in a venture capital undertaking is eligible for exemption from tax, subject to the conditions stipulated there under. However, under section 115U of the Act, income received by a person out of investment made in a venture capital company or in a venture capital fund will be chargeable to tax in the hands of such person.

B. Benefits Available Under The Wealth Tax Act, 1957

"Asset" as defined under section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

C. Benefits available under the Gift Tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

NOTES

(i) The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

(ii) All the above benefits are as per the current tax laws as updated based on the amendments made by Finance Act, 2007.

(iii) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investments in the shares of the Company.

Our views expressed herein are based on the facts and assumptions indicated by you. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. The views are exclusively for the use of BGR Energy Systems Limited. We shall not be liable to BGR Energy System Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

SECTION IV: ABOUT THE COMPANY

INDUSTRY

The information presented in this section has been extracted from publicly available documents and reports prepared by third parties, which have not been prepared or independently verified by us, the Book Running Lead Managers or any of our or their respective affiliates or advisors. While these documents and reports state that the information contained therein was obtained from sources generally believed to be accurate and reliable, the accuracy, adequacy, completeness and underlying assumptions of such sources are not guaranteed and their reliability cannot be assured.

The Energy Sector

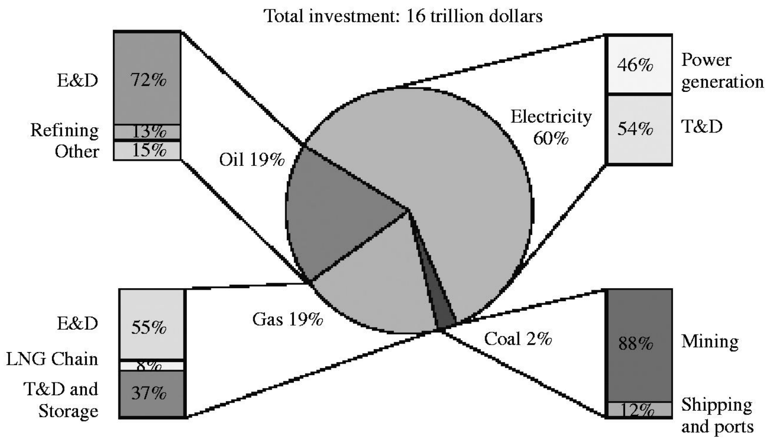
Global scenario

The International Energy Agency (the "IEA") estimates that more than US$16 trillion, or US$550 billion a year, needs to be invested in energy-supply infrastructure worldwide over the three decades to 2030, an amount equal to 1% of projected gross domestic product. The average annual rate of investment is projected to rise from US$455 billion in the decade 2001-2010 to US$632 billion in the decade 2021-2030.

For the energy sector as a whole, 51% of investment in production is estimated to be made to replace existing and future capacity. Almost half of total energy investment is estimated to take place in developing countries, where production and demand are expected to increase most. Total investments in the oil and gas sectors is expected to amount to more than US$3 trillion, or around 19% of global energy investment.

The following chart sets forth certain information relating to the estimated investment in the different project segments in the energy industry:

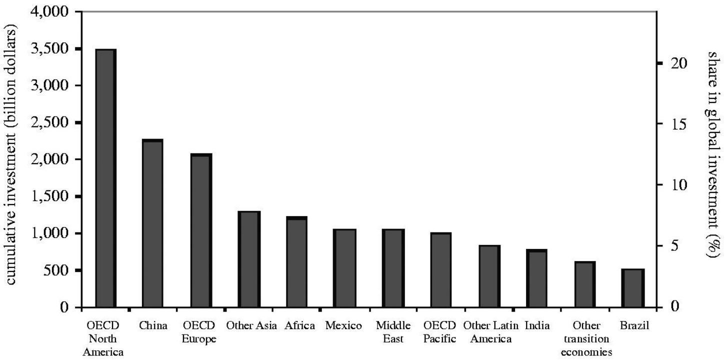
World energy investment 2001-2030



Source: IEA; IEA Working Party on Fossil Fuels; May 2004

The following chart sets forth the estimated investment in the energy industry in different geographical regions:

Energy investment by region 2001-2030



Source: IEA; IEA Working Party on Fossil Fuels; May 2004

Indian Power Sector

Introduction

The Indian government has an objective of achieving "Power for All by 2012". The development of the power sector has traditionally been the responsibility of the government through the central and state utilities, with a relatively insignificant contribution by the private sector. In order to reduce the gap between supply and demand, the Indian government formulated policies in 1991 for increasing the role of the private sector in the power sector of the country. The 1991 policies have been revised and modified through enactment of the Electricity Act 2003 (the "Electricity Act").

Increasing investment in power generation

According to CRIS INFAC, over the next five years, Indian investment in generation capacity is expected to increase, with the central sector accounting for the largest share of such increases. CRIS INFAC expects the impact of generation delicensing in the Electricity Act will be felt largely in the period from 2002 to 2012, given the minimum three year construction period for greenfield power projects.

According to CRIS INFAC, construction investment in the power sector is expected to be approximately Rs. 450 billion from 2005-06 to 2009-10. Although capacity additions are expected to be the highest in the thermal power sector, much of the construction activity will be driven by hydel capacity additions. This is because hydel projects have a larger construction component as compared with thermal projects.

According to CRIS INFAC, the hydel – thermal power mix in India currently stands in favour of thermal power at 25:75 as against the global mix of 40:60. However, the government of India is taking initiatives to change this breakdown. The government's focus on hydel power can be gauged from the fact that 36% of the planned capacity addition during the period from 2002 to 2012 is in hydel power. This should translate into a sharp increase in construction activity.

Captive Power Generation in India

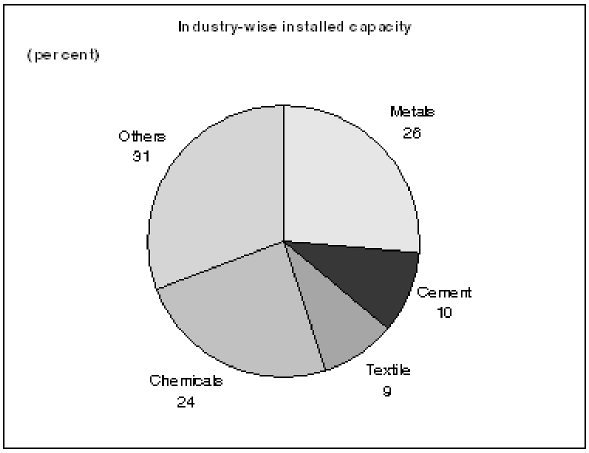
According to CRIS INFAC, captive power capacity, at 19,103 MW, accounted for 16% of the total installed capacity in India in 2004-05. The dependence on captive power has been increasing, due to the continuing shortage of power generation and India's economic growth. This has resulted in high growth in the captive power sub-sector over recent years, in terms of increased capacity and generation.

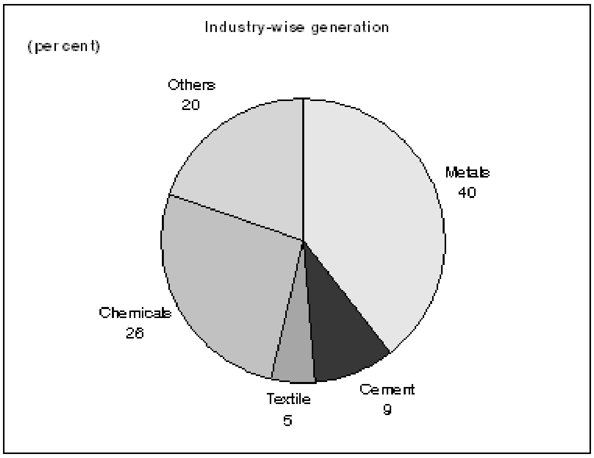
The Electricity Act provided impetus to captive power generators by exempting them from license requirements. This resulted in an increase in captive power capacity additions by industrial units. Reliability of power supply and better economics are other factors pushing industries to opt for captive generation.

However, the growth of captive power plants has been affected by issues such as lower plant load factor ("PLF") (due to idle capacities and fuel-related concerns). Diesel prices have soared due to rising crude oil prices; as most captive units are based on DG sets, the cost of generation has shot up. Some states are exploring the possibility of bringing captive capacity into the grid. This is expected to increase the PLF of plants.

The proportion of captive capacity to total installed generation capacity in India is approximately 20%. Industries such as metals and chemicals account for 50% of the total captive power capacity, while they account for 66% of the power generation by captive units. This discrepancy is because they require reliable and continuous power supplies on account of the processes used by them. Group captive power production enables these industries to meet their demand by pooling resources together.

Industry-wise installed captive power capacity and generation





Source: CRIS INFAC

Region-wise consumption trends

In India, power generation through the captive route varies across regions, depending on factors such as fuel availability, industry concentration and industrial power tariffs.

According to CRIS INFAC, the power consumption pattern reveals that steam, either generated directly by burning of coal, or indirectly as a by-product of production processes, accounts for 62% of the total power generation by captive power units. Eastern India generates almost its entire captive requirement through steam, as the region is rich in coal reserves. The eastern region, also rich in mineral deposits, has numerous metal industries that use steam generated through the production process to generate captive power.

The western region of India accounts for 35% of the captive power generated, owing to its high concentration of petrochemical and chemical industries.

Region-wise captive power generation

Billion units	1999-2000	2000-01	2002-03	2003-04	2004-05
East India	12.5	13.1	12.2	15.4	15.2
North India	11.2	11.8	12.6	12.4	15.0
North East India	0.9	0.9	1.0	1.1	0.6
South India	13.8	14.8	16.3	16.7	15.5
West India	17.1	19.1	21.7	22.6	25.2
Total	**55.4**	**59.6**	**63.8**	**68.2**	**71.4**

Source: CEA and CRISIL Research

Captive power in key industries

Billion units	No. of companies	Generation	Purchase	Total consumption	% of total
Metals	172	25.0	20.0	45.0	36
Chemicals	434	18.1	26.4	44.5	35
Textiles	280	3.0	4.6	7.6	6
Cement	36	3.5	3.4	7.0	6
Others	303	11.2	10.6	21.8	17
Total	**1,225**	**60.8**	**65.0**	**125.8**	**100.0**

Source : CRISIL Research

Current Indian Demand and Supply

Demand for Power

According to the 10th Plan, the growth in generation has been 3.2%, 5.1%, 5.2% and 5.2% during fiscal years 2003, 2004, 2005 and 2006, respectively. In the fiscal year 2007, but up to December 2006, a growth rate of 7.5% was recorded. The CAGR of generation during the 10th Plan period is expected to be about 5.1%. However, higher growth could have been achieved if adequate gas would have been available for the existing and new gas based plants commissioned during 10th plan.

As per National Electricity Policy (“NEP”), the per capita electricity consumption is to increase to 1,000 units by the year 2011-12. Details of this assessment is given below:

Likely Population by 2011-2012 (Census 2001)	1.21 billion
Generation Required if Per Capita Consumption is to be 1,000 kwh/yr	1,210 BU
Likely Generation from Captive Plants in 2011-2012	131 BU
Likely Generation from Renewable Plants in 2011-2012	41 BU
Requirement of Generation from Utilities (ii-iii-iv)	1,038 BU

As the NEP is the guiding document for the power sector, requirement of generation (from utilities) for planning purpose is considered 1038 BU. This would require a generation growth rate of 9.5 % p.a. for utilities.

Current capacity

According to the 10th Plan, the total installed capacity as on December 31, 2006, was 127,753 MW comprising 33,642 MW hydro, 84,020 MW thermal, including gas and diesel, 3,900 MW nuclear based power plants and 6,190 MW from renewable energy sources, including wind. The sector-wise details of installed capacity is given in table below:

(Figures in MW)

Sector	Hydro	Thermal					Nuclear	R.E.S.@	Total
		Coal	Lignite	Gas$	Oil©	Total			
Central	6,672	24,020	2,490	5,899	0	32,409	3,900	0	42,981
State	25,664	37,386	465	3,500	1,239	42,589	0	2,568	70,821
Private	1,306	2,831	500	4,182	1,507	9,022	0	3,523	13,951
Total	33,642*	64,237**	3,455	13,582	2,745	84,020	3,900	6,191	127,753

Source: DMLF Division, CEA

@ R.E.S. = Renewable energy sources includes small hydro project, biomass gas, biomass power, urban and industrial waste power and wind energy

* Includes ROR- 15,143 MW, PSS- 664 MW, Storage- 17,835 MW

** 21,759 MW pithead and 42,478 MW load center/ non pit head

$ Includes liquid fuel based Kayamkulam project of 350 MW

© 1544 MW dual firing stations included in oil.

Actual power supply position

According to the 10th Plan, the year-wise actual power supply position in the past five fiscal years is as follows:

Year	Peak				Energy			
	Requirement (MW)	Availability (MW)	Surplus (+) / Shortage (-) (MW)	Shortage / Surplus %	Requirement (MU)	Availability (MU)	Surplus (+) / Shortage (-) (MU)	Shortage / Surplus %
2002 - 2003	81,492	71,547	-9,945	-12.2	545,983	497,690	-48,093	-8.8
2003 - 2004	84,574	75,066	-9,508	-11.2	559,264	519,398	-39,866	-7.1
2004 - 2005	87,906	77,652	-10,254	-11.7	591,373	548,115	-43,258	-7.3
2005 - 2006	93,255	81,792	-11,463	-12.3	631,757	578,819	-52,938	-8.4
April – Dec 2006	100,466	86,425	-14,041	-14.0	510,223	465,149	-45,074	-8.8

Actual / likely capacity addition during the 10th Plan

According to the 10th Plan, a capacity of 17,995 MW has been commissioned as of December 31, 2006 during the 10th Plan and a capacity of 12,646 MW is expected to be commissioned by March 31, 2007 of 10th Plan. Year wise capacity addition is given in table below:

(Figures in MW)

Type	2002-03*	2003-04*	2004-05*	2005-06*	2006-07@	Total
Hydro	635	2,590	1,015	1,340	3,274	8,854
Thermal	2,223	1,362	2,934	1,588	12,280	20,387
Nuclear	0	50	0	590	760	1,400
Total	**2,858**	**4,002**	**3,949**	**3,518**	**16,314**	**30,641**

* Actual
@ likely (excluding wind and renewable energy sources)

Likely installed capacity at end of 10th Plan

According to the 10th Plan, the likely installed capacity at the end of 10th Plan, i.e. as on March 31, 2007 is 140,571 MW comprising 35,600 MW hydro, 94,660 MW thermal including gas & diesel, 4,121 MW nuclear based power plants and 6,191 MW from renewable energy sources including wind. Sector-wise details of this is given in table below:

(Figures in MW)

Sector	Hydro	Thermal					Nucl.	Wind/ R.E.S.	Total
		Coal	Lignite	Gas	Oil	Total			
Central	7,562	27,728	2,490	4,419	0	34,637	4,120	0	46,319
State	26,745	41,631	665	3,760	1,239	47,294	0	2,568	76,607
Private	1,293	3,081	500	7,641	1,507	12,730	0	3,623	17,645
Total	**35,600**	**72,440**	**3,655**	**15,820**	**2,746**	**94,660**	**4,120**	**6,191**	**140,571**

Demand and supply projections in India

Proposed Capacity Additions during 11th Plan (2007-12):

The 11th Plan recommends generation planning based on growth of energy generation requirement of 9.5%. Keeping this in view a capacity addition of 68,869 MW is recommended in 11th Plan as given below:

Sector	Hydro	Total Thermal	Thermal Breakup			Nuclear	Total (%)
			Coal	Lignite	Gas/LNG		
Central	9,685	23,810	22,060	1,000	750	3,160	36,655 (53.2%)
State	2,637	20,352	19,365	375	612	-	22,989 (33.4%)
Private	3,263	5,962	5,210	0	752	-	9,225 (13.4%)
All-India	15,585	50,124	46,635	1,375	2,114	3,160	68,869 (100%)

In addition to above, according to the 10th Plan, thermal projects totaling to 11,545 MW have been identified as best effort projects. These projects would normally be commissioned in the beginning of 12th Plan but in case of any constraints in taking up of any of the projects included in 11th plan, some of these projects would be tried for commissioning during 11th Plan. Further, a capacity of 13,500 MW has been planned under renewable as per information given by MNRE.

According to the 10th Plan, out of feasible capacity addition of 68,869 MW, projects totaling to 31,345 MW are already under construction and the balance projects totaling to 37,524 MW have been committed for implementation by the concerned generating companies during the 11th Plan. Details are furnished in the table below:

Sector	**Hydro**	**Total Thermal**	**Thermal Breakup**			**Nuclear**	**Total**
			Coal	**Lignite**	**Gas/LNG**		
Projects Under Construction	11,931	16,254	14,115	1,125	1,014	3,160	31,345
Committed Projects	3,654	33,870	32,520	250	1,100	-	37,524
Total	**15,585**	**50,124**	**46,635**	**1,375**	**2,114**	**3,160**	**68,869**

According to the 10th Plan, with the above capacity addition it would be possible to meet the projected energy requirement of 1038 BU (considering peak demand of 151,500 MW) for meeting per capita consumption of 1,000 units at the end of 11th plan. With this capacity addition it would be feasible to achieve a generation growth rate of 9.5% p.a.

Currently, there are at least eight significant coal- or gas-fired power projects in India expected to be put out for tender by various public and private entities between the present time and January 2008. These projects include:

- a 1x500 MW coal-based power plant in Kothagudem, Andhra Pradesh,
- a 2x(500 MW to 600 MW coal-based power plant in Kalisind, Rajastan,
- a 1x600 MW coal-based power plant in Chabra, Rajastan

(Source: Central Electrical Authority website – www.cea.nic.in)

- a 2x500 MW coal-based power plant in Bhushaval, Maharashtra,
- a 1150 MW gas-based power plant in Uran, Maharashtra,
- a 300 MW coal-based power project in Paras, Maharashtra,
- a 300 MW coal-based power project in Parli, Maharashtra, and
- a 300 MW coal-based power project in Bhushaval, Maharashtra.

(Source: Mahagenco website – www.mahagenco.in)

For the 1x500 MW project in Kothagudem and the 2x500 MW project in Bhushaval, the tenders for BOP have already been released. (Source: MAHAGENCO and APGENCO)

The project owners' intention to develop these projects is a matter of public record, but there is no guarantee that the projects will be commenced on the anticipated time frame, will be of the anticipated scope or will be undertaken at all.

Required capacity additions foreseen by the 12th Plan

The requirement of installed capacity and capacity addition to meet the generation requirement during the 12th Plan period are given in table below:

Capacity addition required during 12th plan (2012-17)

GDP Growth	GDP / Electricity Elasticity	Electricity Generation Required (BU)	Peak Demand (MW)	Installed Capacity (MW)	Capacity Addition Required During 12th PLAN (MW)
8%	0.8	1,415	215,700	280,300	70,800
	0.9	1,470	224,600	291,700	82,200
9%	0.8	1,470	224,600	291,700	82,200
	0.9	1,532	233,300	303,800	94,300
10%	0.8	1,525	232,300	302,300	92,800
	0.9	1,597	244,000	317,000	107,500

Source: Working Group on Power-11th Plan (2007-12)

It would be seen from the above table that under various growth scenarios, the capacity addition required during 12th plan would be in the range of 71,000 - 107,500 MW, based on normative parameters. The 11th Plan Working Group recommends a capacity addition of 82,200 MW for the 12th Plan based on the scenario of 9% GDP growth rate and an elasticity of 0.8%. During 12th Plan about 30,000 MW capacity addition is likely to be based on hydro and about 11,000-13,000 MW will be nuclear based. The balance capacity addition of about 50,000 MW will be from thermal projects.

(Source: Report of for Eleventh Plan (2007-12), The Working Group on Power Ministry of Power, February 2007)

Power Project Capital Costs

Power projects are highly capital-intensive and generally have a gestation period of four to six years. The capital cost of a power project depends on a number of factors such as the choice of fuel, location, size and technology. Thus, it is not possible to set benchmark costs for power plants. However, according to CRIS INFAC, the capital costs of most projects in the private sector are assumed to be at Rs. 40-50 million per MW for coal-based plants, Rs. 25-40 million per MW for gas- and naphtha-based plants, and Rs. 45-60 million per MW for hydroelectric power plants.

Certain factors that affect the cost of setting up a power plant are discussed below:

Source of energy

The most important factor that influences the cost of a power project is the source of energy and the type of fuel used. The cost of setting up a nuclear power plant is the highest due to the complex technology, the incorporation of safety measures and the long gestation period (six to eight years).

Generally, the cost of setting up a coal-based plant is lower than nuclear plants, and higher than that of plants based on natural gas, naphtha and fuel oil. The higher cost of coal-based plants is attributed to the additional equipment required, such as coal-handling and ash-handling plants.

It is difficult to generalize regarding the cost of hydroelectric power plants, due to their long gestation period and significant variations depending on the size, location and terrain.

Infrastructure

The availability of water, transportation infrastructure, and power evacuation and transmission facilities influence the location of a power plant.

Water is used in thermal plants to generate steam and for air conditioning and cooling purposes. Proximity to a source of water (such as a river, lake or sea) can reduce the investments in reservoirs, pipelines and pumping equipment. A power plant in a coastal region, utilising sea water, would require additional investments in a de-mineralisation plant, since direct usage of sea water could damage the equipment.

In general, power plants are located near coal mines or gas pipelines in order to save costs in setting up transportation infrastructure for fuels. For example, pit-head plants (power plants located near coal mines) use a conveyor belt to transport coal from the mine to the plant stockyard. However, in the case of power plants located away from immediate fuel sources, investments are required to facilitate railway transit. This can significantly increase capital costs, depending on the distance of the site from the nearest station. Similarly, in the case of gas-based projects, a pipeline would have to be laid from the main pipeline (for natural gas) or the receiving terminal (for LNG) up to the project site.

Power plants based on imported fuel would require additional investments in jetties (for importing coal), or receiving terminals and re-gasification plants (for LNG). According to CRIS INFAC, for power plants based on imported coal, the cost of a jetty and a conveyor belt is generally around Rs. 1.5 billion for a 1,000 MW plant (requiring approximately three million tonnes per annum of coal). The minimum economic size of an LNG receiving terminal is 2.5 million tpa (with a capital cost of approximately Rs. 15 billion), which is adequate to support a generation capacity of 2,000 MW.

Similarly, the distance of the power plant from the transmission substation (through which power is to be fed to the grid) determines the level of investment in transmission lines and/or substations. According to CRIS INFAC, a high-tension transmission line can cost up to Rs. 5-7 million per kilometer.

Size

Significant economies of scale exist in the capital costs of power plants. A larger plant costs less, in terms of cost per unit of capacity. For instance, in the case of a coal-based power plant, economies of scale exist in the capital costs of coal and ash-handling equipment and control and instrumentation ("C&I") equipment. Further, a generating unit of 500 MW will be more economical than two units of 250 MW each, which would each require two boilers and turbines. This will result in a higher overall cost per MW of capacity. Larger units also have better thermal efficiency and lower operations and maintenance costs.

Technology and equipment

Equipment costs usually account for roughly 75%-80% of the total cost of a thermal plant. However, depending on the choice of technology and equipment, the capital cost of two projects of the same size and using the same fuel can be different. For instance, in India a power plant based on imported coal requires a smaller boiler than one based on domestic coal. This is due to the higher calorific value of imported coal, which results in lower consumption of coal per unit of electricity generated. Similarly, lignite-based power plants require larger boilers, as the calorific value of lignite is lower than that of coal.

Power plants based near urban areas or in ecologically sensitive regions usually have higher capital costs, due to stringent design conditions imposed on the equipment in terms of thermal efficiency and emission standards, resulting in the need for additional pollution control equipment.

In addition, if a coal-based power plant includes a captive coal washery, that could increase capital costs. However, the usage of washed coal lowers transportation costs and ash-disposal costs (as washing reduces the ash content of the coal). In addition, it generally results in savings in investments on setting up an ash-handling plant and pollution control equipment.

Engineering, procurement and construction contracts

The setting up of a power project involves coordination with many suppliers. In order to ensure the timely execution of the project, the services of an engineering, procurement and construction contractor are generally employed. The EPC contractor undertakes the turnkey execution of the project usually on a fixed time and fixed price basis, while guaranteeing the performance of the power plant in accordance with the specifications stipulated by the developer. The value of the EPC contract usually accounts for 70%-80% of the total project cost. In general, power plants executed on the basis of EPC contracts are more expensive than those using other methods.

Industry Scenario for Power Project Components

Given below are the key components of a power project and the industry scenario for each. This list includes boilers and turbines, as well as components provided in the Balance of Plant Package.

Boilers and Turbines: The total established capacity of manufacturing of boilers and turbines is approximately 6,000 to 7,000 MW per annum in India. BHEL dominates the manufacturing of boilers and turbines, and manufactures a range of boilers and turbines, including steam boilers and turbines of up to 500 MW units.

Balance of Plant Package

<u>High Pressure Piping</u>: In high pressure piping, there is a shortage of manufacturers though BHEL manufactures high pressure piping as well. Considering the extent of capacity addition envisaged in the coming years, development of more vendors in this area is required.

<u>Low Pressure Piping</u>: Only limited manufacturers are presently available in the market for low pressure piping. Accordingly, foreseeing the future demand, additional vendors need to be developed for undertaking the low pressure piping production.

<u>Air-conditioning and Ventilation</u>: The power sector suffers from the poor response of reliable players in this field as manufacturers are generally more interested in providing services to other industries with higher margins. Accordingly, there is a need to attract reliable vendors towards providing such products to the power sector.

<u>Fire Protection</u>: The availability scenario in this area has improved with the entry of new manufacturers, however, there is still scope for more reliable manufacturers and suppliers, particularly in light of increased future demand.

<u>Ash and Coal Handling</u>: Ash and Coal Handling continue to be critical areas which have suffered from the lack of adequate number of players. Unless steps are taken to encourage new players to enter into this area, they may prove to be one of the bottlenecks to the future capacity addition plans.

Cooling Towers

Water System Packages: The water system business has lately witnessed the entry of new manufacturers improving the availability of the packages.

Circulation Water System: There is only one major manufacturer of this package in India and this area suffers on availability as a result. It has come to the fore that BHEL is also contemplating to enter into this field.

Fuel Oil Handling and Unloading System: The main constraint in this area is the limited availability of manufacturers for fuel oil storage tank and the experience of vendors relating to handling inflammable material. A need is, therefore, felt to develop additional vendors in this segment.

Wagons: The current availability / capacities of the manufacturers for the subject package may be adequate.

Control & Instrumentation: The major global players in this area are either present in India or have shown interest in the tenders for these packages. Accordingly, the availability / capacity of the manufacturers for the subject package is considered as sufficient to meet the requirements.

High Voltage Transformers: With regard to extra high voltage transformers, i.e., 765 kV class, all the manufacturers available in the field globally have expressed interest in Indian market. For 400 kV transformers, only two major manufacturers are in the field.

LT Transformers

Medium Voltage Switchgear: It is viewed that though there are reputed manufacturers in the field, there is a need to further increase the vendor base.

Low Voltage Switchgear: A number of manufacturers, such as L&T, Siemens, Control & Switchgear, GE are offering their services in this area.

Generator Bus Duct: Presently only two manufacturers, BHEL and Control & Switchgear, are available for the product and there is a need to broaden the vendor base.

HT Motors: Considering the demands that the planned capacity addition is likely to place in this area, more vendors need to be developed for high capacity 11/6.6 kV motors.

HT Bus Duct: The availability / capacity of the manufacturers for this product are considered as adequate.

Switchyard Equipment: It is felt that adequate capacity exists for supply of breakers and isolators, and the scenario in this segment is comfortable.

6.6 kV/ 11 V Cables: The availability / capacity of the manufacturers for the subject package are considered adequate.

132 kV Cables: Foreseeing the future requirements, a need is felt to augment the number of vendors in this area. Further, it is felt that taking the future requirements into perspective when the demand for 400 kV cables would also increase significantly.

Battery: A need is felt to attract more manufacturers to provide competition in this area.

Erection and/or Commissioning Agencies and Contractors: There is a need for providers having reasonable project management experience and ability to undertake quality field work.

(*Source: Base Paper: International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for 11th Plan & Beyond)*

Power generation

Electricity can be produced from various forms of energy, including heat energy, kinetic energy, potential energy, nuclear energy and tidal energy. Based on the source of energy, power plants can be broadly classified into the following:

1. *Thermal power plants*: Use the heat energy of fossil fuels such as coal, lignite, natural gas, naphtha and diesel
2. *Hydel (hydroelectric) power plants*: Utilise the potential energy of water
3. *Nuclear power plants*: Use the nuclear energy of radioactive fuels, and
4. *Non-conventional power plants*: Utilise wind energy, solar energy, co-generation and other non-conventional resources.

Thermal power plants

Thermal power plants burn coal or fossil fuels to produce heat, which, in turn, gets converted into electricity. Fuels such as diesel and furnace oil are also used, although to a lesser extent.

The choice of fuel for thermal power plants depends on the plant size, and the cost and availability of various fuels at the location. Coal-based plants are usually located near coal mines or where it is economically feasible to transport coal. Gas-based plants are located either near a gas pipeline or near ports to facilitate the easy import of gas. Thermal power plants are often designed to operate with more than one fuel so that the non-availability of a particular fuel would not disrupt operations. In general, only relatively smaller power plants (with a capacity of under 200 MW) utilise diesel and furnace oil.

Steam-cycle power plants

In a steam-cycle power plant, pulverised coal or lignite is burnt to boil water in a boiler to generate steam at high temperature and pressure. This steam is used to run a steam turbine, coupled with an electric generator. Some of the heat generated is lost owing to radiation from pipelines, leakage from various equipment and through heat carried by the exhaust from the turbine. The ratio of the heat converted into electricity to the total heat generated by burning the fuel is referred to as the thermal efficiency of the plant. Typically, the thermal efficiency of conventional steam-cycle power plants ranges between 33% and 38%.

Recent developments in technology have helped increase the thermal efficiency of steam-cycle power plants to nearly 45%. These developments include:

1. The use of fluidised bed combustion boilers, which also reduces the emission of sulphur oxides,
2. The use of super-critical steam boilers (with respect to temperature and pressure parameters), and
3. The use of coal gasification technology in combination with cycle technology.

Combined-cycle power plants

In a combined-cycle power plant, high temperature and high-pressure gases, produced by burning natural gas/ naphtha, are used to run a gas turbine in the open-cycle mode. The exhaust gases from the gas turbine carry significant amounts of heat. In the combined-cycle mode, the heat content of the exhaust gases is utilised to generate steam in a heat-recovery steam generator. The steam is used to run a steam turbine. Although the thermal efficiency of a plant in the open-cycle mode (about 30%) is lower than that of a coal-based plant, the total thermal efficiency of the plant in the combined-cycle mode is significantly higher (at 42%-48%).

Technological developments have enabled combined-cycle power plants to achieve thermal efficiency of up to 60%. The most important development that has helped increase efficiency is the use of higher temperature gases at the turbine inlet.

Integrated gasification combined-cycle plants

Integrated gasification combined cycle ("IGCC") technology is used to increase the thermal efficiency of coal-based power plants and reduce emissions. In IGCC plants, coal is gasified using a gasifier. The gaseous coal is purified to remove pollutants such as sulphur. The purified coal is subsequently burned to generate hot gases, which are used to run a gas turbine. The exhaust gases, containing waste heat, are used to boil water and generate steam; this steam is used to run a steam turbine. IGCC technology can deliver thermal efficiency of up to 48%-50%. In addition, it can also be used with other heavy fuels such as refinery residues and petroleum coke.

Hydroelectric power plants

In hydroelectric power plants, water falling from a height runs a turbine, which coupled with an electric generator helps generate electricity. Water is stored in a reservoir created by building a dam. The power generated from a hydel power plant can vary every year, depending on the annual rainfall and the water level in the dam reservoir. Hydroelectric power plants are often put up as a part of multi-purpose projects, to provide water for drinking and irrigation purposes in addition to power.

In order to avoid the problems associated with constructing large dams, run-of-the-river hydroelectric plants are increasingly being preferred. In run-of-the-river hydel plants, the natural gradient of the river is used to provide the energy required to run the turbines. However, such power plants can only be built in hilly regions.

Nuclear power plants

The splitting of nuclear fuel atoms (such as uranium or plutonium) releases enormous amounts of heat, which is used to generate steam. When a uranium atom splits, it releases two neutrons, which react with two other uranium atoms, which release four neutrons, and so on. The exponential progress of the nuclear reaction releases the heat energy. In order to control the amount of energy produced, the rate of production of neutrons needs to be controlled by using a moderator (heavy water). The heat is used to produce high-pressure steam for driving a turbo generator that generates electricity.

While the moderator controls the speed of the neutrons, control rods made of cadmium are inserted into the reactor to control the number of neutrons exposed to the fuel rods. The progress of the reaction is controlled by lowering and raising the control rods.

Developed countries such as the U.S., the U.K. and Japan are reducing their dependence on nuclear power. No new nuclear power plants are being set up in these countries, and existing plants that have completed their designed life are being de-commissioned. However, several developing countries, particularly India and China, continue to pursue new nuclear power projects.

Transmission and Distribution

In India, the transmission and distribution ("T&D") system is a three-tier structure comprising distribution networks, state grids, and regional grids. These distribution networks and state grids are primarily owned and operated by the respective State Electricity Boards ("SEBs") or state governments (through state electricity departments). Most inter-state transmission links are owned and operated by the Power Grid Corporation of India Limited ("PGCIL") though some are jointly owned by the SEBs concerned. In addition, PGCIL owns and operates many inter-regional transmission lines (which are a part of the national grid) to facilitate the transfer of power from a region of surplus to one with deficit.

Transmission and sub-transmission systems supply power to the distribution system, which, in turn, supply power to end-consumers. In order to facilitate the transfer of power between neighbouring states, state grids are inter-connected through high-voltage transmission links to form a regional grid. There are five regional grids:

1. Northern region: Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh.
2. Eastern region: Bihar, Jharkhand, Orissa, Sikkim, and West Bengal.
3. Western region: Dadra and Nagar Haveli, Daman and Diu, Chattisgarh, Goa, Gujarat, Madhya Pradesh and Maharashtra.
4. Southern region: Andhra Pradesh, Karnataka, Kerala, Pondicherry and Tamil Nadu.
5. North-eastern region: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.

As peak demand for power does not occur simultaneously in all states, this results in a surplus in one state and deficit in another. Regional or inter-state grids facilitate the transfer of power from a surplus region to the one facing a deficit. These regional grids also facilitate the optimal scheduling of maintenance outages and better coordination between power plants. These regional grids will be gradually integrated to form a national grid, whereby power from a surplus region can be transferred to another, resulting in the optimal utilisation of generating capacity. For instance, the eastern region has surplus power, part of which is being transferred to the western and northern regions, which have a deficit.

Investment plans and review

In the 10th Plan, the investment for setting up transmission networks for the national and regional grid was envisaged at Rs. 403 billion. This was to be carried out by PGCIL independently and in joint ventures with private players. The investment planned in the state sector was approximately of Rs. 341 billion. However, the revised figures (based on actual investments) are far lower according to CRIS INFAC. Also according to CRIS INFAC, the investments towards national and regional grid have been pruned down to Rs. 207 billion, while that for state sector has been brought down to Rs. 289 billion. As a result, the total investment has been reduced to Rs. 496 billion from Rs. 744 billion. This indicates that there have been slippages and that the Government was not able to meet the set targets. As a result, going forward, more investments are needed to account for the slippages in the previous targets.

The investment plans for the 11th Plan look optimistic as compared to the revised estimates for the 10th Plan. A total of Rs. 1,360 billion is planned to be invested in the transmission sector during the five years of the 11th plan. This is almost three times the amount of investments in the 10th Plan. A higher amount is allocated towards setting up network for the national and regional grid. This also takes into account schemes for long-term open access. Hence, the ratio of investments in generation to transmission is expected to gradually increase more towards transmission.

Investments planned in transmission

(Rs. in billions)	10th Plan (Initial estimates)	10th Plan (Revised)	11th Plan (Estimates)
National Grid and Regional Grid	403	207	740
State Grid Systems	341	289	560
Additional for less developed states	-	-	60
Total Investment (All India)	744	496	1,360

Source: CRISIL Research and Working Group on Power

Private investments in transmission

In 1998, the Central Government enacted the Electricity Laws (Amendment) Act, which recognised transmission as an independent activity (distinct from generation and distribution), and allowed private investments in the sector. According to government policy, the state transmission utilities (STUs, SEBs or their successor entities) and the central transmission utility (CTU, Power Grid Corporation) will identify transmission projects for the intra-state and inter-state/inter-regional transmission of power respectively. The STUs and CTU will invite private companies to implement these projects through an Independent Private Transmission Company (an “IPTC”), or on a joint venture basis.

The IPTC would be selected through an international competitive bidding process. The primary criteria for selection would be the quoted transmission service charges and the technical, managerial and financial capabilities of the bidders. In the case of joint venture companies, the CTU and STUs could own an equity stake of up to 26%. Joint venture partners could also be selected on the basis of an international competitive bidding process. The primary selection criteria would be the technical and financial strength of the bidders. Transmission service charges would be determined on a cost-plus basis, under the supervision of the Central Electricity Regulatory Commissions or State Electricity Regulatory Commissions.

The IPTC’s role will be limited to the construction, ownership and maintenance of transmission lines. Operations of the grid, including load despatch, scheduling and monitoring, will be undertaken by the STUs and the CTU at the intra-state and inter-state/inter-regional level, respectively. The CTU and STUs will be involved in the development phase for obtaining project approvals and various regulatory and statutory clearances (such as environment and forest clearance and securing right-of-way), and will transfer the same to the private companies selected.

Power trading

The primary reason for trading power is that it is more economical to set up large-scale generating stations at specific locations (near fuel source) and transmit power to load centres than to set up small generating stations near each load centre. It is more economical to transmit power than transport fuel.

The main suppliers of bulk power in India are the central sector generating companies and their capacity has been fully allocated to various states. This is because most independent power producers ("IPPs") have long-term contracts with SEBs, with an assured recovery of fixed costs and return on equity at a PLF of 68.5%, with guaranteed offtake of up to 85%. Thus, there is no untied capacity available for open market trading of power.

Inter-state transfer of power from surplus to deficit regions is limited. According to CRIS INFAC, tn 2005-06, inter-regional exchange of power was 21,092 million Kwh, accounting for less than 4% of the total availability of energy. The eastern region, which has a significant power surplus, accounts for a large share of inter-regional exports. Although additional trading opportunities exist in terms of power exports from the eastern region, there are transmission constraints in evacuating the surplus power. Given the ongoing strengthening of inter-regional transmission links and the greater emphasis on commercialisation, the volume of power trading is expected to increase significantly in the next 3-4 years.

At present, most of the trading in power is carried out through bipartite agreements between various states, or between a central sector player and an SEB, using the existing transmission networks (of PGCIL and SEBs) and paying wheeling charges to the owner of the transmission lines. In addition, the Power Trading Corporation acts as an intermediary between the buyers and sellers trading power.

However, according to CRIS INFAC, there are a few hurdles that could affect the growth in electricity trading:

Transmission capacity: At present, the inter-regional power transfer capacity is around 11,500 MW. This is expected to increase to around 37,150 MW. PGCIL is setting up a national grid, which is expected to have a transfer capacity of around 37,150 MW by 2012. A large proportion of the total inter-regional transmission capacity would involve the evacuation of surplus power from the eastern region to other regions, especially the northern, western and southern regions, which face significant power deficits. In order to avoid problems related to the frequency mismatch in various regions, the PGCIL is adopting the HVDC technology in most inter-regional transmission lines.

Payment security mechanisms: Considering the poor financial health of most SEBs and their significant dues outstanding to central power PSUs (such as NTPC, NHPC and NPC), payment security is critical. The Power Trading Corporation, set up in 2000, provides payment security through letter of credits with the buyers. In addition, for the trading of power from mega power projects, Power Trading Corporation is trying to evolve a payment security mechanism based on state government guarantees, supported by recourse to the central plan assistance to states (through the involvement of the RBI). Trading of power, based on bipartite agreements between states, is likely to continue to be based on letters of credit.

Distribution

One of the primary reasons for the inefficiency and losses in the distribution sector is political interference in the operations of SEBs, especially with respect to tariffs, investments and personnel. Privatisation of distribution is generally accepted as the first phase in the reforms and restructuring of the power sector. With private participation in power distribution, significant benefits are expected to accrue, such as

1. Reduction in T&D losses
2. Improvement in metering and billing practices, and
3. Improvement in revenue collection.

In order to increase accountability and attract private sector investments in the distribution sector, the Government has decided to focus on metering at all levels of transmission and distribution, and also for all categories of consumers. This will enable accounting and auditing of electricity supplied at all levels in the T&D

system and make available reliable and accurate information on T&D losses and the consumption pattern of consumer categories in different geographical areas, while helping to identify and prevent the theft of electricity.

Modern electronic energy meters can record the consumption pattern of various consumers over a time period. This can be used to implement time-of-day metering (wherein consumption is recorded at frequent intervals along with the actual time of consumption), multiple tariff plans (depending on consumption pattern). Time-of-day metering and multiple tariff plans can be used to manage demand, as consumers would shift non-essential consumption to periods of low tariffs. Electronic meters with advanced features also provide the facility of remote reading with the help of wireless or other telecommunication technologies.

Regulations

The conceptual framework underlying the Electricity Act is that the electricity sector must be opened-up for competition. The Electricity Act moved towards creating a market-based regime in the power sector. It sought to consolidate, update and rationalize laws related to generation, transmission, distribution, trading and use of power. It focused on:

1. Creating competition in the industry,
2. Protecting consumer interests,
3. Ensuring supply of electricity to all areas,
4. Rationalizing tariffs and thus lowering cross-subsidization levels, and
5. Encouraging autonomous regulation with the separation of policy, regulatory and operational aspects.

Some of the major provisions of the Electricity Act are:

1. Elimination of licensing for setting up a generating station, subject to compliance with the technical standards specified by the Central Electricity Authority ("CEA"),
2. Removal of captive power plants from the ambit of licensing and other permissions,
3. Provision for issuing more than one license for transmission and distribution in the same geographical area,
4. Provision for "open access" from the onset with respect to transmission, and
5. Provision for reorganization or continuance of State power utilities.

Further, the Electricity Act also allows IPPs and captive power producers open access to transmission lines, thus allowing them to bypass the state utilities and sell power directly to distribution and trading licensees. This is subject to the adequate availability of requisite transmission infrastructure, which is determined by the Central Transmission Utility or the State Transmission Utility, as the case may be. The Electricity Act also provides for open access in distribution, thus opening the way for competition in the retail supply segment.

New Initiatives*

Ultra Mega Power Projects ("UMPP")

Ministry of Power in the year 2006 has launched an initiative of development of coal based ultra mega projects with a capacity of 4,000 MW each on tariff based competitive bidding. UMPPs are either pit head based projects having captive mine block or coastal projects based on imported coal. Sasan UMPP, a pithead plant in Chattisgarh based on domestic fuel and Mundra UMPP in Gujarat based on imported coal have already been

**(Source: Report of for Eleventh Plan (2007-12), The Working Group on Power Ministry of Power, February 2007)* awarded for execution to developers. According to the bids submitted by these developers only one unit of 660 MW is expected to be commissioned during the 11th Plan and the remaining unit during 12th Plan. Other projects where considerable progress has been made are coastal projects in Andhra Pradesh and Tamil Nadu and a pit head based project in Jharkhand. Further the projects under consideration include pit head projects in Orissa and Chattisgarh and coastal projects in Maharashtra and Karnataka.

Initiatives in Thermal Power Development

Efforts were made to bring in highly efficient super critical technology in the country for thermal power plants and execution of six super critical units of 660 MW capacity each was taken up during the 10th Plan period. The first unit of 660 MW based on super critical technology is likely to be commissioned during the first year of 11th Plan, i.e. 2007-08. The 11th Plan feasible capacity addition of coal based plants includes 12 units based on super critical technology with a capacity of 8,060 MW which is about 18% of total coal capacity planned for 11th Plan. More and more power projects based on super critical technology are under planning stage and they would yield benefit during the 12th Plan period. It is envisaged that more than 50-60% of capacity addition of thermal plants during 12th Plan period would be based on super critical units. This would also help in reducing the carbon dioxide emission from new coal fired capacity.

Initiatives in Captive Power Development

The generation from captive power plants at the end of 10th Plan (2006-07) is likely to be about 78 billion units. It is envisaged that during the 11th Plan period about 12,000 MW capacity power plants would be added to the system which will take care of the demand of the industry and also supply surplus power to the grid under open access arrangements which has been allowed as per the Electricity Supply Act, 2003.

It is envisaged that the generation from non utility captive power plants by the year 2011-12 may be of the order of 131 billion units which results into a CAGR of 10.5% p.a in captive generation.

Initiatives in Hydro Development

50,000 MW hydro initiative was launched in 2003 and the preliminary feasibility report of 162 projects totaling to 48,000 MW were prepared. Out of this 77 projects with total capacity of about 37,000 MW for which first year tariff is expected to be less than Rs.2.50/unit were selected for execution. Hydro projects have longer gestation period and therefore there is a need to formulate a 10 year plan for hydro projects. In 11th Plan a capacity addition of over 15,500 MW has been targeted keeping in view the present preparedness of these projects. Projects totaling to a capacity of 30,000 MW have been identified for 12th Plan on which necessary preparations have to be made from now onwards to ensure their commissioning during 12th Plan. Thus the effect of 50,000 MW initiative would be visible in 12th Plan period.

Initiatives in Nuclear Power Development

11th Plan power programme includes 3,160 MW of nuclear power plants, all of which are under construction. The recent agreement with USA in respect of nuclear co-operation is expected to improve the supply of nuclear fuel for nuclear power plants. It is also expected that execution of nuclear projects will also be opened up to enable participation by other public sector undertakings and private sector. The effect of this is likely to be visible in 12th Plan period. Nuclear Power Corporation of India has indicated a capacity addition of about 11,000 MW during 12th plan. In addition, NTPC have also expressed their intention to enter into the nuclear power sector and have proposed an addition of 2,000 MW during 12th plan period.

Oil and Gas Industry

Demand for engineering construction services in the oil and gas industry is dependent on the level of exploration, production, storage, refining and transportation activity in the oil and gas industry and the corresponding capital spending by energy industry conglomerates. Construction projects in the oil and gas industry generally include exploration rigs and platforms, refineries and other processing facilities, tanks and terminals for storage of oil and gas and derivative products and pipelines for transportation of such products.

The oil and gas sector has been one of the key focus areas of the engineering, procurement and construction industry. The global EPC industry is further expected to experience increased engineering construction activity in the energy industry, resulting in part from the steep increase in oil and gas prices in 2005, especially following the impact of Hurricane Katrina and Rita on oil production in the United States. With global demand expected to grow, oil and gas prices are expected to remain high in the near future, resulting in increased focus on creating additional production, refining and transportation capacities to meet the growing demand for oil and gas.

Construction in the oil and gas sector in India is directly linked to the level of exploration activities, transportation of oil and natural gas and refining/processing of oil and gas in India and globally. The level of these activities is in turn primarily dependent on current and anticipated oil and natural gas prices. The supply and demand for oil and natural gas and general economic conditions are crucial indices that determine these prices.

Global oil trends

According to the IEA, the global demand for oil was expected to average 84.4 million barrels per day in 2006 and 85.8 million barrels per day in 2007. Given milder-than-expected temperatures and minor revisions to economic growth assumptions, the IEA revised downwards their global annual growth forecast for 2006 and 2007 (to +0.9% and +1.6%, respectively).

Global oil demand growth is expected to be somewhat less buoyant in 2007 but nonetheless sustained. A slower US expansion than anticipated will not necessarily significantly decrease oil demand growth. Most of the forecast growth is driven by transportation fuels, which are income and price-inelastic in the short term. Total oil product demand in the OECD is expected to decline by 0.6% in 2006 on an annual basis, but is expected to rebound by 0.7% in 2007. Non-OECD countries are expected to continue to lead the global demand growth, with a projected demand growth of 3.2% in 2006 and 3.0% in 2007.

One key factor driving the IEA revision concerning annual growth forecasts is the weather, which has so far proved to be extraordinarily mild, resulting in a significant decrease in heating oil consumption, mostly in the OECD. However, this decline is also structural, notably in the key US Northeast and German markets, as well as in some Asian countries, as consumers switch to natural gas (whose relatively low, weather-related prices have also prompted switching from gasoil and kerosene used for heating). Furthermore, in electricity generation coal is increasingly competing against both natural gas and oil (residual fuel or direct crude burning).

According to the Asian Development Bank, Asian economic growth remains surprisingly resilient in the face of high oil prices. However, high oil prices continue to force governments to take action to head-off fiscal problems as countries like Malaysia, Indonesia and Vietnam are under pressure to raise product prices, which will in turn impact upon demand.

India – growth and investment

The strong growth of the Indian economy and infrastructure and the resulting increased demand in the energy industry has resulted in the need to develop an efficient distribution network for oil and natural gas transportation. The use of natural gas in the energy industry is also expected to increase significantly. The current low per capita usage of pipes in India, the recent discovery of large oil and gas reserves in various parts of India, the Indian government's decision to permit oil retailing by the private sector and a proposed national pipeline grid formulated by GAIL and infrastructure development projects of other major players in the energy industry in India are expected to increase engineering construction activity in the Indian energy industry.

In response to the recent privatization initiatives of the Indian government, large oil and natural gas companies in India including Indian Oil Corporation, Reliance Industries Limited, Essar Oil Limited, Bharat Petroleum Corporation Limited and Oil and Natural Gas Corporation Limited have commenced oil and natural gas exploration and transportation infrastructure projects. Certain of these companies also propose to establish dedicated distribution networks. More specifically, investment in oil and natural gas pipeline infrastructure in India is likely to be influenced by the government's decision to permit oil retailing by the private sector that is expected to transpire into approximately 10,000 retail outlets set up by RIL, Essar Oil and Shell. ONGC has also recently received government approval for setting up retail outlets. These are expected to result in an extensive pipeline infrastructure to cater to these retail outlets. In addition, BPCL proposes to expand its existing Mumbai-Manmad-Indore oil pipeline to Delhi to cater to the demand in north India, which accounts for nearly 40% of India's product demand. RIL proposes to set up six new pipelines with a combined length of 5,895 kilometers over the next several years at an approximate cost of Rs. 46 billion.

There are three major grass roots refinery projects in planning stages with BPCL planning one of these and HPCL and IOC planning one refinery project each. In addition, Essar Oil is already in the process of constructing a refinery. These projects are Bina Refinery (BPCL and Oman Oil Company); Guru Gobind Singh Refineries (HPCL); Paradip Refinery (IOC); and Essar Refinery, Vadinar. There are also various refineries undergoing capacity expansion such as at the IOCL's Panipat Refinery and Haldia Refinery. Significant investment is being made in building and expanding the capacity of refineries. Apart from capacity-expansion projects, the refineries will also investments to make them compatible with new environmental norms in order to make them compliant with applicable standards.

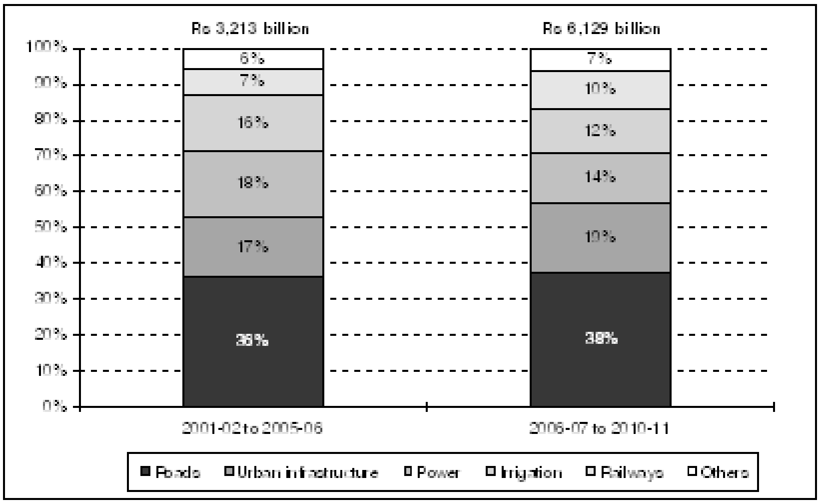
India is expected to receive significant capital expenditure in the energy industry. The IEA has estimated that India will receive investment in the energy industry of approximately US$900 billion over the next 25 years. Further there are also private energy majors such as Cairn Energy and Reliance that have committed to make significant investments in the energy industry in India. According to Economic Times: Infrastructure and Construction, Cairn Energy has committed to invest US$1.33 billion in its Rajasthan oilfields to produce 125,000 barrels per day. Further, Cairn Energy has established 136.3 million tons of in-place oil reserves in the 10 discoveries in the Rajasthan block and plans to drill over 300 wells to bring the field to production. RIL asserted in its annual general meeting in August 2005 that it propose to invest US$4 billion in upstream oil and gas exploration and production over the next four to five years.

Infrastructure in India

The revised draft of the Eleventh Plan Approach Paper states that investment in infrastructure — defined as road, rail, air and water transport, power generation, transmission, distribution, telecommunication, water supply, irrigation, and storage — would have to rise from the current 4.6% of India's GDP to an estimated 8.0% during the Eleventh Plan period to meet the GDP growth target of 9%.

CRIS INFAC's assessment, provided in their May 2007 report, of infrastructure projects (underway and proposed) indicates prospective investments of Rs. 11,886 billion, growing at an implicit annual trend growth rate ("TAGR") of 14% over the next 5 years (2006-07 to 2010-11) as compared to Rs. 6,465 billion invested in the last 5 years (2001-02 to 2005-06). Their further analysis, based on construction intensity in each sector, shows that these projects have the potential to translate into investments worth Rs. 6,129 billion for the construction industry.

Mix of infrastructure investments



Source: CRISIL Research

Roads

Over the next 5 years, roads are slated to be the key driver of construction investments among infrastructure sectors. Road development programmes such as the National Highway Development Programme ("NHDP") and Pradhan Mantri Gram Sadak Yojana ("PMGSY") together with state-level projects will provide a boost to the construction industry. According to CRIS INFAC, urban infrastructure is expected to be the second-largest contributor to infrastructure investments over the next 5 years. The Electricity Act, focus on hydel projects, and policy initiatives such as securitisation of SEB dues, and equity and debt support in the Union Budget will act as catalysts for construction investments from the power industry. Investments in port projects will be led by the National Maritime Development Programme aimed at augmenting capacities at major ports.

Roads investments

According to CRIS INFAC, the roads sector is expected to be the largest contributor to infrastructure investments anticipated over the next 5 years. It is expected to contribute around 38% of total infrastructure investments as against 36% contributed in the previous 5 years. The order book of construction companies are therefore likely to be more influenced by this sector, especially in the case of big construction companies that are expected to gain a greater share of BOT road projects planned over the next 5 years.

According to CRIS INFAC, investments in roads sector are expected to grow at a TAGR of 15% over the next 5 years, with a likely increase from Rs. 1,167 billion in the past 5 years (2001-02 to 2005-06) to Rs. 2,306 billion in the next 5 years.

Development plans

NHDP now involves a total of seven phases, entailing the development and upgradation of more than 50,000 km of roads. According to CRIS INFAC, so far, government approval has been received only for Phase I, Phase II and Phase IIIA — involving the development and upgradation of around 18,287 km. Phase III-VII have been planned completely on BOT basis or on design-build-finance-operate ("DBFO") basis. However, there are quite a few stretches unlikely to be taken up on BOT basis due to the lack of adequate returns because of dismal traffic.

Over the next 5 years (2007-2011), CRISIL Research estimates that an amount of Rs. 475-542 billion is likely to be invested under the North South East West (NSEW) project — Phase IIIA, Phase IIIB, and Phase V — by private companies.

A new programme to rebuild rural India - titled Bharat Nirman - was unveiled in 2005. The UPA government identified rural roads as one of the six components of Bharat Nirman and set a goal to provide connectivity to all villages with a population of 1,000 (500 in the case of hilly or tribal areas) with an all-weather road. Consequently, targets set for the PMGSY rural road development programme initiated in 2000 by the Central Government have been revised. The habitations qualifying for the programme have been increased from 0.142 million to 0.172 million, envisaging a total investment of Rs. 1,320 billion. Of this, a cumulative investment of Rs. 600 billion has been planned until 2009-10.

According to CRIS INFAC, there exists a considerable gap of Rs. 335 billion between the funds available of Rs. 265 billion, and the amount planned for the programme of Rs. 600 billion. An additional Rs. 165 billion of cess is expected to be allocated until 2009-10, which means that the remaining Rs. 170 billion will have to be raised from the market. The rural development department has been authorised to raise the balance funds required for the construction and upgradation of rural roads from external agencies and through market borrowings, which may be easier said than done. The NHAI, for instance, has been able to raise Rs. 70.54 billion from the market until May 2007 for NHDP, but it will be able to utilise toll revenues to repay its debt. In stark contrast, since the PMGSY programme is not toll-based, repayment of debt will be an issue; therefore, raising money from the market could be quite difficult.

OUR BUSINESS

Overview

The Company was originally incorporated in 1985, as a joint venture between GEA Energietechnik GmbH, Germany and our Promoter, Mr. B.G. Raghupathy, to produce and sell on-line condenser tube cleaning systems, debris filters and rubber cleaning balls used in thermal and nuclear power plants. In 1993 Mr. B.G. Raghupathy and members of his family became the sole shareholders of the Company and began to expand our range of product and services range in the power and oil and gas industries. On June 28, 2007 we changed our name from GEA Energy System (India) Limited, to BGR Energy Systems Limited.

We carry on our business in two segments, the supply of systems and equipment and turnkey engineering project contracting. In the systems and equipment business, we design, engineer, manufacture, sell and service a range of systems and equipment for the power, oil & gas, refinery, petrochemical and process industries. In the turnkey engineering project contracting business, we engineer, manufacture, procure, construct and commission projects in the power and oil & gas sector, wherein we take turnkey responsibility to supply a range of equipment and services, including the civil works required for a project and other work as may be required under the contract for such project.

We execute turnkey contracts to supply the balance of plant ("BOP") equipment, services and civil works for power generation projects, in which we supply, from a single source, the balance of the plant, i.e. items other than the boiler, turbine and generator. Having successfully executed BOP contracts, we have begun to focus on engineering, procurement and construction ("EPC") contracts, in which we design, engineer and supply all of the equipment required for a power plant including the boiler, turbine and generator and civil works. We are currently executing BOP and EPC contracts tailored to customer demands. We also have an infrastructure business intended to provide construction services and technology oriented projects to the infrastructure sector.

Our Company consists of seven complementary businesses, including:

- our power projects business, which provides turnkey EPC and BOP services for coal-based thermal power plants and gas-based combined cycle power plants typically over 100 megawatts ("MW"), and which completed its first contract in 2002,

- our captive power projects business, which provides turnkey EPC and BOP services for power plants typically under 150 MW which began operating in 2006,

- our oil and gas equipment business, which designs and manufactures gas conditioning & metering skids, storage tanks, pipeline pig launching & receiving systems, gas processing complexes and gas compressor packages related to the oil and gas industry for companies in India and abroad, and which began operating in 2001,

- our air fin coolers business, which designs and manufactures air fin coolers which cool process fluids and gases used in the refining, petrochemical, and oil and gas industries, and which began operating in 1994,

- our environmental engineering business, which designs manufactures and provides deaerators, desalination plants, water treatment plants and effluent treatment plants, which have application in power and process plants and other industrial plants, and which began operating in 1996,

- our electrical projects business, which designs supplies electrical systems and equipment such as gas insulated switchgear substations, optical fiber power ground wires, extra high voltage substations and transmission lines to power stations, refineries and petrochemical plants, and which began operating in 2003, and

- our infrastructure business, which is capable of building roads and industrial buildings, and which began operating in 2004.

We have executed several BOP power projects within India, including power projects in Valuthur in Tamil Nadu, and Chittorgarh and Dholpur in Rajastan and an EPC contract for a power project in Karuppur in Tamil Nadu. We are executing turnkey BOP coal-fired power projects in Vijayawada and Bhoopalapalli in Andhra Pradesh and Khaperkheda in Maharastra, all three with an output capacity of 500 MW. We have commenced basic engineering for a 820 MW gas-based power plant for Konaseema Gas Power Limited in Andhra Pradesh, and we are executing EPC contracts in Valuthur for a gas-based power plant with an output capacity of 92.2 MW and in Mettur for a coal-based captive power project with an output capacity of 25 MW. Our consolidated order backlog as of September 30, 2007 was Rs. 33,212 million.

We manufacture certain products related to our businesses through our subsidiary Progen Systems and Technologies Limited ("Progen"), which has its own manufacturing facility and through our second facility controlled by our air fin coolers business. Our manufacturing facilities are located in India and are certified by the American Society of Mechanical Engineers ("ASME"). The combined capabilities of our manufacturing facilities allow us to offer products and services in a timely and cost-efficient manner. Further, we are capable of manufacturing products specifically tailored to meet our clients' needs. The products we design and manufacture include heat exchangers, pressure vessels, condensers, high frequency resistance welded finned tubes, deaerators, pipeline equipment, heat recovery steam generators and various boiler components.

Our clients are located in Asia, the Middle East, Africa and Europe. To date, we have executed 131 contracts in 42 countries . Our air fin coolers, environmental engineering and oil and gas businesses provide products and services both in India and abroad. Our power projects, captive power, infrastructure and electrical projects businesses currently operate only in India. Along with our manufacturing facilities, our corporate head office is in Chennai and we have three sales and marketing offices in India.

Our consolidated income for the three months ended June 30, 2007 was 2,445.21 and the 18 months ended March 31, 2007 was Rs. 7,902.76 million. For the years ended September 30, 2005 and 2004 our consolidated income was Rs. 2991.31 million and Rs. 2,694.46 million, respectively. For the 18 months ended March 31, 2007 our consolidated net profit after extraordinary items was Rs. 399.64 million. Our consolidated net profit after extraordinary items for the years ended September 30, 2005 and 2004 was Rs. 135.49 million and Rs. 111.78 million, respectively.

Total income by business/subsidiary[1] *(in Rs. million)*

Business Division	For the three months ended June 30, 2007	For the 18 months ended March 31, 2007	For the year ended September, 2005	For the year ended September 30, 2004
Power Projects Business	1,150.90	3,926.05	1,141.08	1,509.27
Captive Power Business	935.83	632.42	N/A	N/A
Oil and Gas Equipment Business	0.06	93.29	19.39	42.63

Total income by business/subsidiary[1] *(in Rs. million)*

Business Division	For the three months ended June 30, 2007	For the 18 months ended March 31, 2007	For the year ended September, 2005	For the year ended September 30, 2004
Air Fin Coolers Business	40.42	969.64	571.57	434.69
Environmental Engineering Business	32.95	504.74	65.59	80.29
Electrical Projects Business	115.17	355.62	10.37	N/A
Infrastructure Business	2.92	646.14	614.80	160.21
Progen	68.42	92.27	52.90	27.04

1. *Includes only income from sales to third parties. Many of our (and Progen's) businesses provide substantial amounts of products and services to other of the Company's businesses.*

For the three month period ended June 30, 2007 and 18 month period ended March 31, 2007, approximately 3.60% and 12% of our consolidated income was derived from our international operations.

On June 30, 2007, we sold the assets and liabilities of our energy products business to GEA BGR Energy Systems Limited, an affiliate of our Promoter, for Rs. 250.00 million in cash, which represented the net book value of the assets and liabilities, by an agreement dated August 1, 2007. Effective June 30, we also sold all the shares of Schmitz Reinigungskugein GmbH ("Schmitz GmbH") to Schmitz India Private Limited, an affiliate of our Promoter, for Rs. 6.00 million. Schmitz GmbH is principally involved in marketing activities for our former energy products business.

Our Strengths

We believe that we have significant industry expertise and knowledge. In particular, we believe that the following strengths enable us to compete successfully in our industry:

Project management expertise

Over a period of 20 years, we have developed robust skills and expertise in managing various complex projects, which demand a high level of engineering and technology skills. In project management, we have a proven track record in designing, manufacturing, procuring, constructing, commissioning, troubleshooting and servicing individually packaged systems and equipment. We also have a proven track record in providing turnkey project contracts, which consist of a number of individually packaged systems and equipment, civil works, integration of all the systems and equipment and demonstration of performance for the equipment and the project as a whole.

Before entering into our various projects businesses (principally power projects, captive power, infrastructure and electrical projects businesses), we developed our business as a producer of a variety of products. A number of our products were complex, custom designed products, and their conceptualization, design and production process was similar in overall process to the EPC and BOP processes we apply to our projects businesses. Our expertise in designing and producing the products we make has served to prepare us, and provide us with valuable experience, for the broader scope of business,including turnkey engineering projects, we now undertake.

Well positioned to capitalize on global demand in the energy and infrastructure industries

Internationally, the increased demand for energy has resulted in the need to substantially increase exploration, production and distribution in the power and energy industries. The recent discovery of large oil and gas reserves in various parts of the world, including in India, is expected to increase the demand for pipelines, storage tanks and terminals and process facilities in the oil and gas industry, which will lead to growth in infrastructure and oil and gas projects. As our capabilities in project management expand from BOP to EPC contracts, we plan to capitalize on the growth of demand for BOP and EPC services in the power and oil and gas industries. As EPC contractors, we capture a greater percentage of the value of a project, and are thus able to increase the profit we make on each project.

Our air fin coolers, environmental and oil and gas businesses provide products worldwide. The products these businesses produce are integral to the energy, infrastructure and oil and gas industries and are expected to benefit directly from the growth in global demand in those industries.

We leverage our strong track record of delivering projects on time, on budget and in line with customer expectations to win new projects. We have skilled engineers who are capable of using the latest technology and processes to complete projects. We have worked on a variety of projects, and have created a wide variety of products. We believe our track record, coupled with our skilled employees and depth of project experience, has put us in a position to exploit the global demand in the power and oil and gas industries. Further, consistent access to the financing required to implement large projects allows us to bid on and complete the wide array of projects being built to address the growing demand in the power and oil and gas industries.

Diverse design and engineering capabilities

We perform our design and engineering in house at our offices in Chennai, Hyderabad and Delhi. Our engineers work in conjunction with our clients to develop the overall engineering process, from conception to commission.

We believe this gives us control over costs, design and scheduling. We use engineering software packages which give us the capability to design and engineer mechanical, electrical, control and instrumentation and civil works in line with international standards such as the American Petroleum Institute (“API”), the International Organization for Standardization (“ISO”), Indian Standards (“IS”), the American Society of Testing and Materials (“ASTM”), the American National Standards Institute (“ANSI”), the National Fire Protection Association Standards (“NFPA”), the American Society of Heating, Refrigerating and Air-Conditioning Engineers (“ASHRAE”), the Institute of Electrical and Electronics Engineers (“IEEE”), the International Electrotechnical Commission (“IEC”), Japanese International Standards (“JIS”) and the German Institute for Standardization (“GIS”).

Our wide range of engineering capabilities allow us to design and build entire plants through EPC contracts, or portions of plants through BOP contracts. Typically, we manufacture 40% to 50% of the products required to complete a given BOP project in our power projects or captive power business. We are also able to design and manufacture custom products for clients across a range of industries, including power, oil and gas, petrochemicals, refineries and other process industries.

We license technology from international sources, most often product manufacturers with advanced technology. We seek to establish relationships with technology suppliers that allow us to share and extend expertise beyond the specific technology we license.

To complement our engineering efficiencies, and to ensure we remain current with trends in the market, we use the latest computer aided design tools and analytical software. Furthermore, we attempt to remain enterprise resource planning compliant, ensuring that all our data and processes are organized into a unified system.

Diverse range of complementary projects, products and services

We believe we have a diverse range of high-quality projects, products and services which are in demand across a range of industries and gheographies. All of our products are custom-built to meet our customers' specific requirements. Each of our businesses exploits its own project management and engineering strengths to produce the products and services the market, and our particular clients, demand. At the same time, each of our businesses benefits from the synergies which stem from operating complementary businesses under one company.

Our businesses operate in related industries and industry segments and as such are able to work together to meet the variety of customer demands that arise during the implementation of a project, the development of a product or during the provision of a certain service.

Ability to undertake broad spectrum of power projects

We believe we are well positioned to undertake contracts for both large scale and small scale fuel-based power projects, ranging from 25 MW to 500 MW using different types of fuels. We also have experience in the development of different projects, first gained through our BOP practice and further developed and refined with EPC contracts.

Successful implementation of both large and small power projects requires a range of capabilities, including engineering and design skills, construction skills and project management skills. We have engaged in this process for all of our BOP and EPC contracts to date, and have developed those skills. We believe this system has been similarly successful when implemented on captive power projects.

Our project management expertise is an integral contributor to the success of our power projects business and captive power business. Our corporate project management policy clearly lays out delegation of responsibilities, including duties of the dedicated project manager, heads of divisions and other executives. Our detailed project management procedures provide the foundation needed to undertake large, multi-faceted projects. By creating and then implementing the procedures, we are able to ensure that all work is completed within the allotted time and within the required specifications.

Cost competitiveness

We have a strong competitive advantage by virtue of the characteristics of our BOP packages. A typical BOP package accounts for 40% to 50% of total plant costs. The BOP package components are designed specifically for each project, requiring us to provide only what is needed with each component. Designing and engineering in-house gives us control of the entire process, from conceptualization to completion of a given project. Consequently, we can control costs by eliminating unnecessary product features and over design, procuring the most cost-efficient raw materials and maximizing our labor efficiency.

Lower costs associated with doing business in India, such as tax benefits, as well as lower costs for human resources allows us to compete with international companies which may have higher costs in this regard. We have been successful in building a team of approximately 527 qualified engineers to design and manufacture our products, and to help perform our services. In each project, we work to create the most efficient plan to address our clients' needs.

Highly qualified and motivated employee base and proven management team

Our management team is well-qualified and experienced in the industry and has been responsible for the growth in our operations. Our Chairman and Managing Director has worked with the Company for more than 20 years and has driven our growth since inception. In addition, our board of directors includes a strong combination of management as well as independent members that bring significant business experience to our Company. Our senior management, listed in "Key Management Personnel" on page 136, has an average of more than 20 years per person of experience in the industry.

We believe that a motivated and empowered employee base is essential to maintain our competitive advantages. As of October 26, 2007 we employed directly or through our subsidiaries a work force of 854 full-time employees, of which approximately 68.50% were engineers.

The skills and diversity of our employees gives us the flexibility to best adapt to the needs of our clients. We are dedicated to the development of the expertise and skill sets of our employees and continue to invest in them to ensure that they have the training and tools needed to be successful in today's challenging environment.

Our Business Strategies

We intend to pursue the following principal strategies to exploit our competitive strengths and grow our business:

Focus on large BOP contracts and EPC contracts for power projects directly from power generation companies

We plan to utilize our power project management skills to access the growing demand for power and power projects in India and eventually abroad. We intend to increase the scale of our EPC operations and take advantage of the high growth opportunities provided by the expansion of the Indian power industry. Indian gross domestic product grew at a rate of 9.2% in 2006-2007, necessitating the growth of power projects (*source: Ministry of Finance website*). The Indian government has recognized this need and has taken steps to encourage investment and growth in the power industry. The private sector has also acknowledged the need for more power projects and orders for both public and captive power projects have increased in recent years. See "Our Industry" on page 63.

We intend to concentrate on projects and prospects in areas where we can be most competitive and obtain attractive profit margins with an acceptable level of contractual risk. We will use our track record to pre-qualify for EPC contracts, which will enable us to become the main contractor on our projects, provide us with the opportunity to bid on a larger number of projects and deploy our resources more efficiently and improve operating margins. While working on higher value projects may have associated risks, such projects also enable us to benefit from potentially higher margins. For certain large value projects, we also plan to form strategic alliances with other relevant experienced and qualified sub-contractors.

Substantially all our contracts are obtained through a competitive bidding process. In selecting contractors for major projects, clients generally limit the tender to contractors they have pre-qualified based on several criteria including experience, technological capacity and performance, reputation for quality, safety record, financial strength and size of previous contracts in similar projects. Pre-qualification is essential to our winning major projects and we continue to use our marketing efforts in getting pre-qualified with major power conglomerates. We also intend to partner with global manufacturers of boilers, turbines and generators to establish a more visible presence throughout India. We intend to capitalize on our considerable experience to bid for and win larger contracts. We also intend to continue to strengthen our engineering capabilities to enable us to win more technically complex turnkey projects.

Expand our international businesses and operations

In pursuing our strategies, we seek to identify markets where we believe we can provide cost and operational advantages to our clients and distinguish ourselves from other competitors. To exploit the potential for growth in our international business, we are considering expanding our operations abroad. We plan to open a manufacturing facility office in Bahrain to ensure proximity to clients. We also plan to open a manufacturing facility in China to expand our manufacturing capabilities. See "Objects of the Issue" on page 37. In pursuing our international strategies, we will seek to identify markets where we believe we can provide cost and operational advantages to our clients and distinguish ourselves from our competitors. We plan to expand into areas which will provide growth, accessibility, low costs and profit potential for our businesses. These areas include working on sophisticated power and oil and gas projects and producing the associated products. We believe our ability to provide advanced technology, customized products and services will help us gain entry into these growth areas. We believe by bidding on more technically advanced projects, we will benefit from the presence of barriers to entry that may restrict our competition on less technically demanding projects.

In order to expand our operations, we also seek to identify acquisition targets and joint venture partners whose resources, capabilities and strategies are complementary to and are likely to enhance our business operations abroad. We also plan to increase exports to gain access to the better margins available in the international market.

In addition to facilities in China and Bahrain, we have obtained approval to open a marketing office in Dubai to serve the global equipment and contracting markets more efficiently.

Increase our focus on the oil and gas businesses

We intend to target specific businesses and industries where we believe there is high potential for growth and where we enjoy competitive advantages. For example, we intend to capitalize on our experience of working in the oil and gas industry to benefit from the significant investments proposed in gas gathering, liquefaction, storage and transportation projects in India. See "Industry" on page 63.

Exploit our experience in the infrastructure business to take advantage of growth in the infrastructure business

To benefit from the demand for infrastructure projects in India and internationally, we will exploit our experience in the industry. We intend to extend our operations beyond roads and bridges to other civil infrastructure projects including ports and harbor projects, multilevel parking structures, airport expansion and other civil aviation projects. We are also exploring the feasibility of entering the business of constructing off shore platforms.

Continue to develop our technological collaboration and relationships in various businesses

We intend to continue to enhance our strong technological capabilities to enable us to provide value added engineering services for, and win larger, more technically complex, EPC projects as well as specialized engineering and design consultancy services to clients independent of our projects. Increased investment in power and oil and gas industry projects in international markets has resulted in an increased demand for engineering capabilities. We intend to exploit our engineering capabilities to provide value added engineering services to other engineering construction companies in these markets.

We may want to enter into strategic alliances in the form of joint ventures or consortia or sub-contracting relationships for specific projects. We will continue to develop and maintain these relationships and alliances. We also intend to establish strategic alliances and share risks with companies whose resources, skills and strategies are complementary to and are likely to enhance our business opportunities.

Continue to focus on the competitiveness and quality of our projects, products, services and engineering capabilities

In addition to committing to grow through expansion into new regions abroad, we seek to improve the performance and competitiveness of all of our existing businesses. We are focused on improving our profit margins by reducing costs through efficient project management, as well as increasing our cash flows through the development of new projects, which will allow us to benefit from the increase in demand for power in India and globally.

To remain competitive, we expect to form strategic alliances with companies that operate in our businesses, companies that can provide us with advanced technologies and equipment suppliers to expand our range of products and engineering capabilities. We will also look to develop our relationships with agents for our products around the world, particularly in the Middle East. Going forward, we will look to acquisitions to further our business operations domestically and abroad.

Our Businesses

Our Power Projects Business

An Overview of Power Plants

Broadly, power plants are of two types, gas-fired combined cycle power plants and coal-fired thermal power plants. These power plants use the following main components:

Gas-fired	Coal-fired
➢ Gas turbine ➢ Gas turbine generator ➢ Heat recovery steam generator ➢ Steam turbine ➢ Steam turbine generator ➢ Condenser / air cooled condenser	➢ Steam generator (boiler) ➢ Turbine ➢ Turbine generator ➢ Condenser

The components enumerated above are collectively known as the boiler, turbine and generator island (the “BTG”). These components by themselves cannot facilitate the production of power. They need a range of electrical, mechanical, control & instrumentation systems and civil buildings to become a complete power plant. These other components comprise the balance of plant (“BOP”) package. For example, for a coal-fired thermal power plant, the BOP package generally consists of:

- Design & engineering for the complete power plant;
- Civil works;
- Coal handling;
- Ash handling;
- Cooling water intake system / water systems;
- Cooling tower;
- Water treatment plant;
- Chimney;
- Electrical transformers, switchgears (LT & HT);

- Substations – power evacuation system;
- Cables & pipes;
- Heat ventilation and air conditioning (HVAC);
- Fire protection system (FPS);
- Compressed air system (CAS);
- Material handling system; and
- Control and instrumentation.

Power generation companies either place an EPC order for the complete plant, including BOP and BTG, with one manufacturer or they may place an order for the BTG with a manufacturer and buy individual components of the BOP package from other manufacturers with the help of an outside consultant. Procuring more than 40 components of the BOP package individually could generally lead to time delay.

We believe we were one of the first companies in India to develop the BOP concept to allow providers of boilers, turbines and generators to utilize one contract to source a large portion of the products and services required to complete a power plant, excluding physical construction. Our power projects business was established to provide BOP packages to other EPC contractors. Initially tasked with executing BOP contracts, we now also execute EPC contracts. For the 18 months ended March 31, 2007 our income from our power projects business was Rs. 3,926.08 million and our income from our power projects business for the three month period ended June 30, 2007 was 1,150.90. Our income from our power projects business for the years ended September 30, 2005 and 2004 was Rs. 1,141.08 million and Rs. 1,509.27 million, respectively.

By employing the BOP concept of packaging products and services, other than the boilers, turbines and generators, under one contract, we established a presence in the power industry and we believe came to be acknowledged as a reliable power plant BOP contractor. Eventually we began bidding for EPC contracts in an effort to move from supplying parts of the power plant to supplying the entire power plant. As our power projects business grew, we added a variety of other complementary products and services to our range of offerings.

We enter into BOP contracts with EPC companies to provide the myriad of products required to complete the construction of coal and gas power plants. Of the products included in the BOP contract, we manufacture approximately 40% to 50% in house, and source the rest from various suppliers in India and abroad. Historically, we packaged these products together in a BOP contract with the EPC company, which in turn would contract directly with the power generation company. While the EPC company provides the "power island" for the plant, consisting of boilers, turbines and generators, the BOP contractor provides the remaining products needed to complete the plant, including the mechanical, electrical, control instrumentation and civil features of the project.

Typically, the following steps are taken by the EPC contractor when building power plants:

- System engineering, which involves finalizing the layout, technical scheme and size of major pieces of equipment;
- Detailed engineering, which involves process calculations and sizing for every component of a project, and the preparation of detailed drawings;
- Material and system procurement, which involves evaluating offers from vendors, placing orders and carrying out quality checks;

- On-site fabrication, which involves manufacturing bulky items such as tanks and piping systems at the project site;
- Civil construction, which involves, for example, the construction of the plant's buildings, foundation and reservoir;
- Erection, which involves putting equipment and systems in place as per the project plan;
- Integration of systems, which involves for example integrating boilers, turbines and generators with the power plant;
- Testing of individual systems, which involves testing each system and piece of equipment after erection is complete;
- Cold commissioning, which involves testing the entire system on a no-load basis, without gas;
- Hot commissioning, which involves running the entire system at its rated capacity or load, with steam, as per the specifications of the contract;
- Performance guarantee tests, which involves testing each piece of equipment and each system; and
- Handing the project over to the client.

BOP contracts follow a similar progression to EPC contracts. BOP contracts require lesser amounts of engineering and procurement services, and generally less construction than EPC contracts. BOP contracts cover a portion of the work performed in EPC contracts.

Our BOP business has developed over the years, and in some cases we now send our bids directly to power generation companies, as opposed to only entering into subcontracts with EPC companies. This allows for higher margins and better control over work flow. We are currently executing projects in Vijayawada and Kakatiya in Andhra Pradesh for the Andhra Pradesh Power Generation Corporation Limited ("Apgenco") and in Khaperpeda for the Maharashtra Generation Company Limited. These three projects are all 500 MW power plants. We recently signed a letter of intent for a BOP contract for a 820 MW gas-based power project for Konaseema Gas Power Limited in Andhra Pradesh. These projects have increased the visibility of our Company throughout India, and have provided a platform for our power projects business to expand into EPC contracts.

To date, our power projects division has completed the following power projects:

Project	**Order Value (Rs. in Millions)**	**Contract Type**
95 MW Combined Cycle Power Plant ("CCPP")–Valuthur, Tamil Nadu	594.37	BOP
23 MW Coal-fired Power Plant ("CCP") –Chittorgarh, Rajastan	444.00	BOP
120 MW CCPP – Karuppur, Tamil Nadu	2,696.80	EPC

Our power projects division is currently executing the following projects:

Project	Order Value (Rs. in Millions)	Contract Type
500 MW Thermal Power Station – Vijayawada, Andhra Pradesh for APGENCO	5,788.00	BOP
500 MW Thermal Power Station-Kakatiya, Andhra Pradesh for APGENCO	6,948.60	BOP
330 MW CCPP- Dholpur, Rajasthan for Rajasthan Rajya Vidyut Utpadan Nigam Limited ("RRVUNL") (open cycle commissioned 220 MW in March 2007 and combined cycle commissioning of BOP is completed. We have booked revenues of Rs. 2,032.10 million as of June 30, 2007)	2,095.30	BOP
500 MW Thermal Power station – Khaperkheda, Maharashtra for MAHAGENCO	9,980.20	BOP

Our 330 MW Dholpur project was awarded in 2005. The gas turbines were commissioned on an open cycle mode on schedule. Our 500 MW Vijaywada project was awarded in May 2006 and is scheduled for completion in July 2008. Our 500 MW Kakatiya project was awarded in September 2006 and is scheduled for completion in February 2009.

Expanding our operating capabilities from BOP contracts alone to include EPC contracts allows us to take on larger projects and grow our overall business. As the EPC contractor, we complete, or arrange for the completion of, the entire plant. We completed our first EPC contract for a 120 MW gas based power plant in 2005 for Aban Power Company Limited.

In India, our power projects business competes with BHEL, Larsen & Toubro Limited ("L & T"), Tata Projects Limited, Punj Lloyd Limited and Reliance Energy Limited for BOP contracts and EPC contracts. We believe we are the only company among our competitors, other than BHEL, capable of carrying out the design and engineering for power projects in-house. The main factors we compete upon include being pre-qualified for projects, offering competitive pricing and exploiting our BOP and EPC contracting skills in the power project industry.

Generally, a client announces pre-qualification requirements for a given project. If we believe the project is one we would like to, and think we might be able to, become involved in, we submit an expression of interest. If we pre-qualify, we are sent a list of the technical specifications on the project. Based on this information, we submit a formal bid for the project.

To expand our power projects business we engage in public tenders for projects from public companies, and engage in both public and private tenders for private companies.

We have submitted our bid for a 2x500 MW Bhushval project and the bid is under evaluation by the client. We have been invited to submit pre-qualification documents by RRVUNL for eligibility to bid for a 2x(500MW to 600 MW) coal-based project in Kalisind (Jalawar) in Rajasthan and a 1x500 MW coal-based project in Kothagudam in Andhra Pradesh. We expect to submit bids by December 15, 2007 and November 30, 2007 respectively.

We are currently attempting to pre-qualify to bid as the BOP contractor or EPC contractor for the projects to be put out for tender between the present time and January 2008. These projects have a combined generation capacity of:

- 3,700 MW for coal based power plants, and
- 1,150 MW for gas based power plants.

These projects may not be put out to tender on schedule or at all, and the scope of these projects is subject to change. We may not pre-qualify to submit proposals on these projects, and even if we do, our bids may not be successful.

Our Captive Power Business

Our captive power business was established in 2006 to address the growing demand for stand alone captive power plants and public utility projects in India. Growth in industries such as metal processing, chemicals, cement and textiles has created a shortage of industrial power throughout India. To address this shortage, and to ensure reliable sources of power, companies build their own power plants to meet their power needs, and the government has increased production of public utility projects. These projects are typically smaller than those carried out in our power project business, with outputs ranging from approximately 25 – 150 MW. Depending on customer requirements, we bid on both BOP and EPC contracts. For the 18 months ended March 31, 2007 our income from our captive power business was Rs. 632.42 million.

The Electricity Act, 2003 gave a boost to captive power by exempting such plants from licensing requirements. This resulted in rapid growth in captive capacity in various industries. Along with these favorable regulatory circumstances, the reliability of a captive power supply and better economics have encouraged participants in certain industries to opt for captive power generation. The power that a company generates but does not use can now be sold on the open market to other power users or government suppliers of power, adding to the benefits of captive power plants. As capacity requirements for the captive power industry have increased, demand for larger units has also increased. Captive units which were formerly in the range of 6-25 MW are now typically in the range of 25-150 MW, thereby creating a market for units in the range of 50-60 MW to 125-150 MW, respectively.

Our captive power business is currently working on the following projects:

Project	Order Value (Rs. Millions)	Contract Type
92.2 MW CCPP Phase II – Valuthur for Tamil Nadu Electricity Board (“TNEB”)	3,553.20	EPC
25 MW CPP – Mettur for Madras Aluminum Company Limited	765.00	EPC

For key products, such as steam generators, turbines and cooling systems, the captive power business enters into strategic alliances on a case by base basis. The captive power business currently sources the cooling systems used in its projects on an arm’s length basis from GEA Cooling Tower Technologies, a joint venture company which is affiliated with us, and has an alliance with Qingdao Jieneng Power Station Engineering Company Limited to supply steam turbines. The business also has an alliance with Sichuan Chuanghua Boiler Company to supply steam generators. These alliances give us the right, but not the obligation, to source products from these companies.

In India, we compete with CVL Limited, L&T, Indure Limited, TATA Projects Limited, and Greenesol Power Systems Private Limited for projects under 50 MW and with Thermax Limited, L & T Limited, BHEL and TATA Projects Limited for projects of more than 50 MW. Currently we do not operate this business outside of

India. The nature of competition in this business is similar to that which we face in the power projects division. Given the smaller size of the projects in this business, the time required for completion is also a very important element of competition and potential clients look for providers that can execute contracts as quickly as possible.

Our Oil and Gas Equipment Business

Our oil and gas equipment business began operations in 2001. We provide a range of products, focusing mainly on those needed for oil or gas to travel between the well head and the end user. The products we provide include production separators, water bath heaters, gas gathering systems, gas metering systems, gas compressor packages, storage tanks, gas dehydration and sweetening systems and various pipeline equipment. We have an exclusive agreement with Ariel Corporation to package and sell reciprocating gas compressors in India and Bangladesh. These products are used in oil and gas fields, cross country pipelines and refineries as well as in the petrochemical and power industries. For the 18 months ended March 31, 2007 our income from our oil and gas equipment business was Rs. 93.29 million. Our income from our oil and gas equipment business for the years ended September 30, 2005 and 2004 was Rs. 19.39 million and Rs. 42.63 million, respectively.

Our customers in this business come mainly from industries focused on oil and gas fields, cross country pipelines, refineries, petrochemicals and power. Our oil and gas equipment business recently received three export orders aggregating to a value of US $94.40 million for the engineering, procurement and supply of a gas gathering and processing plant and 19 hydro carbon storage tanks to the State Company for Oil Projects ("SCOP") in Iraq.

We compete with different companies for each of the products we manufacture or provide. Domestically, some of these competitors are Gastech Process Engineering India Private Limited and Multitex Filtration Engineering Limited. We also compete with foreign companies such as Equinox Hydrocarbon Processing Facilities from Canada, the Kar Group from Kurdistan and Petral Resources from France. We compete, as we do in our captive power projects business, on the basis of our capabilities and the time in which we can complete a project.

The amount of products we export varies significantly from year to year, and there is no distinguishable pattern. For the 18 months ended March 31, 2007, 81.64% of our oil and gas equipment business took place in India. For fiscal year 2008, most of our oil and gas business will take place outside of India, due in large part to our operations in Iraq.

Our manufacturing activities for this business are carried out at our subsidiary, Progen. Transactions with related companies or businesses are carried out on an arm's length basis. We also accept bids for sales opportunities from third parties.

Domestically, we compete for business on an enquiry basis, where we respond directly to enquiries from potential customers. Internationally, we engage the services of locally placed agents to source deals on an inquiry basis.

Our Air Fin Coolers Business

Our air fin coolers business designs, manufactures and markets air-cooled heat exchangers, air-cooled radiators and finned tubes for use in the oil and gas, power, process and petrochemical industries. Our products are designed to reduce the operating temperature of the process fluids and gases used in the oil and gas, power and petrochemicals industries. Air fin coolers provide dry cooling, which is less hazardous than wet cooling and is performed without water, providing cost savings in geographic areas where water is scarce or expensive.

The business has a manufacturing facility located in Panjetty, near Chennai. The air fin coolers business began in 1994, and received 2000-ISO 9001 certification in 2000. In 2005, the business was certified by ASME with a "U" stamp. For the 18 months ended March 31, 2007 our income from our air fin coolers business was Rs. 969.64 million. Our income from our air fin coolers business for the years ended September 30, 2005 and 2004 was Rs. 571.57 million and Rs. 434.69 million, respectively. A small portion of our production from this business is sold to other of the Company's businesses, and therefore is not included within the business' income.

We manufacture three variations of finned tubes, including embedded finned tubes and extruded finned tubes. Our subsidiary, Progen, manufactures welded finned tubes. We believe we are the only business group in India capable of producing all three variations of finned tubes for different applications. We can produce up to 750 coolers per year, and plan to increase capacity with the expected addition of two finning machines to our existing group of five machines.

In India, we have an alliance with Samsung, and we are a 'blue member' of the Samsung Engineering Co., Ltd. Global Alliance ("SEGA"), which helps us pursue contracts with Samsung. We are a member of the Heat Transfer Research Institute (the "HTRI"). As a member of HTRI, we receive regular updates on technology and have access to software designed for this business.

Our air fin coolers business has provided products to companies abroad such as Hyundai Heavy Industries Company Limited, Samsung Engineering India Private Limited, Lurgi A.G., Gulf Farabi Petrochemical Company Limited, CTCI Corporation,, Petroleum Projects and Technical Consultations Company and Societe Anonyme Marcoaune De L' Industrie Du Raffinage. In India, our customers include Reliance Industries Limited, Technip KT India Limited, Hi-Tech Carbon (a unit of Aditya Birla Nuvo Limited) and Larsen & Toubro Limited. Most of these customers operate in the petrochemical, refinery, oil and gas and power industries.

Our air fin coolers team of 113 permanent employees provides custom design and engineering work, before sourcing the necessary raw materials. The business also sources various manufactured bought out components such as motors, fans, belts, pulleys, variable speed drives, vibration switches and gratings from each project's list of approved vendors. At the same time, Progen manufactures a range of components for this business, including header boxes, side frames, plenums, bearing blocks and finned tubes. The final assembly, testing and packaging are also done in house.

Our air fin coolers business is active in India, the Middle East, Southeast Asia and North Africa. In the past, approximately 70% of our air fin coolers were sold to customers in India. In recent periods, the percentage of air fin coolers we export has increased.

Domestically, the air fin coolers business competes with Paharpur Cooling Towers and GEI Industrial Systems Ltd. Internationally, the business competes with Samyoung Science and Technology and Korea Heat Exchangers Industries Limited, FBM Hudson and GEA Battignolles Techniques Thermiques ("GEA BTT"). Our Company formerly worked in technical collaboration with GEA BTT, but we have been competitors since 2003. As with our power projects business, we compete on the basis of price, capacity and relevant experience.

To expand our air fin coolers business we engage in a focused sales and marketing strategy, including engaging the services of agents abroad to promote our business. To ensure access to projects, we are registered providers for a range of EPC companies. We contact EPC companies directly, or use agents to approach EPC companies on our behalf.

Our Environmental Engineering Business

Our environmental engineering business supplies a range of products and services to customers across India and abroad. Originally started to provide deaerators domestically, we have diversified into water treatment, demineralisation plants for power projects, effluent treatment and recycling and reverse osmosis-based desalination plants. In 1996 we began providing deaerators to power plants, refineries and to the petrochemical, steel, pulp and paper, sugar, cement and fertilizer industries in India, as a dealer for Crane Environmental Inc. In 2000 we entered into a license agreement with Crane. This license has expired, although we continue to manufacture and supply deaerators based on the technical know-how received from Crane Environmental Inc. When required by a customer we provide Crane's certification and review of design. We are currently in discussions with Kansas City Deaerators, USA to cooperate on domestic projects and on international projects in mutually agreed territories. Pursuant to discussions, Termomeccanica Ecologia SPA, Italy has agreed in-principle to cooperate with us in working on condensate polishing plants in India. For the 18 months ended March 31, 2007 our income from our environmental engineering business was Rs. 504.74 million. Our income from our environmental engineering business for the years ended September 30, 2005 and 2004 was Rs. 65.59 million and Rs. 80.29 million, respectively. A small amount of our environmental engineering business's products are sold to our other businesses.

Deaerators remove dissolved oxygen and carbon dioxide from feed water before it enters the boilers used in power and process plants. This prevents corrosion in the boiler and extends the life of the physical facilities thus reducing maintenance costs and replacement costs. We have sold over 80 deaerators in India, Asia, the Middle East and Africa, ranging in capacity from 10 tons per hour ("TPH") to 3,103 TPH. Our license was limited to India, so for sales outside of India, we had case by case arrangements with Crane Environmental.

We manufactured (in conjunction with Progen) what we believe to be the largest deaerator ever made in India for the Nuclear Power Corporation in Tarapur, India, with a capacity of 3,103 TPH. We are currently manufacturing three deaerators for India's first supercritical 660 MW thermal power plant for the Power Machines (India) Limited in Sipat, Chattisgarh. As the deaerator business has grown, our environmental engineering business has diversified into water treatment, effluent recycling and reverse osmosis - based desalination plants.

Domestically, we complete membrane-based water treatment and industrial effluent recycling projects in cooperation with American Engineering Services ("AES") Arabia, and we expect to work with Inima Servicios Europeos del Medio Ambiente ("INIMA") Spain on our supply and desalination projects. With AES, we provide membrane based water treatment and industrial effluent recycling zero discharge plants to the Indian market. We are currently executing four such projects in the textile industry. Our desalination and water supply work will be performed on an EPC and build, own, operate, own and transfer ("BOOT") basis in India in alliance with INIMA, with whom we have reached a preliminary agreement. We have entered into a memorandum of understanding dated October 24, 2007 with INIMA and Aqualia, Gestion Integral De Agua S.A., Spain, to bid for a contract to set up a proposed 150 million liters per day desalination project in Kutch, Gujarat for the Gujarat Infrastructure Development Board on a build, own, operate and transfer basis.

We believe that we are developing a critical mass in this business in India, in terms of the scope of our offerings, our customer base, and our domestic geographic reach. To that end, this business recently has completed a total water treatment project for a 95 MW power plant in Perungulam, Tamil Nadu. We have also supplied water systems for other power projects ranging from 24 MW to 120 MW. We are currently designing and building the water systems at 500 MW power plants in Kakatiya and Vijayawada. The various water treatment facilities we provide are becoming a preferred method of pollution prevention, not simply pollution control.

Our environmental engineering business has worked on projects for OEMs and EPCs in India including Nuclear Power Corporation Limited , Tamil Nadu Electricity Board, Alstom Projects India Limited, Power Machines India Limited and Mannarai Common Effluent Treatment Plant (P) Limited Internationally, our environmental engineering business has been involved on projects for Daewoo Engineering & Construction in Korea, Babcock Engineering in South Africa and Hyundai Heavy Industries Company Limited in Korea.

Examples of projects worked on by our environmental engineering business include:

Project	**Order Value (Rs. Millions)**	**Product**
2 x 500 MW Nuclear Power Project, Tarapore, Maharashtra for Nuclear Power Corporation India Limited, Mumbai	40.35	Deaerator
Rajasthan Atomic Power Project (2 x 220 MW), Kota, Rajasthan for Nuclear Power Corporation India Limited, Mumbai	25.42	Deaerator
Kaiga Atomic Power Project (2 x 220 MW), Karnataka for Nuclear Power Corporation India Limited, Mumbai	24.51	Deaerator
Jamnagar Refinery Value Maximisation Project, Gujarat	10.50	Deaerator
107 MW CCPP, Kovilkallapal, Tamil Nadu for TNEB	20.30	Ultra-filtration and Reverse Osmosis Plant
120 MW CCPP, Karuppur [1]	17.50	Reverse Osmosis and Demineralization Plants

[1] Denotes projects completed for other businesses within the Company.

We compete with BHEL, L&T, Thermax and Allied Energy Systems Private Limited, VATech Wabag, Ion Exchange Limited as well as foreign companies such as Sterling in the USA and Bumwooin Korea, Degremont and Veolia in France and Hyflex in Singapore in the environmental engineering business on the basis of price, technology, quality and relevant experience.

Our Electrical Projects Business

Our electrical projects business was created in 2003 to support our existing business by supplying electrical systems and equipment for power stations, refineries and petrochemical operations. Our electrical projects business now works in conjunction with our other businesses and also works on projects and services for third parties. For the 18 months ended March 31, 2007 our income from our electrical projects business was Rs. 355.62 million. Our income from our electrical projects business for the year ended September 30, 2005 was Rs. 10.37 million. For the year ended September 30, 2004, we engaged solely in marketing and our electrical projects business did not generate income.

We undertake turnkey contracts to set up transmission and distribution networks, gas insulated substations, switchgears and other electrical projects. We focus on various parts of the electricity chain, including transmission and distribution. Of late, there has been a noticeable shift in the industry toward the installation of gas insulated substations, which requires approximately 10% of the land required by conventional air insulated substations. This shift is particularly noticeable in urban areas where land prices are high and land is scarce.

While working to support our existing businesses, the electrical projects business has begun focusing its growth efforts on these gas insulating substations, as well as transmission and distribution and power trading. Also, the electrical projects business has begun to focus on electrical BOP contracts for hydro-electric power plants, in which we complete all of the electrical requirements for the project.

We have a "category-F" license to trade power, granted by the Central Electricity Regulatory Commission. There are only 10 companies in India with "category-F" licenses. Power trading in India has developed significantly since the introduction of the Electricity Act, 2003. Currently, 2.41% of the electricity generated in India is traded (*Source: Central Electricity Regulatory Commission*). Regulators have implemented effective settlement mechanisms in coordination with the Power Grid Corporation of India, Limited. We believe that this is likely to foster growth in the power trading industry.

Our electrical projects business competes with ABB Limited, L&T, Crompton Greaves Limited, Areva Transmission and Distribution India Limited, Siemens Limited and IVRCL Infrastructures and Projects Limited. As with our power projects division, we compete on the basis of price, capacity and relevant experience.

Our electrical projects business has secured an order, from TNEB to set up an optical fibre communication network on a turnkey basis. This network will be erected on an existing live transmission line and will utilise the existing right of way. The value of this project is Rs.197.50 million.

Our first hydro electric project in Siliguri, West Bengal, is scheduled to be completed in December 2007. We are working on following projects:

Project	**Order Value (Rs. Millions)**	**Contract Type**
Teesta Law Dam III Hydro Electric Project, Siliguri, West Bengal for VA Tech Hydro India Private Limited	302.96	Supply and Erection
Substation LT distribution system, Jodhpur for Jodhpur Vidyut Vitran Nigam limited	217.00	Supply and Erection
Substation and associated transmission lines, Bangalore	406.76	Supply and Erection

We have completed the following projects:

Project	**Order Value (Rs. Millions)**	**Contract Type**
Providing bulk power, Kalpakkam	7.99	Supply and Erection
Gas insulated switchgear installation LT cables/earth stip/ erection, Chennai	13.19	Supply and Erection

Our Infrastructure Business

Our infrastructure business began operations in 2004 to address the growing demand for products and services for the construction of roads, ports and airports. We are capable of providing advanced technology for complex infrastructure projects such as marine structures, seaports, airports and urban infrastructure, and focus our infrastructure business on these projects. We secured our first contract for a port connectivity project in Cochin. Since then, we have looked at each potential projects individually and have considered different partners for each project. For the 18 months ended March 31, 2007 our income from our infrastructure business was Rs. 646.14 million. Our income from our infrastructure business for the years ended September 30, 2005 and 2004 was Rs. 614.80 million and Rs. 160.21 million, respectively.

We exploit our project management skills honed through building power plants to build roads and bridges. In January, 2007 we signed a memorandum of understanding with one of the largest build, operate and transfer ("BOT") operators in the world, namely SK Engineering and Construction, to develop roadways in India. We, along with SK Engineering & Construction, Korea have been pre-qualified by the National Highways Authority of India for the construction of five road projects on a design, build, finance and operate basis. These projects have an estimated aggregate value of Rs.59,450 Million and we expect that bids for these projects will be submitted on November 16, 2007.

Our focus in this business is on:

- BOT projects to build roads in India,
- tunneling projects requiring specialized engineering capabilities,
- BOT and specialized construction projects related to airports and seaports, and
- multi-level car parking facilities in major metropolitan areas.

Our infrastructure business carries out all its construction activities onsite. Basic design of the products is generally done by the project owners. We employ well-qualified and experienced engineers to manage the construction activities. When sourcing raw materials, we look both in India and abroad to find the best prices.

Thus far, our projects in this business have all come from a single entity. We compete for these projects and others on price, capability and relevant experience. Our competitors in this business include L & T, IVRCL Infrastructures and Products Limited, Gammon India Limited and Reliance Energy Limited.

A disagreement between us and the client over contracts, including a bank guarantee, has developed in our project in Cochin. We have entered into arbitration on this project and the customer has terminated the contract. We have initiated litigation proceedings in relation to the project and have sought an injunction against the invocation of the bank guarantee. For details on the litigation relating to this project, see– "Outstanding Litigation and Material Developments" on page 297. Our project in Tuticorin is currently on hold as we await the satisfaction of certain conditions we imposed after the completion period for the project expired.

The contract period for the completion of the Tuticorin project ended on August 12, 2006, The customer has now proposed to terminate the contract for mutual convenience. The terms of such termination for mutual convenince are under negotiation.

Manufacturing

Progen was incorporated in 1994 and is a subsidiary of the Company. It is the common manufacturer for the group. It began commercial operations in 1997 to manufacture products principally for use by our businesses. We also have a manufacturing facility for our air fin coolers business.

Progen designs and manufactures heat exchangers, pressure vessels, reactors, columns, surface condensers, high pressure and low pressure heaters, high frequency resistance welded finned tubes and various boiler components. Progen builds custom equipment used in the power, process (chemicals and fertilizers), oil and gas and petrochemicals industries. Our air fin coolers manufacturing facility manufactures various products such as air-cooled heat exchangers, air-cooled radiators and finned tubes for use in the power, process, oil and gas and petrochemical industries.

For the 18 months ended March 31, 2007 our income from manufacturing was Rs. 92.27 million. Our income from manufacturing for the years ended September 30, 2005 and 2004 was Rs. 52.90 million and Rs. 27.04 million, respectively. Our manufacturing income relates only to Progen's sales to third parties. A significant amount of Progen's products are sold to our businesses, and are therefore not included in our consolidated income. Further, while the products of our air fin coolers manufacturing facility are sold to third parties, the related income is included herein as income from our air fin coolers business, not as manufacturing income.

We have manufactured a wide range of custom made products. For example, in 2003, we manufactured an evaporator for a sea water desalination plant . In 2005, we manufactured four ASME certified 36 metric ton air tanks for a hydro power plant for Mitsui & Company Limited. We also manufactured (in conjunction with our environmental engineering business) what we believe to be one of the largest deaerators ever made in India, with a weight of 128 metric tons. Progen is also capable of converting a customers own raw materials into finished products.

The Progen manufacturing facility is located in Panjetty, near Chennai, and has a built-up area of 40,000 square feet and is well connected to rail, air and sea links through Chennai. Our internal manufacturing facility is also located in Panjetty, with a built-up area of 23,000 square feet.

We are ISO certified, and we are also certified by ASME for our production of power boilers and pressure vessels, joining a select list of Indian companies to receive this certification.

We compete domestically with companies such as Jord Engineers Limited, Akshar Precision Tubes India Limited, BHEL and L&T. Overseas, we compete with Samyoung, Fedsin and various other regional manufacturers. A significant portion of the products manufactured by our businesses are consumed by our other businesses in their own operations. We compete on price, capability and relevant experience.

Order Backlog

In our industry, "order backlog" is considered an indicator of potential future performance since it represents a portion of the anticipated future revenue stream. Our strategy is not focused solely on Order Backlog additions but, rather, on capturing quality order backlog with potentially high margins.

Our Order Backlog includes only our proportionate share of joint venture contracts. To the extent work on these contracts advances and revenues are recognized, it is progressively removed from Order Backlog.

As of September 30, 2007 , we had an Order Backlog of over Rs. 33,212 million (exclusive of backlog of the energy products business we have since disposed of). Our Order Backlog is subject to the cancellation and modification provisions contained in various contracts.

The following table sets forth our order backlog as of September 30, 2007 by business:

Business	Amount (In Rs. Millions)	Percent of total
Power projects(1)	25,073	75.49%
Captive power	1,819	5.47%
Oil and gas	4,268	12.85%
Air fin coolers	1,135	3.42%
Environmental engineering	334	1.00%
Electrical projects	583	1.75%
Total	**33,212**	**100.00%**

Related Party Transactions

GEA Cooling Tower Technologies (India) Private Limited

In 1996, we signed a collaboration agreement with GEA Germany to set up a company to engineer and supply dry cooling systems as well as wet cooling systems for projects of up to 100 MW. This company, GEA Cooling Towers Technologies (India) Private Limited ("GEA Cooling Towers") now designs, engineers and supplies natural draft and induced draft cooling towers for projects larger than 100 MW and air cooled condensers and is 49% owned by us and certain members of the Promoter Group.

We source dry and wet cooling systems from GEA Cooling Towers. Since 2003, GEA Cooling Towers has sold us towers for power projects in India for a total cost of Rs. 122.24 million. To carry out contracts with us and with other entities, GEA Cooling has spent a total of Rs. 206.33 million since 2003 purchasing products from our air fin coolers and environmental engineering businesses. All sales between us and GEA Cooling Towers are done on an arm's-length basis.

Associated Company

Cuddalore Power Company Limited

We have a 41% interest in Cuddalore Power Company Limited ("Cuddalore Power"), which is owned by our promoter. It is an independent power producer, and is developing a 2 x 660 MW coal-based power project. The project is in the development stage and Cuddalore Power has signed a power purchase agreement with TNEB on September 28, 2006 to sell all of its power to TNEB on a take-or-pay basis. To date, this project has not generated any income. The project is currently securing various statutory and non –statutory approvals and clearances. Cuddalore Power currently has no income and will earn revenue on commissioning of the project.

Recent Developments

Energy Products Business

Prior to the Issue, effective June 30, 2007, we sold the assets and liabilities of our energy products business to GEA BGR Energy Systems Limited, an affiliate of our Promoter, for Rs. 250.00 million in cash, which represented the net book value of the assets and liabilities. Pursuant to a separate agreement dated August 1, 2007, effective June 30, we also sold all the shares of Schmitz Reinigungskugein GmbH ("Schmitz GmbH") to Schmitz India Private Limited, an affiliate of our Promoter, for Rs. 6.00 million. Schmitz GmbH is principally involved in marketing activities for our former energy products business.

Technology

To ensure our businesses benefit from leading technology, we establish relationships with leading technology licensors. During these relationships we endeavor to fully integrate the technology into our businesses. We also expand upon the technology, as well as developing our own.

Raw Materials

The principal raw materials we use in our operations include steel, aluminum, copper, other base metals, cement, tubes and pipes. We generally satisfy our raw material needs from sources within India. Depending on market fluctuations, we may source from outside of India to control costs and ensure product availability.

Some high-end metallurgical products are sourced from Europe, and various others come from China and South Korea.

Our principal bought-out items include turbines, generators, boilers, ash handling plants, pumps, compressors, air conditioning equipment, ventilation equipment, water treatment membranes, spray nozzles, valves and fittings, electrically operated traveling cranes, transformers, switchgears, motors and other electrical components.

Quality Control

Each of our businesses has an independent quality control department. For every order, whether for a full project or a single product, a quality plan is generally approved by the customer or a third party consultant. The plan details which specific steps are to be taken and at which stages of development. Quality inspections are carried out by us, third parties and the customer.

When testing our products, we subject them to higher pressure and strain than will be expected of them once in use. We inspect our projects at each stage of development to ensure quality standards are being met throughout the process.

Insurance

Our operations are subject to risks inherent in the engineering, procurement, construction and manufacturing industry, such as product liability risks, equipment failure, work accidents, fire, earthquake, flood and other force majeure events, acts of terrorism and explosions including hazards that may cause injury and loss of life, severe damage to and the destruction of property and equipment and environmental damage.

We may also be subject to claims resulting from defects arising from engineering, procurement or construction services provided by us and manufactured products made by us. We obtain specialized insurance in the nature of contractors' all risk and contractors' plant and machinery policies for construction risks and other similar risks for certain of our projects and obtain third party liability insurance for certain projects.

We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate and consistent with that typical for our businesses in India.

Employees

We employed 854 people in India as of October 26, 2007. Of these, 585 were qualified engineers.

Many of our employees have undergraduate degrees, and some have advanced degrees, including:

Education Level	No. of Employees
Professional Degree	21
Master's degree	75
Engineering degree	585
Bachelor's degree (non-engineering)	102
Others	71
Total	**854**

Our employees are located throughout India:

Facility/Office Location	No. of Employees
Chennai	534
Delhi	24
Mumbai	3
Panjetty (Air Fin Coolers)	55
Panjetty (Progen)	26
Hyderabad	15
Others	197
Total	**854**

Our employees perform a variety of functions, including:

Function	No. of Employees
Management	45
Design and Engineering	183
Project Management	326
Marketing	35
Finance and Accounts	61
Administrative	18
Legal and Corporate Officers	8
Human Resources	13
Information Technology	23
Others	142
Total	**854**

Health, Safety and Environment

We are committed to following best practices and complying with all applicable health, safety and environmental legislation and other requirements in our operations in different jurisdictions. To ensure effective implementation of our practices, we attempt to identify all hazards at the beginning of our work on a project. Associated risks are evaluated and controls and methods are instituted, implemented and monitored.

We have in the past had occurrences of accidents on our project sites, including accidents resulting in injury and loss of life to our employees and contract workers. We believe that all accidents and occupational health hazards can be prevented through systematic analysis and control of risks and by providing appropriate training to stake holders, employees, subcontractors and communities. Our employees work towards eliminating or minimizing the impact of hazards to people and the environment. We strongly encourage the adoption of occupational health and safety procedures as an integral part of our operations.

We are committed to protecting the environment by minimizing pollution, waste and optimizing fuel consumption towards continual improvement of our environmental performance.

For details of the environmental legislation and rules applicable to our business see "Regulations and Policies".

Real Property

Our registered office is located at premises leased from a member of the Promoter Group at A-5, Pannamgadu, Industrial Estate, Sullurpet Village, Nellore District, Andhra Pradesh, India.

We own premises located at No. 171, Panjetty Village, Ponneri Taluk, Tamil Nadu, where we manufacture heat exchangers and air fin coolers.

We own, through Progen, premises located at GNT Road in Survey Nos. 172/1A1, 172/1B1, 171/1B, 171/2A, 172/4B2, 171/2A, 172/2 and 172/4A at Panjetty Village, Ponneri Taluk, Tiruvellore District, Tamil Nadu, where we manufacture high frequency resistance welded finned tubes, pressure vessels and boiler components.

Our corporate offices are located in leased premises on various floors of the Guna Building, Anna Salai, Teynampet, Chennai. The various leases for the various floors are all subsisting and are valid through March 31, 2008. Our branch offices in Hyderabad and Delhi are located on leased premises.

Intellectual Property

We seek to protect our intellectual property rights to the fullest extent practicable. We believe that we are not dependent on any of our intellectual property rights individually, although collectively, they are of material significance to our business. We do not own BGR name or trademark.

Our Promoter has made applications before the Registrar of Trademarks, Chennai for registration of the BGR name and logo under various classes in combination with the BGR label and logo. We have entered into an agreement dated November 3, 2007 with our Promoter for the use of this mark.

Under the agreement, our Company has received a non-exclusive limited license to use marks including the BGR label and logo in the manner specified in the agreement, on a list of products specified under the agreement. Under the agreement, our Company has undertaken to indemnify our promoter for any losses arising out of its use of the BGR name, label and associated marks licensed under the agreement. In consideration for the above right, our Company is required to pay a fixed annual royalty of Rs. 1.00 million per annum to our Promoter. The above amount is subject to revision on mutually agreed terms after a period of five years. The agreement is valid for a period of twenty years and is subject to termination by either rparty for material breach upon giving one year's notice. Our Promoter will not have a right to terminate the agreement for five years without the consent of our Company.

For risks associated with the same, refer to "Risk Factor - We do not own, and have no legal right to use the BGR name." on page xxxviii.

We have obtained a patent under the Patents Act, 1970 in relation to "a process and a plant for producing bagasse with reduced moisture content" on August 10, 2006.

Legal Proceedings

Legal proceedings, including claims, have been initiated in various courts against us, our subsidiary and our Promoter, Chairman and Managing Director. For details, refer to "Risk Factors" on page xvi and "Outstanding Litigation and Material Developments" on page 297.

REGULATIONS AND POLICIES

The following description is a summary of certain relevant regulations and policies. The information contained in this chapter has been obtained from public sources. The description set forth below are not exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional advice.

Labour Legislation

As part of our business, we are required to comply from time to time with the laws, rules and regulations in relation to hiring and employment of labour.

Labour legislation in India classifies persons into 'employees' and 'workmen' based on factors which *inter alia* include nature of work and remuneration. While workmen are typically entitled to various statutory benefits including gratuity, bonus, retirement benefits and insurance protection, employees are governed by the terms of the contracts governing them.

A brief description of certain legislations which are applicable to our operations and our workmen is set forth below:

Factories Act, 1948

The Factories Act, 1948, as amended (the "Factories Act"), defines a 'factory' to be any premises on which on any day in the previous 12 months, 10 or more workers are or were working and in which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or where at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the 'occupier' of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment or with a fine.

Minimum Wages Act, 1948

The legislation provides a framework for State governments to stipulate the minimum wage applicable to a particular industry. The minimum wage may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment for a term up to six months or a fine up to Rs. 500 or both.

Payment of Bonus Act, 1965

Pursuant to the Payment of Bonus Act, 1965, as amended (the "Bonus Act"), an employee in a factory or in any establishment where 20 or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year is eligible to be paid a bonus. Contravention of the provisions of the Bonus Act by a company is punishable with imprisonment or a fine, against persons in charge of, and responsible to the company for the conduct of the business of the company at the time of contravention.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948, as amended (the "ESI Act") provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Some other legislations, which are applicable to the employment of labour by us in the course of our operations, includes;

Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970, as amended (the "CLRA"), requires establishments that employ, or have employed on any day in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour. The CLRA requires the principal employer of an establishment to which it applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a licence and not to undertake or execute any work through contract labour except under and in accordance with the licence issued. To ensure the welfare and health of the contract labour, the CLRA imposes certain obligations on the contractor including the establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be imposed for contravention of the provisions of the CLRA. For details or proceedings against us for alleged violations of the CLRA, refer to "Outstanding Litigation and Material Developments" on page 297.

The Buildings and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996

The Buildings and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, as amended (the "Construction Workers Act"), provides for regulation of employment and conditions of service of building and other construction workers including safety, health and welfare measures in every establishment which employs or employed during the preceding year, 10 or more workers. However, it does not apply in respect of residential houses constructed for one's own purpose at a cost of less than Rs. 1.0 million and in respect of other activities to which the provisions of the Factories Act and the Mines Act, 1952, as amended, apply. Each establishment to which the Construction Workers Act applies must be registered within a period of 60 days from the commencement of work. Further, every employer must give notice of commencement of building or other construction work 30 days in advance. Comprehensive health and safety measures for construction workers have been provided through the Building and Other Construction Workers (Regulation of Service and Conditions of Service) Central Rules, 1998, as amended. The Construction Workers Act provides for constitution of safety committees in every establishment employing 500 or more workers with equal representation from workers and employers in addition to appointment of safety officers qualified in the field. Any violation of the provisions for safety measures is punishable with imprisonment or a fine or both. Continuing contraventions attract an additional fine of Rs. 100 per day. The Construction Workers Act also provides for penalties for failure to give notice of commencement of building or other construction work and obstruction of inspection, enquiry, etc.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952, as amended (the "EPF Act") provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. Liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

Indian Boiler Regulations, 1950

The Indian Boiler Regulation is a legislation that covers all aspects of material and equipments utilized in the manufacture of boilers for use in India, under the regulations any material or equipment to be imported into India is required to contain a certificate that attests that the import complies with the regulations. The certificate must also be endorsed by a Competent Authority designated by the Indian Government.

Legislation governing the Generation and Transmission of Electricity

Electricity, being an entry in the Concurrent List (Entry 38, List III) of the Seventh Schedule to the Constitution of India, is governed by the laws of both the Government of India and the state governments. The central legislation governing the sector is the Electricity Act, 2003, as amended ("Electricity Act"), a comprehensive legislation governing various aspects of the power sector including transmission, supply and use of electricity and central and state electricity regulatory commissions.

Authorities under the Electricity Act

The Central Electricity Authority ("CEA") is constituted under the Electricity Act and shall consist of the members appointed by the Government of India to perform the functions and duties prescribed by the Government of India. Among other functions, the CEA is to, *inter alia*, (a) specify technical standards for construction of electrical plants, electric lines and connectivity to the grid; (b) specify grid standards for operation and maintenance of transmission lines; (c) specify the conditions for installation of meters for transmission and supply of electricity; (d) advise the Government of India on matters relating to National Electricity Policy; and (e) advise the appropriate government and commission on all technical matters relating to generation, transmission and distribution of electricity. The Electricity Act also provides for a Central Electricity Regulatory Commission ("CERC") and a State Electricity Regulatory Commission ("SERC") for each state. Among other functions, the CERC is responsible for: (a) regulation of inter-state transmission of electricity; (b) determination of tariff for inter-state transmission of electricity; (c) issuing of licenses to function as transmission licensee with respect to inter-state operations; (d) specifying and enforcing standards with respect to quality, continuity and reliability of service by licensee etc. SERCs perform the similar functions at the state level. The Electricity Act also provides for the establishment of a Joint Commission by an agreement between two or more state governments or by the central government in respect of union territory and one or more state governments. The

Joint Commission shall determine tariff in respect of the participating states or union territories separately and independently.

The Electricity Act also provides for the establishment of an Appellate Tribunal for Electricity that shall hear appeals against the order of the adjudicating officer or the appropriate commission under the Electricity Act.

License for transmission, distribution and trading in electricity

The Electricity Act mandates that a license must be issued in favour of the person before the person undertakes any transmission, distribution or trading in electricity in any area, unless the said person is exempt by the appropriate government in accordance with the provisions of the Electricity Act. However, persons engaged in the business of transmission or supply of electricity under the provisions of the laws repealed by the Electricity Act shall be deemed to be licensees under the Electricity Act for such period as stipulated in the license and the provisions of the repealed laws shall apply for a period of one year from the date of commencement of the Electricity Act or such earlier period as maybe specified, at the request of the licensee, by the appropriate commission and thereafter, the Electricity Act shall apply to such business.

A license remains valid for a period of 25 years unless such license is revoked. The relevant regulatory commission may, if public interest so requires, at any time alter the terms and conditions of the license or revoke the license as it thinks fit in accordance with the procedure prescribed in the Electricity Act. The Electricity Act also prescribes a detailed procedure for the sale of the utilities of the licensee in the event the relevant regulatory commission revokes the license. Further, the Electricity Act empowers the relevant regulatory commission to issue directions to licensees if necessary or expedient to maintain an efficient supply, secure equitable distribution of electricity and promote competition.

Transmission of Electricity

Under the Electricity Act, the appropriate electricity regulatory commissions authorize persons to transmit electricity as a transmission licensee. The license is accompanied by certain prescribed grid standards and every transmission licensee under the Electricity Act is required to comply with such technical standards of operation and maintenance of transmission lines.

Obligations of Transmission Licensee

The Electricity Act requires every transmission licensee to comply with the technical standards of operation and maintenance of transmission lines, in accordance with the Grid Standards, as specified by the CEA. The duties of a transmission licensee under the Electricity Act include among others: (a) to build, maintain and operate an efficient and economic inter/intra state transmission system; and (b) to provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act. The Electricity Act states that a transmission licensee may with prior intimation to the appropriate electricity regulatory commission, as the case may be, engage in any business optimum utilisation of its assets provided that a proportion of the revenues derived from such business be utilised for reducing its charges for transmission and wheeling.

Environmental Legislation

We are required under applicable law to ensure that our operations are compliant with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974, as amended ("Water Pollution Act"), the Air

(Prevention and Control of Pollution) Act, 1981, as amended ("Air Pollution Act") and the Environment Protection Act, 1986, as amended ("Environment Act") The Water Pollution Act aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation prohibits any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Central and State Pollution Control Boards constituted under the Water Pollution Act are to perform functions as per the Air Pollution Act for the prevention and control of air pollution. The Air Pollution Act aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area. The Environment Act has been enacted for the protection and improvement of the environment. The Act empowers the central government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The central government may make rules for regulating environmental pollution.

Public Liability Insurance Act, 1991

This enactment imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of 'hazardous substances' covered by the legislation has been enumerated by the Government in by way of notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The Rules made under the Act mandate that the employer has to contribute towards the Environment Relief Fund, a sum equal to the premium paid on the insurance policies. This amount is payable to the insurer.

Intellectual Property Legislation

Our business requires that we offer a broad range of innovative products and services. We expend considerable time and effort on developing these innovative products and technologies and rely upon various forms of intellectual property legislation to protect our technology. For details of the intellectual property we seek to protect, refer to "Our Business – Intellectual Property" on page 107.

Patent Protection

The Patents Act, 1970, as amended ("Patents Act") is the primary legislation governing patent protection in India.

In addition to broadly requiring that an invention satisfy the requirements of novelty, utility and non obviousness in order for it to avail patent protection, the Patents Act further provides that patent protection may not be granted to certain specified types of inventions and materials even if they satisfy the above criteria. The term of a patent granted under the Patents Act is for a period of twenty years from the date of filing of application for the patent.

The public use or publication of an invention prior to the making of an application for a patent, may disentitle the said invention to patent protection on grounds of lack of novelty. Under the Patents Act, an invention will be regarded as having ceased to be novel (and hence unpatentable), inter alia, by the existence of:

a. any earlier patent on such invention in any country;

b. prior publication of information relating to such invention;

c. an earlier product showing the same invention; or

d. a prior disclosure or use of the invention that is sought to be patented.

The Patents Amendment Act, 2005, permits opposition to grant of a patent to be made, both pre-grant and post–grant. The grounds for such patent opposition proceedings, *inter alia,* include lack of novelty, inventiveness and industrial applicability, non-disclosure or incorrect mention of source and geographical origin of biological material used in the invention and anticipation of invention by knowledge (oral or otherwise) available within any local or indigenous community in India or elsewhere.

The Patents Act also prohibits any person resident in India from applying for patent for an invention outside India without making an application for the invention in India. Following a patent application in India, a resident must wait for six weeks prior to making a foreign application or may obtain the written permission of the Controller of Patents to make foreign applications prior to this six week period. The Controller of Patents is required to obtain the prior consent of the Central Government before granting any such permission in respect of inventions relevant for defense purpose or atomic energy.

This prohibition on foreign applications does not apply, however, to an invention for which a patent application has first been filed in a country outside India by a person resident outside India.

Legislation governing Special Economic Zones

The Special Economic Zones (SEZs) Policy was announced in April 2000 with a view to attract larger foreign investment in India. SEZ's are now regulated and governed by Special Economic Zone, Act, 2005 (the "SEZ Act").

The SEZ Rules, 2006 as amended by SEZ (Amendment) Rules, 2006 and SEZ (Second Amendment) Rules, 2007, were formulated by the government to provide for different minimum land requirements for different classes of SEZs. The rules provide for simplified procedures with an emphasis on self-certification and single window clearance for establishment of an SEZ, a unit therein, and on matters relating to Central as well as State governments.

The central government, state government or any other person may establish SEZs under the SEZ Act, either jointly or severally. Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created.

The incentives and facilities offered to the units in SEZs include:

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units.
- 100% Income Tax exemption on export income for SEZ units under S.10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Exemption from minimum alternate tax under S.115JB of the Income Tax Act, Central & State Sales Tax, other levies as extended by the respective State Governments, and Service Tax.
- External commercial borrowing by SEZ units up to US $ 500 million in a year without any maturity restriction through recognized banking channels.
- Single window clearance for Central and State level approvals.

State SEZ Policies

Various states, including the states of Maharashtra, Tamil Nadu and Rajasthan have their own state SEZ policies. The state SEZ policies prescribe the rules in relation to the various environmental clearances, water and power supply arrangements, state taxes, duties, local taxes and levies and we are required to follow the state policy in addition to any central policies.

Legislations governing the constructions of roads and bridges

The primary central legislations governing the roads sector are the National Highways Act, 1956 and the National Highways Authority of India Act, 1988 (the "NHAI Act").

National Highways Act, 1956

Under this Act, the central government is vested with the power to declare a highway as a "National Highway" and also to acquire land for this purpose. The central government may by notification, declare its intention to acquire any land when it is satisfied that such land is required for a public purpose the building, maintenance, management or operation of a national highway. The National Highways Act prescribes the procedure for. Such acquisition, including the declaration of an intention to acquire, entering and inspecting such land, hearing of objections, declaration required to be made for the acquisition and the mode of taking possession. The central government is responsible for the development and maintenance of national highways. However, it may direct that such functions may be exercised by state governments.

The National Highways (Collection of Fees by any Person for the use of Section of National Highways/ Permanent Bridge/ Temporary Bridge on National Highways) Rules, 1997 provide that the central government may enter into agreements with any person for development and maintenance of the whole or part of a national highway/permanent bridge/temporary bridge on national highway. Such person may invest his own funds for development or maintenance and is allowed to collect and retain the fees at agreed rates from different categories of vehicles for an agreed period for the use of the facilities created herein. The rates of fees and the period of collection are decided by the central government and the factors taken into account to decide these include expenditure involved in building; maintenance, management and operation of the whole or part of such section; interest on the capital invested; reasonable return; the volume of traffic; and the period of such agreement.

HISTORY AND CERTAIN CORPORATE MATTERS

Our History

We were incorporated as GEA Energie Systems India Private Limited on February 18, 1985 by our Promoter Mr. B G. Raghupathy. For information relating to our Promoter, see "Our Promoter" on page 139 and "Our Management" on page 128.

Our name was changed to GEA Energy System (India) Private Limited by a resolution of our shareholders on October 17, 1986, and a fresh certificate of incorporation consequent to the change of name was issued to us on April 3, 1987. Our status was subsequently changed to a public limited company by a special resolution of our shareholders passed at the annual general meeting held on December 10, 1993. The fresh certificate of incorporation consequent on conversion was issued to our Company on March 3, 1994 by the Registrar of Companies, Andhra Pradesh at Hyderabad. Our name was changed to BGR Energy Systems Limited by a resolution of our shareholders on June 25, 2007. The fresh certificate of incorporation consequent to the change in name was issued to our Company on June 28, 2007.

In 1987, we commenced operations through a joint venture with GEA Energietechnik Gmbh, Germany. We supplied tube cleaning systems and debris filters for nuclear and thermal power plants and established our first manufacturing facility at Pannamgadu, Andhra Pradesh in February 1987. We supplied our products and allied services to a variety of domestic and international clients between 1987 to 1993 in collaboration with GEA Energietechnik Gmbh, Germany. 60,000 Equity Shares were issued to GEA Energietechnik Gmbh, Germany on September 6, 1987 pursuant to the above joint venture agreement.

GEA Energietechnik Gmbh, Germany divested its stake in our Company in 1993 to our Promoter and members of our Promoter Group pursuant to the expiry of the joint venture agreement. The shares held by GEA Energietechnik Gmbh were transferred to Arjun Securities Private Limited, Vani Securities Private Limited, Priya Securities Private Limited and Swarna Leasing Private Limited on March 31, 1994. For details of the relevant transfers refer to "Capital Structure" on page 25.

In 1994, with the object of expanding our product portfolio, we acquired a company, Schmitz Gmbh in Germany. This company was engaged in the business of manufacturing sponge cleaning walls. In 1999, we developed the capability to manufacture these components through Schmitz India Private Limited, a Promoter Group Entity. We have transferred our entire holding in Schmitz Gmbh to Schmitz India Private Limited pursuant to an agreement dated August 1, 2007, with effect from June 30, 2007.

Since 1993, we entered into a series of joint ventures and technical collaborations to increase the portfolio of products we offered. This included a collaboration for air cooled heat exchangers with GEA Btt, France in 1994; a license agreement with GEA Spirogills Limited UK for the manufacture of welded finned tubes through our subsidiary Progen Systems and Technologies Limited in 1994; an arrangement with GEA Energietechnik Gmbh for the manufacture of cooling systems through GEA Cooling Tower Technologies (India) Private Limited in 1996; and an arrangement in relation to environmental engineering solutions with Crane Environmental Inc, USA in 2000.

We established our power projects business in 1997 with the objective of developing power projects. Since 2000, our power projects business commenced the process of providing balance of plant services for captive and independent power projects in India and elsewhere.

In May 2003, we provided engineering procurement and construction services for a 120MW power plant on a turnkey basis in Karuppur, Tamil Nadu and commenced the provision of such services for captive power plants in India in 2006.

In 2001, we commenced operations in the oil and gas sector and have developed capabilities in providing packaged compressor solutions in co-operation with Ariel Corporation, USA.

We also established an electrical projects business which commenced operations in 2003 and provides transmission infrastructure, gas insulated substations and optic fiber networks.

We entered into a business acquisition agreement dated January 2, 2006 with Mrs. V. Girija, Mr. Velpandian Mani, the proprietrix and the chief executive officer, respectively, of VP Engineering Consultancy Services, a sole proprietorship engaged in providing piping, design and engineering services. Under this agreement we bought certain business assets of VP Engineering Consultancy Services including contracts, orders, work in progress, submitted bids and offers. Further, under the agreement Mr. Velpandian Mani as well as certain employees of VP Engineering Consultancy Services agreed to join the services of our Company under certain specified terms. Mr. Velpandian Mani has undertaken to work for our company for a minimum period of three years.

Key Events and Milestones

Year	***Key Events***
July 2007	Our Company sold the assets and liabilities of its energy division to GEA BGR Energy System India Limited by way of a slump sale.
December 2006	The electrical project business obtained category ‘F’ power trading license from the Central Electricity Authority.
December 2006	Our company secured its single largest export order for the supply of gas gathering and processing plant from State Company for Oil Projects, Iraq.
March 2006	Memorandum of Understanding with Ariel Corporation Inc which enabled our Company to become an Ariel qualified packager.
January 2006	The electrical projects business won a contract for gas insulated switch gear from Hyundai Motors India Limited
November 2004	Our Company secured its first order for supply of electrical installations for 132 MW hydro power plant.
November 2004	Our Company entered into an arrangement with Qingdao Jieneng Power Station Engineering Company Limited and Sichuan Chuanghua Boiler Company for the procurement of boilers and steam generators on a case to case basis.
October 2004	Our Company first supplied a debris filter for a hydro plant at Saramah, Malaysia.
July 2004	Our Company entered into an arrangement with gas turbine manufacturer for independent EPC contracting for power projects.
May 2004	Our Company secured an order for treating textile effluents with V-SEP technology.

Year	*Key Events*
May 2004	The air fin coolers business increased its capacity by 50%.
April 2004	Our Company supplied equipment for off-shore projects to ONGC.
June 2003	Our Company built and supplied a debris filter for a nuclear power plant in Taiwan.
April 2003	Our Company secured its first engineering, procurement and constriction contract for a 120 MW gas based combined cycle power plant in Karuppur, Tamil Nadu.
September 2002, and April 2003	Our Company entered into joint venture agreements on project basis with MECON Limited to bid for NHAI projects.
March 2003	Our Company supplied a deaerator for a 500 MW nuclear power station.
July 2001	Our Company secured a contract from BHEL for supply of balance of plant equipment for a 23 MW coal based captive power plant for Grasim Industries Limited.
September 2000	Our Company enters into a technical collaboration agreement with Crane Environmental Inc, USA.
September 2000	Our Company secured its first contract for balance of plant from BHEL.
May 1999	Schmitz India Private Limited commenced commercial operations.
December 1997	Progen commenced commercial operations.
March 1997	Our Company won two contracts from Tamil Nadu Government for power projects in Gumnidipanda and Perunthurai.
March 1996	Our Company entered into a collaboration agreement with GEA Germany to set up GEA Cooling Tower Technologies (India) Private Limited.
February 1996	Our Company acquired a 30% stake in Cuddalore Power Company Limited.
January 1996	Our energy business obtained ISO 9001 certification.
October 1995	Our Air Fin Cooler business commenced commercial operations.
April 1994	Progen entered into a license and technical service agreement with GEA Spirogills Limited, UK.
January 1994	Our Company entered into a license and technical collaboration with GEA Btt, France.
January 1994	Our Subsidiary, Progen Systems and Technologies Limited, was incorporated.
March 1993	GEA Germany divested its stake in our Company.
February 1987	BGR Energy Systems Limited entered into a joint venture with GEA Germany.

Our Main Objects

Our main objects enable us to carry on the business that is carried on and proposed to be carried on by us.

Our main objects as contained in our Memorandum are as follows:

1. To carry on all or any of the business of manufacturers, dealers, importers, exporters, repairers in generating and distributing electricity, gas, including integrated tube cleaning systems for thermal condensers and heat exchangers consisting of on line tube cleaning systems, debris separators and cleaning balls and of manufacturing or dealing in all kinds of machinery, equipment and appliances required for generating, distributing, employing and consuming electricity and of acting electrical engineers and contractors and of purifying and distributing water.

2. To carry on all or any of the business of manufacturers and dealers in hirers and repairs of electrical, machinery, equipment and appliances of all kinds and descriptions, including motors, batteries, dynamos, bulbs, armatures, magnets, conductors, insulators, transformers, carpenters, switch boards, air conditioners, refrigerators, domestic appliance and electronic equipments, including radars, computers, business machines, radios, television sets, tape recorders, gramophone records, tapes and telecommunication equipments and telephone equipments and their components and accessories, including transistors, registers, condensers and coils.

3. To carry on the business of manufacturing, assembling, fabricating, repairing, exporting, importing and dealing in electronic components, equipment systems and sub-systems of all types.

4. To carry on all or any of the business of designing, engineering, manufacturing, selling, installing, commissioning and servicing of air cooled heat exchangers or any other type of design of Heat Exchangers to be installed and used for cooling of various liquid, gas and steam in oil, gas, chemical and petrochemical industries and such other industries where the application of Air Cooled Heat Exchangers is necessary for the cooling of various liquid, gas, steam and other items, products of all description and to act as and undertake business of dealers, importers, exporters, repairers, hirers of heat exchangers of every description and to enter into contracts in relation thereto.

5. To carry on all or any of the business of designers (including engineering designs), consultants, manufacturers, engineers, dealers, importers, exporters, hirers and repairers of any and / or all equipments machineries, appliances, instruments, systems, apparatus, including tools, parts, components, aids, accessories and other materials thereof, to be installed and used in oil exploration, refinery, chemical, petrochemicals, oil, gas, energy, fertilizer, telecommunication, defence, informatic metallurgical, transportation, automotive, drugs, pharmaceuticals, paper, food processing, brewing, distilling, processing, diary, software development, computer, steel industries, project and plants and to enter into and undertake contracts related thereto.

6. To investigate and design, construct, build, execute, carry out, equip, maintain and improve, work, purchase, own, operate, sell, transfer and / or otherwise, acquire, lease, develop, administer, manage or control the works and conveniences of all description, including highways, roads, streets, bridge, flyovers, subways, by-passes, traffic islands, viaducts, paving, aerodromes, runways, hangars, barrages, dams, sluices, canal, tanks, aqueducts, reservoirs, irrigation, and canal works of all types, river works of all kinds' docks, quarry's, harbors, docks, backwaters, piers, wharves, ropeways, buildings, sewage, drainage, sanitary water, water treatment, water supply, gas, tank farm, telephone, telegraphic, hydro power works, power

houses, factories, industrial concerns manufacturing concerns, mines, tunneling and shafts, concentration and refining plants and all other works or conveniences.

7. To carry on all or any of the business of engineers, contractors, manufacturers, consultants, advisers, hirers, repairers, builders, decorators, merchants, traders and dealers in respect of all goods, commodities and service of every description for factories, infrastructure facilities, industries, utilities, banks, establishments, shops, institutions, undertakings, government and public authorities and agencies and other organizations.

8. To carry on the business of generation, transmission, and distribution of electric power and in particular to build, construct, own, lay down, establish, operate, sell, transfer and carry out thermal, hydraulic and nuclear and non conventional power plants and stations and to generate, acquire by purchase in bulk, accumulate, distribute and supply electricity and to carryon the business of manufacturers of and dealers in apparatus, plants, machinery and equipments of all kinds required for or capable of being used in connection with the generation, distribution, supply, accumulation and employment of electricity.

Awards and Accreditations

Date	Award/Accreditation
May 8, 2007	Awarded a Certificate of Recognition by Samsung Engineering Company Limited. The certificate is valid until March 10, 2008.
June 7, 2005	Our Subsidiary, Progen Systems and Technologies Limited was granted ‘U’ stamp by the American Society of Mechanical Engineers.
June 7, 2005	Our Subsidiary, Progen Systems and Technologies Limited was granted ‘S’ stamp by the American Society of Mechanical Engineers.
June 3, 2005	Our Air Fin Cooler business was granted the ‘U’ stamp by the American Society of Mechanical Engineers.
February 26, 2005	Awarded a Regional Trophy for the highest export performance in the category of exporter with continuous excellence.
December 24, 2003	Awarded a Certificate of Export Excellence in the Non-SSI Exporters category for Industrial Machinery for manufacture of sugar, paper, cement chemicals and pharmaceuticals.
May 21, 2002	Awarded a Certificate of Export Excellence by the Engineering Export Council in the Industrial Machinery Panel (Non-SSI) category.
October 20, 2000	Our Subsidiary, Progen Systems and Technologies Limited obtained ISO 9001 certification.
May 31, 2000	The Engineering Export Promotion Council granted an award for export excellence to our Company in recognition of achieving highest export performance during 1998-1999 among SSI exporters in the Industrial Machinery panel.

Date	Award/Accreditation
January 29, 2000	Our air fin coolers' business obtained ISO 9001 certification.
June 24, 1999	An award is conferred upon our Company by the Export Promotion Council for the highest exports in the category of new product exporters among SSI units.
December 17, 1998	Awarded the Certificate of Merit for Outstanding Export Performance by the Engineering Export Promotion Council among SSI exporters.
December 1, 1997	Awarded the Certificate of Merit for Outstanding Export Performance by the Engineering Export Promotion Council among SSI exporters.
February 2, 1996	Awarded the Export Award Regional Special Shield in the Capital Goods Exporter category by the Engineering Export Promotion Council.
February 17, 1995	Awarded the Regional Top Exporters Shield in the category of Project Exports by the Engineering Export Promotion Council.
December 18, 1993	Honoured for achieving the highest export performance among SSI exporters.
October 21, 1993	Awarded the top exporter shield for achieving the highest export performance by the Engineering Export Promotion Council.
November 6, 1992	Declared to have exhibited outstanding export performance by an Indo-German joint venture by the Indo-German Chamber of Commerce.

Changes in the Memorandum

Since incorporation, the following changes have been made to the Memorandum:

Date of Shareholders' Approval	Amendment
April 3, 1987	Our name was changed to GEA Energy System (India) Private Limited by a resolution of our shareholders on October 17, 1986, and a fresh certificate of incorporation consequent on change of name was issued to us.
December 24, 1992	The authorized share capital of our Company was increased from Rs. 2,500,000 consisting of 250,000 shares of Rs. 10 each to Rs. 10,000,000 consisting of 1,000,000 Equity Shares of Rs. 10 each.
December 10, 1993	The following clauses were added to the objects clause our Memorandum was altered by the insertion of the following clauses after sub clause 3 of clause III(a) :
	4. "To carry on all or any of the business of designing, engineering, manufacturing, selling, installing, commissioning and servicing of air cooled heat exchangers or any other type of design of Heat Exchangers to be installed and used for cooling of various liquid, gas and steam in oil, gas, chemical

Date of Shareholders' Approval	Amendment
	and petrochemical industries and such other industries where the application of Air Cooled Heat Exchangers is necessary for the cooling of various liquid, gas, steam and other items, products of all description and to act as and undertake business of dealers, importers, exporters, repairers, hirers of heat exchangers of every description and to enter into contracts in relation thereto.
	5. To carry on all or any of the business of designers (including engineering designs), consultants, manufacturers, engineers, dealers, importers, exporters, hirers and repairers of any and / or all equipments machineries, appliances, instruments, systems, apparatus, including tools, parts, components, aids, accessories and other materials thereof, to be installed and used in oil exploration, refinery, chemical, petrochemicals, oil, gas, energy, fertilizer, telecommunication, defence, informatic metallurgical, transportation, automotive, drugs, pharmaceuticals, paper, food processing, brewing, distilling, processing, diary, software development, computer, steel industries, project and plants and to enter into and undertake contracts related thereto."
March 3, 1994	Our status was changed to a public limited company by a special resolution of the members passed at the annual general meeting held on December 10, 1993 and a fresh certificate of incorporation consequent on conversion was granted to us.
September 26, 1994	The authorized capital of our Company of Rs. 10,000,000 comprising 1,000,000 Equity Shares of Rs. 10 each was increased to Rs. 30,000,000 consisting of 3,000,000 Equity Shares of Rs 10 each.
July 15, 1995	The authorized capital of our Company of Rs. 30,000,000 comprising 3,000,000 Equity Shares of Rs. 10 each was increased to Rs. 60,000,000 consisting of Rs 6,000,000 Equity Shares of Rs. 10 each.
July 15, 1995	Our Company was permitted to commence the business specified in sub clause 5I of Clause III (c) of the Memorandum, namely: "*to carry on the business as agents, brokers, traders, manufacturers, importers, exporters, dealers, stockists, distributors and /or dealers of merchandise, agricultural and other produce, engineering goods, electrical goods, pipes and tubes, machineries, spare part accessories, equipment and materials*"
September 2, 2002	Our Memorandum was altered by the insertion of the following clauses after sub clause 5 of clause III(a): *"4. To investigate and design, construct, build, execute, carry out, equip, maintain and improve, work, purchase, own, operate, sell, transfer and / or otherwise, acquire, lease, develop,*

Date of Shareholders' Approval	Amendment
	administer, manage or control the works and conveniences of all description, including highways, roads, streets, bridge, flyovers, subways, by-passes, traffic islands, viaducts, paving, aerodromes, runways, hangars, barrages, dams, sluices, canal, tanks, aqueducts, reservoirs, irrigation, and canal works of all types, river works of all ki'ds, docks, quarry's, harbors, docks, backwaters, piers, wharves, ropeways, buildings, sewage, drainage, sanitary water, water treatment, water supply, gas, tank farm, telephone, telegraphic, hydro power works, power houses, factories, industrial concerns manufacturing concerns, mines, tunneling and shafts, concentration and refining plants and all other works or conveniences.
	5. *To carry on all or any of the business of engineers, contractors, manufacturers, consultants, advisers, hirers, repairers, builders, decorators, merchants, traders and dealers in respect of all goods, commodities and service of every description for factories, infrastructure facilities, industries, utilities, banks, establishments, shops, institutions, undertakings, government and public authorities and agencies and other organizations.*
	6. *To carry on the business of generation, transmission, and distribution of electric power and in particular to build, construct, own, lay down, establish, operate, sell, transfer and carry out thermal, hydraulic and nuclear and non conventional power plants and stations and to generate, acquire by purchase in bulk, accumulate, distribute and supply electricity and to carryon the business of manufacturers of and dealers in apparatus, plants, machinery and equipments of all kinds required for or capable of being used in connection with the generation, distribution, supply, accumulation and employment of electricity."*
March 29, 2004	The authorized capital of our Company of Rs. 60,000,000 comprising 6,000,000 Equity Shares of Rs. 10 each was increased to Rs. 150,000,000 consisting of 15,000,000 Equity Shares of Rs. 10 each.
June 28, 2007	Our name was changed to BGR Energy Systems Limited by a resolution of our shareholders on June 25, 2007 and a fresh certificate of incorporation consequent to the change in name was granted to our Company.
July 11, 2007	The authorized capital of our Company of Rs. 150,000,000 consisting of 15,000,000 Equity Shares of Rs. 10 each was increased to Rs. 1,000,000,000 consisting of 100,000,000 Equity Shares of Rs. 10 each.

Details of past performance

For details in relation to our financial performance in the previous five financial years, including details of non-recurring items of income, refer to "Financial Statements" on page 169 .

Provisions of our Articles of Association

Certain provisions of our Articles of Association confer certain specific powers on the Promoters and certain members of the Promoter Group until such time as they continue to hold 25% of the issued capital of the Company.

These rights include the right to nominate one third of the Directors of the Company, the Managing Director and the Chairman and affirmative voting rights with respect to various matters including:

(a) any amendments or modifications to the Memorandum of Association or Articles of Association of the Company or its subsidiaries;

(b) deviating from or changing the activities of the Company or its subsidiaries;

(c) changing the capital structure of the Company, including the issue of any shares or debentures of the Company or any option, warrant or other right to acquire any shares or debentures of the Company;

(d) any merger, demerger, consolidation, restructuring or reorganization of the Company or its subsidiaries;

(e) the creation or dissolution of any subsidiary or the appointment or removal of any director of any such subsidiary or the exercise of any other power of the Company in relation to any such subsidiary;

(f) the hiring, termination or extension of employment of the company secretary, chief executive officer, the chief operating officer, the chief financial officer, the managing director of the Company or its subsidiaries; fixing or changing the terms of the employment of such persons and the employee benefit plans applicable to such persons and delineating the powers of and authority vested in such persons;

(g) the appointment of any committee of Directors (including any change in the composition of the committee); fixing the terms of reference of any committee of the Directors (including any change in such terms of reference); delineating the powers and authorities to be vested in such committee and fixing or increasing the remuneration of any Director of the Company;

(h) the appointment of any additional director or alternate director and the filling of casual vacancies to the Board;

(i) approving or amending any operating plan or budget of the Company or its subsidiaries;

(j) recommending dividends or any other distribution to the shareholders;

(k) selling, leasing, charging or dealing with the whole or any part of the Company's or any subsidiary's undertaking, property or assets otherwise than in the ordinary course of business;

(l) incurring any indebtedness, guarantee or other financial obligation (including any off-balance sheet arrangement) for an amount in excess of 10% of the net worth of the Company as per the last audited balance sheet of the Company, per transaction, by the Company or any subsidiary, and pledging or mortgaging any asset in connection with such financial obligation;

(m) grant of any loan by the Company in excess of Rs.10,000,000 (Rupees One Crore) or other higher sum as may be fixed by the Board from time to time;

(n) licensing, or disposing of, or changing the terms of patents, trademarks or intellectual property rights owned by or licensed to the Company or any of its subsidiaries;

(o) any termination; dissolution; insolvency or admission of inability to pay debts as they become due; a general assignment, arrangement or composition with or for the benefit of the creditors of the Company; appointment of an administrator, receiver, judicial manager, trustee, custodian or other similar official for all or substantially all of the Company's or subsidiary's assets; liquidation or winding up of the Company or any subsidiary; and

(p) approving or incurring capital expenditure in excess of the budget for capital expenditure approved by the Board for any year.

Details of our Subsidiary and Joint Ventures

Progen Systems and Technologies Limited

Progen Systems and Technologies Limited was incorporated as Petrodyne Process Technologies Limited on January 27, 1994. Its name was changed to Progen Systems and Technologies Limited pursuant to a resolution of its shareholders dated December 10, 1994. It received its certificate for commencement of business on February 15, 1995. Its registered office is at No. 443, Anna Salai, Teynampet, Chennai 600 018. The main objects of Progen Systems and Technologies Limited are:

Shareholders as of October 26, 2007

The shareholding pattern of equity shares of Progen Systems and Technologies Limited is set forth below:

S. No	Shareholder	Number of shares of face value Rs.10 each	Percentage (%)
1.	BGR Energy Systems Limited	4,250,000	69.67
2.	Swarna Leasing Private Limited	430,000	7.05
3.	Arjun Securities Private Limited	1,000,000	16.39
4.	Mr. B.G Raghupathy	315,010	5.16
5.	Mr. Jayaram Rangan	105,010	1.72
6.	Ms. Sasikala Raghupathy	10	0.00[1]
7.	Ms. Gomathy Rangan	10	0.00[1]
8.	Mr. S. Vijayakumar	10	0.00[1]
9.	Mr. S.K. Sridhar	10	0.00[1]
10.	Mr. S. Rathinam	10	0.00[1]
	TOTAL	**6,100,070**	**100.00**

[1] *Less than 0.01%*

Directors as of October 26, 2007

The board of directors of Progen Systems and Technologies Limited comprise of Mr. B.G. Raghupathy, Ms. Sasikala Raghupathy, Mr. V.K. Gupta, Mr. S. Rathinam and Mr. R. Ramesh Kumar.

Financial performance

(Rupees in Million, except share data)

	Eigtheen months ended March 31, 2007	Twelve months ended September 30, 2005	Twelve months ended September 30, 2004
Sales and Other income	119.56	55.05	48.96
Profit/Loss after tax	7.36	2.23	1.56
Reserves and Surplus	Nil	Nil	Nil
Equity capital (par value Rs. 10)	61.0	61.0	61.0
Earnings per share (Rs.)	1.21	0.37	0.25
Book value per share	2.30	1.26	0.89

Progen Systems and Technologies Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

The main objects to be pursued by the company on its incorporation, as contained in its memorandum of association are:

1. To carry on all or any of the business of Designing, Manufacturing, Selling, Installing, Commissioning and Servicing and dealing in all kinds of machineries, equipments, appliances, systems, instruments, apparatuses, including tools, parts, components, aids, accessories and other materials thereof, in India and abroad required for and to be installed and used and which have application in, oil, gas, petroleum, petrochemical and power and other processing industries, projects, plants and factories and to enter into and undertake contracts related thereto.

2. To carry on all or any of the business of manufacturers, dealers, importers, exporters, traders, stockists, agents, distributors, hirers and repairers, and deal generally of petroleum, petrochemical, mineral oils and all other hydrocarbon and mineral substance processing equipments, systems, machineries, appliances, components including accessories thereof.

3. To carry on all or any of the business of manufacturers, dealers, importers, exporters, traders, stockists, agents, distributors, hirers and repairers and deal generally in machinery, equipments, systems, components including accessories thereof for the dairy food processing, drugs and pharmaceuticals, chemical, brewing and distilling industries, plants and projects and other industries and to undertake total project and system engineering.

4. To carry on the business of fabricating, assembling and installing, commissioning and servicing of off-shore and on-shore platforms, oil exploration and drilling plants.

Material Agreements

Pre-IPO Placement

Our Company has entered into agreements dated November 6, 2007 with certain investors for a placement of 2,880,000 Equity Shares and a transfer by our Promoter of 1,440,000 Equity Shares. The Company proposes to complete the above transactions after the closing of the Bidding / Issue Period and before the Allotment of Equity Shares in the Issue to successful Bidders.

The salient details of details of these agreements are as follows :

A. A pre-IPO investment by CVCIGP II Employee Rosehill Limited, CVCIGP II Client Rosehill Limited and others (the CVCIGP II Investors)

The Company received a letter of interest and binding term sheet dated November 6, 2007 from the CVCIGP II Investors. Under the binding term sheet the Company, the CVCIGP II Investors have agreed to negotiate and execute mutually acceptable definitive arrangements for subscription of the Equity Shares of the Company by the CVCIGP II Investors.

The Company has entered into an investment agreement dated November 6, 2007 for the private placement of shares to the the CVCIGP II Investors. Under the investment agreement and the term sheet, the the CVCIGP II Investors have agreed to deposit a sum or Rs. 1,296 million in an escrow account under the terms of an escrow agreement to be entered into between our Company and the CVCIGP II Investors.

The parties have agreed to execute the Escrow agreement within 14 days of the execution of the binding letter of commitment on mutually acceptable terms and conditions. They have further undertaken to open an escrow account within two days of the filing of the Red Herring Prospectus with the Registrar of Companies, Andhra Pradesh and remit the sum of Rs. 1296 million into the account thereafter. The Investment agreement is contingent on the execution of the escrow agreement by December 31, 2007

The CVCIGP II Investors have agreed to subscribe to 2,880,000 Equity Shares of the Company at the lower of Rs. 450 per Equity Share or the price at which Equity Shares will be allotted in the IPO. This subscription is subject to the completion of the Issue by December 31, 2007 failing which all moneys deposited by the CVCIGP II Investors are to be refunded with interest. The Company is required to allot the requisite number of Equity Shares to the CVCIGP II Investors and refund the remaining amounts to them if Equity Shares are allotted in the Issue at a price which is less than Rs. 450 per Equity Share.

The parties have agreed to complete this transaction after the closing of the Bidding/Issue Period and before the Allotment of Equity Shares in the Issue to successful Bidders.

The Company has agreed to use the proceeds of the subscription for working capital, capital investment in new units and general corporate purposes.

B. Transfer of Equity Shares to Reliance Capital Trustee Co. Limited A/c Reliance Diversified Power Sector Fund (“Reliance Capital Trustee”) by our Promoter

The Company and its Promoter, Mr. B.G. Raghupathy have received a binding letter of commitment and binding term sheet dated November 6, 2007 from Reliance Capital Trustee. Under the binding letter of commitment, Reliance Capital Trustee has agreed to acquire 1,440,000 Equity Shares from our Promoter at a price of Rs. 450 per Equity Share. Under the binding term sheet, Reliance Capital Trustee has agreed to deposit a sum or Rs. 648 million in an escrow account under the terms of an escrow agreement to be entered into between Mr. B.G. Raghupathy, the Company and Reliance Capital Trustee.

This transfer is subject to the completion of the Issue by December 31, 2007 failing which all moneys deposited by the investors are to be refunded with interest. The parties have agreed to complete this transfer after the closing of the Bidding/Issue Period and before the Allotment of Equity Shares in the Issue to successful Bidders.

Unincorporated Joint Venture with MECON Limited

A Joint Venture Agreement was entered into between MECON Limited and our Company on September 6, 2002 undertaking to execute the work of widening and strengthening an existing 2-Lane to 4-Lane carriageway of NH-47 including bridges from Km 348,382 to Km 358,300 in the State of Kerala. Under the agreement, our Company and MECON Limited have agreed to carry out business through an unincorporated joint venture. It has further been agreed that MECON shall be the lead partner and our Company its associate partner and that the parties shall be jointly and severally liable for due performance of the contract. Under the agreement, the contribution of the parties to the joint venture operation and the division of scope of work between MECON Limited and our Company will be in the ratio of 70:30 respectively.

Another joint venture agreement was entered into between MECON Limited and our Company on April 29, 2003, undertaking to execute the work of 4-Laning and strengthening of existing 2-lanes of Tirunelveli-Tuticorin Road from Km 4/0 to Km 51/2 of NH 7A in Tamil Nadu. It has been agreed that MECON shall be the lead partner and our Company its associate partner and that the parties shall be jointly and severally liable for due performance of the contract. According to the agreement, the contribution of the parties to the joint venture operation and the division of scope of work between MECON Limited and our Company will be in the ratio of 90:10 respectively. Two petitions bearing O.M.P No. 288 of 2007 and O.M.P No. 310 of 2007 have been filed before the High Court of Judicature at Delhi by MECON Limited and our Company against the Cochin Road Company Limited against invocation of bank guarantees, release of payment and injunction against termination letter in respect of the Cochin Project. For details of these proceedings, refer to “Outstanding Litigation and Material Development” on page 297.

Slump Sale Agreement

Prior to July 1, 2007 we operated an energy division. This division manufactured and supplied products such as on-line condenser tube cleaning system, debris filters and sponge (rubber) cleaning balls to customers. We sold our energy business effective June 30, 2007 pursuant to an agreement dated August 1, 2007 as a business undertaking on a going concern basis to GEA BGR Energy System India for a consideration of Rs 250 million.

Under the agreement, we have transferred all the rights, assets, properties, both tangible and intangible, together with all liabilites, including secured or unsecured, in the form of working capital limits, fixed assets loans, current liabilities and provisions as well as the pending contracts and order bids. We have also transferred spares, tools, stores, work-in-progress, sundry debtors, trademarks, patents, copyrights, designs and other intellectual property rights, benefits of contracts, agreements, insurance policies, customers and vendor lists, manufacturing, marketing, distributing and servicing functions and networks, research, development and testing facilities, consents, licences, approvals, permissions, benefits, furniture, fixtures, fittings, trade secrets, technology, inventions and designs. Certain movable and immovable assets of this business are subject to charge with banks and financial institutions in respect of working capital facilities and term loans facilities availed by the Company. The Company has undertaken to settle all such loans within a period of one (1) year from the date of execution of the agreement, and to release these assets from all encumbrances.

Pursuant to a separate agreement dated August 1, 2007, effective June 30, we also sold all the shares of Schmitz Reinigungskugein GmbH (“Schmitz GmbH”) to Schmitz India Private Limited, an affiliate of our Promoter, for Rs. 6.00 million.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association, we are required to have not less than three Directors and not more than twelve Directors. We currently have eight Directors on our Board.

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

Name; Father's Name; Address; Designation; Term and Occupation	Nationality	Director's Identification Number	Age	Other Directorships/ Partnerships/ Board of Trusts
Mr. B.G. Raghupathy; S/o Mr. B. Govindaswamy; New No. 60 (Old No. 100), IV Street Abhiramapuram Chennai 600 018 Tamil Nadu India; Chairman and Managing Director; Appointed for a term of five years with effect from October 11, 2003; Not Liable to retire by rotation; *Industrialist.*	Indian	00174472	54	1. ANI Constructions Private Limited 2. Arjun Securities Private Limited 3. BGR Aquaatech India Limited 4. BGR Enertech SDN Berhad, Malaysia 5. BGR Power Limited 6. Cuddalore Power Company Limited 7. GEA Cooling Tower Technologies (India) Private Limited 8. GEA BGR Energy System India Limited 9. Germanischer Lloyd Industrial Services (India) Private Limited 10. Mega Funds India Limited 11. Priya Securities Private Limited 12. Progen Systems and Technologies Limited 13. Sasikala Estate Private Limited 14. Saturn Tradex Private Limited, Singapore 15. Schmitz GmbH 16. Schmitz India Private Limited 17. Swarna Leasing Private Limited 18. Unisphere SDN Berhad, Malaysia 19. Vani Securities Private Limited 20. Vindiana Wines Private Limited **Trusts** 21. BGR Development Trust 22. Enterprises Development Trust
Mr. S. Rathinam; S/o Mr. A. Santha Padayachi; No. 19, Rajeswari Apartment58, Bakathivatchalam SalaiMylapore	Indian	00174594	56	1. Cuddalore Power Company Limited 2. Mega Funds India Limited 3. Pragati Computers Limited

Name; Father's Name; Address; Designation; Term and Occupation	Nationality	Director's Identification Number	Age	Other Directorships/ Partnerships/ Board of Trusts
Chennai 600 004Tamil NaduIndia; Director – Finance Appointed for a term of five years with effect from February 7, 2006; Liable to retire by rotation; *Company Executive*				4. Pragati Information Technologies Private Limited 5. Progen Systems and Technologies Limited
Mr. V. R. Mahadevan; S/o Mr. V.S. Ranganathan; A5, Shanti Heaven No:128, St Mary's Road, Alwarpet Chennai 600 018, Tamil Nadu India; Whole Time Director Appointed for a term of five years with effect from June 1, 2005; Liable to retire by rotation; *Company Executive.*	Indian	00174667	48	1. Goa Oceanarium Private Limited 2. Govin Engineering and Constructions Limited 3. Pragati Computers Limited 4. Pragati Information Technologies Private Limited 5. Schmitz India Private Limited 6. GEA BGR Energy System India Limited
Ms. Sasikala Raghupathy; W/o Mr. B.G. Raghupathy; New No. 60 (Old No. 100), IV Street Abhiramapuram Chennai 600 018, Tamil Nadu India; Director Liable to Retire by Rotation; *Business.*	Indian	00490686	51	1. ANI Constructions PrivateLimited 2. Arjun Securities Private Limited 3. BGR Aquaatech India Limited 4. BGR Power Limited 5. GEA BGR Energy System India Limited 6. Mega Funds India Limited 7. Priya Securities Private Limited 8. Progen Systems and Technologies Limited 9. Sasikala Estate Private Limited 10. Swarna Leasing Private Limited 11. Vani Securities Private Limited
Mr. Heinrich Bohmer*; S/o Mr. Hermann Bohmer; Blumenweg 1D – 40489, Dusseldorf Germany; Independent Director; Liable to Retire by Rotation; *Business.*	German	01710788	71	Nil
Mr. M.Gopalakrishna*; S/o Mr. Muddusetty;'Bhramara', 12-2-823A/23Santoshnagar, Mehdipatnam Hyderabad 500 028 Andhra Pradesh India; Independent Director; Liable to Retire by Rotation; *Service*	Indian	00088454	68	1. AP Gas Power Corporation Limited 2. Rithwik Energy Limited 3. Jocil Limited 4. AVRA Laboratories (Private) Limited 5. Pitti Laminations Limited 6. Sentini Bio-Products Private Limited 7. PEC Potentiometers, Hyderabad

Name; Father's Name; Address; Designation; Term and Occupation	Nationality	Director's Identification Number	Age	Other Directorships/ Partnerships/ Board of Trusts
Mr. S. R. Tagat*; S/o Mr. R.K. Tagat; New No.7, Old No.4 Srikrishnapuram First Floor, Apartment 3 Royapettah, Chennai 600 014 Tamil Nadu India; Independent Director; Liable to Retire by Rotation; *Business.*	Indian	01632756	51	Nil
Mr S. A. Bohra*; S/o Mr. Ghulam Ali Bohra; A-602, Bagh-E-Rehmat 17, Meghraj Sethi Marg Agripada, Mumbai- 400 008 Maharashtra India; Independent Director; Liable to retire by rotation; *Service*	Indian	00791861	62	Nil

** Our independent directors have been appointed as Additional Directors by resolutions of our Board at the meeting held on July 18, 2007 and will hold office till the next AGM.*

Brief Biographies of our Directors

Mr. B.G. Raghupathy, 54**,** is our Chairman and Managing Director. He is responsible for the overall management and supervision of the activities of our Company and for the development of strategies for our future growth. He holds a Bachelor's degree in Chemistry from the University of Madras. He founded our Company in 1985. Prior to founding our Company, Mr. Raghupathy worked as a marketing executive specializing in the sale of industrial equipment, instruments and control systems. He subsequently served as the Chief Executive Officer of Introls, a company engaged in trading. He has over 33 years of experience in the fields of marketing, sales and management.

Mr. S. Rathinam, 56**,** is our Director-Finance. He is responsible for the overall management and supervision of our finance and audit functions. He holds a Bachelor's degree in Chemistry from the University of Madras and is a qualified chartered accountant. Prior to joining our Company in 1992, he was associated with Tamil Nadu Industrial Explosives Limited as Joint General Manager and Tamil Nadu Industrial Development Corporation as Accounts Officer. He has over 28 years of experience in the fields of finance, management and accounting.

Mr. V.R. Mahadevan, 48, is a whole-time Director on our Board. He is responsible for the overall management and supervision of the operations of the technology, human resources and infrastructure divisions. He holds a Bachelor's degree in Electrical Engineering from Annamalai University, Tamil Nadu. Prior to joining our company in 1987, he worked as a project manager with Best and Crompton Limited. He has over 25 years of experience in the fields of project and business management.

Ms. Sasikala Raghupathy, 51**,** is a Director on our Board. She has been associated with our Company as a Director since it was founded.

Mr. Heinrich Bohmer, 71, is an independent Director on our Board. He graduated with a diploma in mechanical engineering in 1960 from the technical academy in Duisburg, Germany. He has been involved in research and development, design and sales departments in various power and chemical industries. Prior to joining our Board, he established EVU GmbH an engineering company and retired as the Managing Director of Taprogge-MWD GmbH. He has been associated with our Company as a Director between 1987 and 1993 and has rejoined our Board on July 18, 2007.

Mr. M. Gopalakrishna, 68, is an independent Director on our Board. He holds a Bachelor's degree in Science and a Bachelor's degree in Law from Osmania University, Hyderabad. He is a retired officer of the Indian Administrative Service and has served on the board of various public limited companies in the capacity of chairman, managing director and director. At present, he is also director-in-charge of the Andhra Pradesh Gas Power Corporation Limited. He has joined our Board on July 18, 2007

Mr. S.R. Tagat, 51**,** is an independent Director. He holds a Bachelor's degree in Commerce and is a qualified Chartered Accountant. He has earlier worked in various state public sector and State Government Undertakings. He has also handled audit of various banks and insurance companies. He is currently a partner in a firm of chartered accountants. He joined our Board on July 18, 2007.

Mr S.A. Bohra, 62, is an independent Director on our Board. He holds a Bachelor's degree in Mechanical Engineering from Jodhpur University. He was formerly the Senior Executive Director (Technical) of Nuclear Power Corporation of India Limited. He has served on the boards of several companies such as Nuclear Fuel Complex, Transformers and Electricals and Kerala Heavy Water Board. He has also served on various committees such as Nuclear Power Corporation of India Limited, Indira Gandhi Centre Council and Heavy Water Board. He is currently an Advisor to the Tata (Nuclear) Power Company Limited. He has been conferred the distinguished scientist title by the Government of India in 2002, Indian Nuclear Society (INS) Award 2004 in the field of Nuclear Reactor Technology. He joined our Board on July 18, 2007.

Borrowing powers of the Board

Our Articles authorise our Board, subject to the provisions of the Companies Act, to raise or borrow or secure the payment of any sum or sums of money for the purposes of our Company. Our members have, pursuant to a resolution passed at an AGM held on March 31, 2001 authorised our Board to borrow monies together with monies already borrowed by us, up to Rs. 500 million in excess of the aggregate of the paid up capital of our Company and its free reserves.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us at the time of seeking in-principle approval of the Stock Exchanges. We have complied with the corporate governance requirements in accordance with Clause 49 (as applicable), including in relation to appointment of independent Directors to our Board, constitution of the Shareholders and Investor Grievance Committee and the reconstitution of the Audit Committee. Our Company undertakes to take all necessary steps to comply with all the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

Currently our Board has eight Directors, of which the Chairman of the Board is an executive Director, and, in compliance with the requirements of Clause 49 of the Listing Agreement, we have four independent Directors.

Audit Committee

Our audit committee ("Audit Committee") was constituted by our Board at its meeting held on July 18, 2007. The Audit Committee consists of Mr. S.R. Tagat (Chairman), Mr. S.A. Bohra, Mr. S. Rathinam. The Audit Committee is required to meet atleast once in each quarter.

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

- Appointment and changes to the statutory auditors and internal auditors.
- Assess the independence and objectivity of the auditors and to ensure that the nature and amount of non-audit work does not impair the auditor's independence and objectivity.
- Fix the remuneration of the auditors.
- Review of reports of the statutory auditors and internal auditors.
- Review critical accounting policies and any changes to such policies.
- Review of quarterly and annual financial statements of the Company before they are presented to the Board.
- Review and approve any transactions with related parties.
- Review and assess the effectiveness of systems for internal financial control, financial reporting and risk management and compliance controls with management and auditors.
- Review any material breaches of compliance against regulations applicable to the Company.
- Review any concerns raised by our employees or others about possible improprieties in financial reporting, including management override of internal controls and financial irregularities involving management team members.
- Any other matter referred to the Audit Committee by the Board of Directors of the Company.

Compensation Committee

Our compensation committee ("Compensation Committee") was constituted by our Board at its meeting held on July 18, 2007. The Compensation Committee consists of Mr. B.G. Raghupathy (Chairman), Mr. M. Gopalakrishna and Mr. S.A. Bohra. The Compensation Committee is to meet at least once in each quarter.

The terms of reference of the Compensation Committee are the administration of any employee stock option plans of the Company, including ESOP 2007.

Shareholders and Investors Grievance Committee

Our shareholders and investors grievance committee ("Shareholders and Investors Grievance Committee") was constituted by our Board at its meeting held on July 18, 2007. The Shareholders and Investors Grievance Committee consists of Mr. M. Gopalakrishna (Chairman), Mr. Heinrich Bohmer and Mr. V.R. Mahadevan. The Shareholders and Investors Grievance Committee is to meet at least once in each quarter.

The terms of reference of the Shareholders and Investors Grievance Committee are as follows:

- Investor relations and redressal of shareholders grievances in general and including non-receipt of dividends, interest and non- receipt of balance sheet.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Shareholding of Directors in our Company

The Articles of Association do not require the Directors to hold any qualification Equity Shares in the Company. The following Directors hold Equity Shares:

S. No.	Name	Number of Equity Shares Held Pre Issue Capital	Percentage of Pre Issue Share (%)	Number of Equity Shares held Post Issue	Percentage of Post Issue Share Capital (%)
1.	Mr. B.G. Raghupathy	23,654,160	36.50	19,712,160	27.38
2.	Mrs. Sasikala Raghupathy	13,893,120	21.44	11,579,120	16.08
	TOTAL	**37,547,280**	**57.94**	**31,291,280**	**43.46**

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses, if any, payable to them under our Articles of Association, and to the extent of remuneration, if any, paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoter, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Mr. B.G. Raghupathy, Mr. S. Rathinam and Mr. V.R. Mahadevan are entitled to receive remuneration from us.

All the independent Directors are entitled to receive sitting fees for attending the Board/committee meetings. Except as stated in "Related Party Transactions" on page 166, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by our Company in the two years preceding the date of this Red Herring Prospectus or proposed to be acquired by our Company.

Remuneration of our Directors

Mr. B.G. Raghupathy, Chairman and Managing Director

Mr. B.G. Raghupathy was appointed as a Managing Director of our Company with effect from October 11, 2003 under the terms of a resolution of the board dated October 10, 2003 as subsequently ratified by our shareholders at the AGM by way of an ordinary resolution dated November 3, 2003. The terms of employment and remuneration of our Mr. B.G. Raghupathy were subsequently modified vide a resolution of the board dated May 25, 2007 as ratified by our shareholders at the AGM by way of a special resolution on July 11, 2007 to include the following:

Particulars	Remuneration
Basic Salary	Rs 1,000,000 per month
Perquisites	Not exceeding a sum equivalent to the annual salary
Commission	5% of net profits of the company per financial year as reduced by the sums of money paid by way of salary and perquisite during such financial year

Mr. S. Rathinam, Director - Finance

Mr. S. Rathinam was appointed as Director-Finance of our Company with effect from February 7, 2006 under the terms of a resolution of the Board dated March 2, 2006 as subsequently ratified by our shareholders at the AGM by way of an ordinary resolution dated March 30, 2006. Subsequently the Board at their meeting held on May 25, 2007 and the shareholders by way of a resolution passed at their AGM held on July 11, 2007 revised the remuneration payable to the Mr. Rathinam as Director- Finance. The terms of employment and remuneration of our Mr. S. Rathinam effective June 1, 2007 include the following:

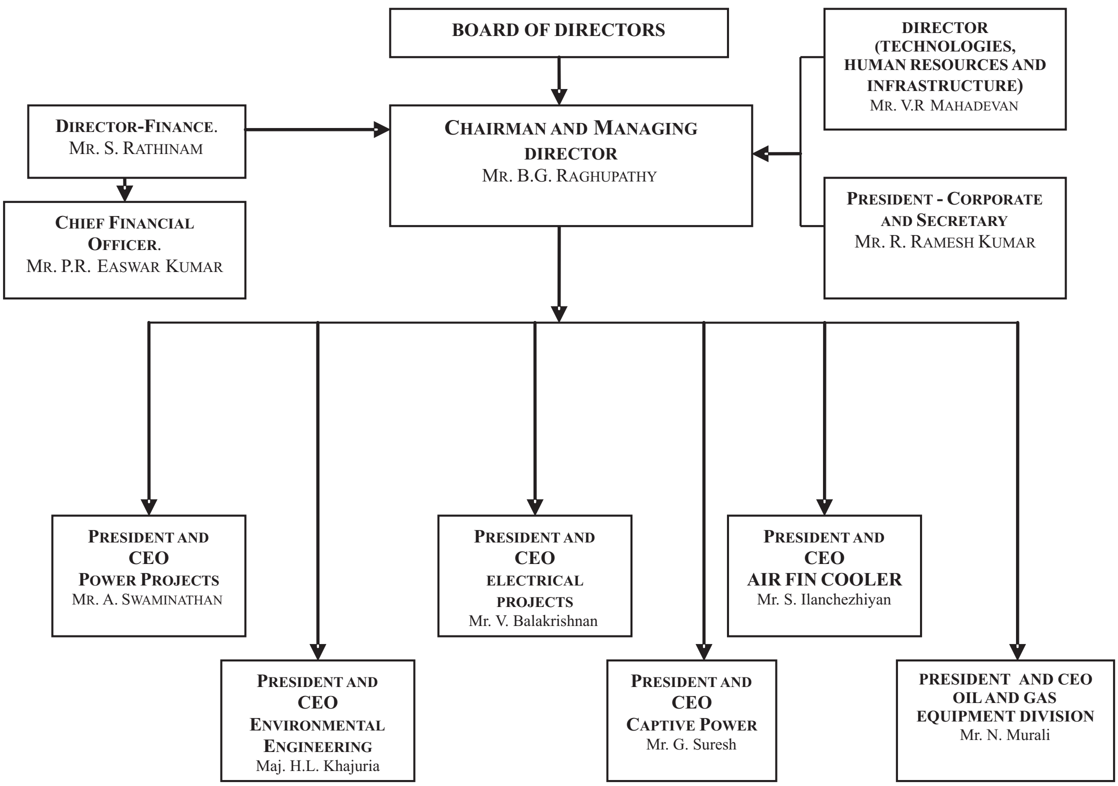
Particulars	Remuneration
Basic Salary	Rs. 87,500 per month
Special Pay, Allowances and reimbursement of expenses	Rs. 178,500 per month
Perquisites	Reimbursement of medical expenditure incurred for self and family subject to a ceiling of one month's salary per annumLeave Travel Concession for self and family.Fees of clubs subject to a maximum of two clubs; this will not include admission and life membership fee.Contribution towards provident fund will be subject to a ceiling of 12% of the salaryGratuity payable shall not exceed one half month's salary for each completed year of serviceProvision and maintenance of car with driver for use for company's business.Unavailed leave will be allowed to be encashed as per rules of the Company.Provision of telephone at residence. Personal long distance calls shall be billed by the Company to the appointee as per rules of the Company.Reimbursement of entertainment expenses properly incurred for the company's business.

Mr. V.R. Mahadevan, Whole Time Director

Mr. V.R. Mahadevan was appointed as a whole time director of our Company with effect from June 1, 2005 under the terms of a resolution of the Board dated June 1, 2005 as subsequently ratified by our shareholders at the AGM by way of an ordinary resolution dated June 1, 2005. Subsequently the Board at their meeting held on May 25, 2007 and the shareholders by way of a resolution passed at their AGM held on July 11, 2007 revised the remuneration of Mr Mahadevan The terms of employment and remuneration of Mr. V. R. Mahadevan effective February 6, 2007 include the following:

Particulars	Remuneration
Basic Salary	Rs. 82,500 per month
Special Pay, Allowances and reimbursement of expenses	Rs. 1,63,500 per month
Perquisites	Reimbursement of medical expenditure incurred for self and family subject to a ceiling of one month's salary per annum.Leave Travel Concession for self and familyFees of clubs subject to a maximum of two clubs; this will not include admission and life membership fee.Contribution towards provident fund will be subject to a ceiling of 12% of the salaryGratuity payable shall not exceed one half month's salary for each completed year of service..Provision and maintenance of care with driver for use on Company's business..Unaviled leave will be allowed to be encahsed as per rules of the Company.Provision of telephone at residence. Personal long distance calls shall be billed by the Company to the appointee as per rules of the Company.Reimbursement of entertainment expenses properly incurred for the Company's business.

Managerial Organizational Structure



Key Managerial Personnel

In addition to our whole-time Directors, Mr. B.G. Raghupathy, Mr. S. Rathinam and Mr. V.R. Mahadevan, whose details have been provided under "Biographies of our Directors" on page 130, the following are our other key managerial personnel:

Mr. A. Swaminathan, 50 years, is the president and chief executive officer of our power projects business. He has overall responsibility for the operations of our power projects business. He has been associated with our Company since 1997. He holds a Bachelor's degree in Technology in Mechanical Engineering from the Indian Institute of Technology, Bombay. Prior to joining our Company he worked with the Tata Electric Company Limited as general manager and has over 28 years of experience in the fields of engineering and execution of power projects. The remuneration paid to him for Fiscal 2007 was approximately Rs. 3.81 million.

Major H.L Khajuria, 60 years, is the president and chief executive officer of our environmental engineering business. He has overall responsibility for the operations of our environmental engineering business. He has been associated with our company since 1997. He holds a Bachelor's degree in Mechanical engineering from the Regional Engineering College, Srinagar. Prior to joining our Company he worked with Instrumentation Limited as General manager and has over 37 years of experience in the fields of engineering and execution of environmental engineering projects. The remuneration paid to him in Fiscal 2007 was approximately Rs.3.65 million.

Mr. R. Ramesh Kumar, 45 years, is our president, corporate affairs and company secretary. He heads our Corporate secretarial and legal functions and is responsible for the Company's strategic initiatives. He has been associated with our Company since 1992. He holds a Master's degree in Public Administration from University of Madras and is a qualified company secretary and an associate member of the Institute of Chartered Secretaries and Administrators, United Kingdom. Prior to joining our Company he worked with Tamil Nadu Industrial Explosives Limited as Company Secretary and has over 20 years of experience in the fields of accounting, finance, law, secretarial, governance and corporate strategy. The remuneration paid to him in Fiscal 2007 was approximately Rs. 3.05 million.

Mr. G. Suresh, 44 years, is the president and chief executive officer of our captive power business. He has overall responsibility for the operations of our captive power business. He has been associated with our Company since 1988. He holds a Bachelor's degree in chemical engineering from the Birla Institute of Technology and Sciences, Pilani, Rajasthan. Prior to joining our Company, he worked with Lloyds Steel Industries as Sales Engineer and has over 22 years of experience in the fields of sales and marketing. The remuneration paid to him in Fiscal 2007 was approximately Rs.2.93 million.

Mr. V. Balakrishnan, 51 years, is the president and chief executive officer of our electrical projects business. He has overall responsibility for the operations of our electrical projects business. He has been associated with our Company since 2003. He holds a Bachelor's degree in Electrical and Electronic engineering from Birla Institute of Technology and Sciences, Pilani, Rajasthan. Prior to joining our Company he worked with BSES Limited as regional head and has over 28 years of experience in the fields of power transmission and distribution. The remuneration paid to him for Fiscal 2007 was approximately Rs.2.42 million.

Mr. S. Ilanchezhiyan, 47 years, is the president and chief executive officer of our air fin cooler business. He has overall responsibility for the operations of our air fin cooler business. He has been associated with our Company since March 3, 2007. He holds a Bachelor's degree in engineering from CIT, Coimbatore and a Master's degree in Business Administration from the from Anna University. Prior to joining our Company, he worked with Premier Auto Electric Limited as Assistant General Manager and DGP Hinoday Industries Limited (a Japanese Joint Venture) as Vice-President and has over 22 years of experience in the fields of marketing, management and sales. The remuneration paid to him for part of Fiscal 2007 was approximately Rs. 0.16 million.

Mr. N. Murali, 49 years, is the President and CEO of our oil and gas equipment business. He has been associated with our Company since August 11, 2006. He holds a Bachelor's degree in mechanical engineering from Annamalai University, Tamil Nadu. Prior to joining our Company, he worked with Bharat Petroleum Corporation and Oman Refinery as head of major projects and has over 27 years of experience in the field of project management. The remuneration paid to him for Fiscal 2007 was approximately Rs. 1.13 million.

Mr. P.R. Easwar Kumar, 40, is our chief finance officer. He heads our finance and accounts function and is responsible for the treasury function. He has been associated with our Company since 1994. He holds a Bachelor's degree in Commerce from Osmania University, Hyderabad and is also a qualified chartered accountant. Before joining our Company, he worked with Sundaram Industries Limited as an Accounts Executive and has over 15 years of experience in accounts, finance and taxation. The remuneration paid to him for Fiscal 2007 was approximately Rs. 2.10 million.

All our key managerial personnel are permanent employees of our Company and none of our Directors and key managerial personnel is related to each other.

Shareholding of the Key Managerial Personnel

None of our key managerial personnel holds Equity Shares in our Company.

Bonus or profit sharing plan of our Key Managerial Personnel

There is no specific bonus or profit sharing plan for our key managerial personnel.

Interest of Key Managerial Personnel

The key managerial personnel do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

None of our key managerial personnel has been paid any consideration of any nature from our Company, other than their remuneration.

Changes in our Key Managerial Personnel

The changes in our key managerial personnel in the last three years are as follows:

Name of the Key Managerial Person	Date of Joining	Date of Leaving	Reason for change
Mr. G. Iyer Mahadevan	March 28, 2007	September 24,2007	Resignation
Mr. S. Illanchezhiyan	March 3, 2007		Appointment
Mr. N. Murali	August 11, 2006		Appointment
Mr. P.V.N Sanjay	April 1, 2006	May 15, 2007	Resignation
Mr. R. Santhanam	February 7, 2001	January 31, 2005	Resignation

Employee Stock Option Scheme

For details of our ESOP 2007 see "Capital Structure – Notes to Capital Structure" on page 27.

Payment or benefit to our officers (non-salary related)

No amount or benefit has been paid or given to any officer of our Company within the two years preceding the date of filing of this Red Herring Prospectus or is intended to be paid, other than in the ordinary course of their employment, other than the options granted to them under ESOP, 2007.

OUR PROMOTER

Individuals

Balakrishnan Govindasamy Raghupathy

His passport number is E 5771244.

His voter's identification number is TN/03/013/0021350.

His driving license number is R/TN/007/02099/2002.

For further details, see– "Our Management - Biographies of our Directors" on page 130 .

For details of terms of appointment of Mr. B.G. Raghupathy as our Chairman and Managing Director, see "Our Management" on page 128.

We confirm that the Permanent Account Number, Bank Account Numbers and Passport Number of our Promoter have been submitted to the BSE and NSE at the time of filing the Draft Red Herring Prospectus with them.

Promoter Group

Relatives of the Promoter who form part of the Promoter Group under Clause 6.8.3.2(m) of the SEBI Guidelines

Promoter	Name of the Relative	Relationship	Shareholding
B.G. Raghupathy	Ms G. Saroja Krishnan	Sister	Nil
	Ms G. Santa Venkatesan	Sister	Nil
	Ms G. Devaki Aranganathan	Sister	Nil
	Ms G. Badmavathy Gunaseskaran	Sister	Nil
	Mr. G. Radhakrishnan	Brother	Nil
	Mr G. Subramanian	Brother	Nil
	Ms. Sasikala Raghupathy	Wife	23,654,160
	Ms. Swarnamughi Raghupathy	Daughter	Nil
	Ms. Priyadarshini Raghupathy	Daughter	Nil
	Ms. Vani Raghupathy	Daughter	Nil
	Mr. Arjun Raghupathy	Son	Nil
	Mr. P.S. Kannan	Father in law	Nil
	Ms. Kamal Kannan	Mother in law	Nil
	Mr. S. K. Sridhar	Brother in law	4,320
	Ms Kala Lakshminarayanan	Sister in Law	Nil
	Ms Sumathi Devamanoharan	Sister in Law	Nil

Entities which form part of the Promoter Group under Clause 6.8.3.2(m) of the SEBI Guidelines

Swarna Leasing Private Limited

Swarna Leasing Private Limited was incorporated on March 30, 1994. Its registered office is located at New No. 60 (Old No. 100), IV Street Abhiramapuram, Chennai, Tamil Nadu 600 018, India. Swarna Leasing Private Limited is engaged in the business of investment in group companies.

Shareholders as of October 26, 2007

The shareholding pattern of equity shares of Swarna Leasing Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage (%)
1.	Mr. B.G. Raghupathy	249,650	63.99
2.	Ms. Sasikala Raghupathy	140,440	36.01 [1]
	TOTAL	**390,090**	**100.00**

[1].Less than 0.01%

Directors as of October 26, 2007

The board of directors of Swarna Leasing Private Limited comprise of Mr. B.G. Raghupathy and Ms. Sasikala Raghupathy.

Financial performance

(In Rupees, except share data)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Income	1,875,709	3,518,623	3,257,669
Profit/Loss after tax	1,683,263	3,424,989	3,246,146
Reserves and Surplus	18,791,561	17,045,924	13,620,935
Equity capital (par value Rs. 10)	3,900,900	1,092,000	1,092,000
Earnings per share (Rs)	4.00	31.00	30.00
Book value per share	58.17	166.67	134.73

Swarna Leasing Private Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

Swarna Leasing Private Limited filed an application dated July 7, 1997 with the RBI for grant of a certificate of registration for carrying on business of a non-banking financial institution, under Section 45 IA of the Reserve Bank of India Act, 1934. The RBI rejected the application through a letter bearing number DNBS (CH)/5490/ 13.10.01(C-61)/2002-2003 dated January 8, 2003 on the ground that the company did not meet the minimum net owned fund requirements. The RBI also directed the company to ensure that its financial assets are disposed off within a period of three years from the date of the letter and the company is converted to a non-banking non-financial company or is wound up. The company filed an appeal dated February 6, 2003 before the appellate authority under S. 45-1A(7) of the RBI Act, 1934, against the dismissal of the application for registration and the appeal has not been heard.

On July 23, 2007, after expiration of the three year period given by the RBI for compliance with its directions, the company filed a compliance report with the RBI, informing the RBI that the company has passed a resolution at a board meeting held on July 20, 2007, not to carry on the business of a non-banking financial institution. The company also informed the RBI that since its incorporation, it has not accepted any deposits from the public or from any source, the entire capital of the company have been contributed by its promoters and that the company never carried out any business of hire purchase, leasing, insurance or any other business of a financial institution except investment in group companies and investment of surplus funds in the initial public offerings of various listed companies, and that the investment made in the group companies as well as initial public offerings of listed companies have not been traded or sold since the date of investment. The company also informed the RBI that it has since disposed off the shares acquired through initial public offerings and the short term loans and advances have also been settled.

In its response dated August 28, 2007 the RBI, *inter alia,* informed the company that it continues to invest in group companies without having a certificate of registration or an exemption from the RBI to carry on investment business and the company is thereby in violation of Section 45 IA of the RBI Act, 1934 which attracts penal provisions under Section 58 B(4A) of the RBI Act. The RBI required clarifications and explanations in relation to the unsecured loans in the balance sheet, discrepancies between the board resolution passed on July 20, 2007 and balance sheet as on March 31, 2007 and the auditor's certificate attached to the balance sheet and sought the submission of audited balance sheets as on March 31, 2006. The RBI also required the company to update it as to the present status of the appeal filed against the rejection order dated January 8, 2003.

Pursuant to the above, the company filed a response with the RBI through its letter dated September 13, 2007. Subsequently, the RBI has through its reply dated October 11, 2007 informed the company that the reply submitted by it is not satisfactory and advised the company to submit specific/point wise clarification as sought in its letter. In its reply dated October 24, 2007, the company further informed the RBI that it shall submit its audited balance sheet as on September 30, 2007 and clarified that the unsecured loans received from directors, associates, shareholders and group companies have been fully repaid and that all the investments subsequent to March 31, 2007 made in companies other than group companies have been disposed off. The company stated that in light of the board resolution, director's declaration and auditor's certificate, already submitted to the RBI, it will not be considered as an NBFC and will therefore not require a certificate of registration or exemption under Section 45 IA of the RBI Act, 1934.

Priya Securities Private Limited

Priya Securities Private Limited was incorporated on March 30, 1994. Its registered office is at New No. 60 (Old No. 100), IV Street Abhiramapuram, Chennai 600 018, Tamil Nadu, India. Priya Securities Private Limited is engaged in the business of investment in group companies.

Shareholders as of October 26, 2007

The shareholding pattern of equity shares of Priya Securities Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage (%)
1.	Mr. B.G. Raghupathy	262,600	62.97
2.	Ms. Sasikala Raghupathy	154,405	37.03 [1]
	TOTAL	**417,005**	**100.00**

1. Less than 0.01%

Directors as of October 26, 2007

The board of directors of Priya Securities Private Limited comprise of Mr. B.G. Raghupathy and Ms. Sasikala Raghupathy.

Financial performance

(In Rupees, except share data)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Income	1,784,253	3,461,739	3,232,837
Profit/Loss after tax	1,497,657	3,406,742	3,221,252
Reserves and Surplus	19,565,441	18,029,302	14,661,042
Equity capital (par value Rs. 10)	4,170,050	1,082,000	1,082,000
Earnings per share (Rs)	30.00	31.00	30.00
Book value per share	56.92	176.63	145.49

Priya Securities Private Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

Priya Securities Private Limited filed an application dated July 7, 1997 with the RBI for grant of a certificate of registration for carrying on business of a non-banking financial institution, under S. 45 IA of the Reserve Bank of India Act, 1934. The RBI rejected the application through its letter bearing number DNBS (CH)/ / 13.10.01(C-61)/2002-2003 dated April 28, 2000 on the ground that the company did not meet the minimum net owned fund requirements. The RBI also directed the company to pass a specific resolution not to carry on the business of a non-banking financial institution. The RBI through its letter bearing number DNBS/Che/2334/rej-B/2001-02 dated December 11, 2001 directed the company to ensure that within a period of three years from the date of receipt of the letter, the financial assets of the company are disposed of and the company is converted to a non-banking non-financial company or is wound up. The company filed an appeal dated June 12, 2000 before the appellate authority under S. 45-1A(7) of the RBI Act, 1934, against dismissal of the application for registration. The appeal was dismissed by the appellate authority by an order dated September 26, 2002.

On July 23, 2007, after expiration of the three year period given by the RBI for compliance with its directions, the company filed a compliance report with the RBI, informing the RBI that the company has passed a resolution at a board meeting held on July 20, 2007, not to carry on the business of a non-banking financial institution. The company also informed the RBI that since its incorporation, it has not accepted any deposits from the public or from any source, the entire capital of the company have been contributed by its promoters and that the company never carried on any business of hire purchase, leasing, insurance or any other business of a financial institution except investment in group companies and investment of surplus funds in the initial public offerings of various listed companies, and that the investment made in the group companies as well as initial public offerings of listed companies have not been traded or sold since the date of investment. The company has further informed the RBI that it has since disposed off the shares acquired through initial public offerings and the short term loans and advances have also been settled.

In its response dated August 28, 2007 the RBI *inter alia* informed the company that it continues to invest in group companies without having a certificate of registration or an exemption from the RBI to carry on investment business and the company is thereby in violation of Section 45 IA of the RBI Act, 1934 which attracts penal provisions under Section 58 B(4A) of the RBI Act. The RBI required clarifications and explanations on entries in relation to the unsecured loans in the balance sheet, discrepancies between the board resolution passed on July 20, 2007 and balance sheet as on March 31, 2007 and the auditor's certificate attached to the balance sheet and sought the submission of audited balance sheets as on March 31, 2006. In the same letter, the company was informed by theRBI that the office premises of the company could not be located by one of the officers deputed for inspection of books of accounts of the company in August 2002 and that accordingly the matter was referred to the economic offence wing.

Pursuant to the above , the company filed a response with the RBI through its letter dated September 13, 2007. Subsequently, the RBI has through its reply dated October 11, 2007 informed the company that the reply submitted by it is not satisfactory and advised the company to submit specific/point wise clarification as sought in its letter. In its reply dated October 24, 2007, the company further informed the RBI that it shall submit its audited balance sheet as on September 30, 2007 and clarified that the unsecured loans received from directors, associates, shareholders and group companies have been fully repaid and that all the investments subsequent to March 31, 2007 made in companies other than group companies have been disposed off. The company stated that in light of the board resolution, director's declaration and auditor's certificate, submitted to the RBI, it will not be considered as a NBFC and accordingly will not require a certificate of registration or exemption under Section 45 IA of the RBI Act, 1934.

Vani Securities Private Limited

Vani Securities Private Limited was incorporated on March 30, 1994. Its registered office is located at New No. 60 (Old No. 100), IV Street Abhiramapuram, Chennai 600 018, Tamil Nadu, India. Vani Securities Private Limited is engaged in the business of investment in group companies.

Shareholders as of October 26, 2007

The shareholding pattern of equity shares of Vani Securities Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage (%)
1.	Mr. B.G. Raghupathy	498,600	66.64
2.	Ms. Sasikala Raghupathy	249,495	33.36 [1]
	TOTAL	**748,095**	**100.00**

[1] *Less than 0.01%*

Directors as of October 26, 2007

The board of directors of Vani Securities Private Limited comprise of Mr. B.G. Raghupathy and Ms. Sasikala Raghupathy.

Financial performance

(In Rupees, except share data)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Other income	2,866,164	2,304,478	2,153,939
Profit/Loss after tax	2,393,135	2,267,930	2,142,796
Reserves and Surplus	14,986,038	12,592,903	10,324,973
Equity capital (par value Rs. 10)	7,480,950	2,490,000	2,490,000
Earnings per share (Rs)	3.00	9.00	8.60
Book value per share	30.03	60.57	51.47

Vani Securities Private Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

Vani Securities Private Limited filed an application dated July 7, 1997 with the RBI for grant of a certificate of registration for carrying on business of a non-banking financial institution, under S. 45 IA of the Reserve Bank of India Act, 1934. The RBI rejected the application through its letter bearing number DNBS (CH)/ / 13.10.01(C-61)/2002-2003 dated May 4, 2000 on the ground that the company did not meet the minimum net owned fund requirements. The RBI also directed the company to pass a specific resolution not to carry on the business of a non-banking financial institution. The RBI through its letter bearing number DNBS/Che/2334/rej-B/2001-02 dated December 11, 2001 directed the company to ensure that within a period of three years from the date of receipt of the letter, the financial assets of the company are disposed of and the company is converted to a non-banking non-financial company or is wound up. The company filed an appeal dated June 12, 2000 before the appellate authority under S. 45-1A(7) of the RBI Act, 1934, against dismissal of the application for registration. The appeal was dismissed by the appellate authority by an order dated December 9, 2002.

On July 23, 2007, after expiration of the three year period given by the RBI for compliance with its directions, the company filed a compliance report with the RBI, informing the RBI that the company has passed a resolution at a board meeting held on July 20, 2007, not to carry on the business of a non-banking financial institution. The company also informed the RBI that since its incorporation, it has not accepted any deposits from the public or from any source, the entire capital of the company have been contributed by its promoters and that the company never carried on any business of hire purchase, leasing, insurance or any other business of a financial institution except investment in group companies and investment of surplus funds in the initial public offerings of various listed companies, and that the investment made in the group companies as well as initial public offerings of listed companies have not been traded or sold since the date of investment. The company has further informed the RBI that it has since disposed off the shares acquired through initial public offerings and the short term loans and advances have also been settled.

In its response dated August 28, 2007 the RBI, *inter alia,* informed the company that it continues to invest in group companies without having a certificate of registration or an exemption from the RBI to carry on investment business and the company is thereby in violation of Section 45 IA of the RBI Act, 1934 which attracts penal provisions under Section 58 B(4A) of the RBI Act. The RBI required clarifications and explanations in relation to the unsecured loans in the balance sheet, discrepancies between the board resolution passed on July 20, 2007 and balance sheet as on March 31, 2007 and the auditor's certificate attached to the balance sheet and sought the submission of audited balance sheets as on March 31, 2005. The RBI also observed that the company was in non-compliance with the earlier rejection order dated May 4, 2000 wherein it was directed to pass a specific resolution not to carry on NBFC business and to stop all NBFI activity within a period of three years from the date of the rejection order.

Pursuant to the above, the company filed a response with the RBI through its letter dated September 13, 2007. Subsequently, the RBI has through its reply dated October 11, 2007 informed the company that the reply submitted by it is not satisfactory and advised to submit specific/point wise clarification as sought in the previous letter. In its reply dated October 24, 2007, the company further informed the RBI that it shall submit its audited balance sheet as on September 30, 2007 and clarified that the unsecured loans received from directors, associates, shareholders and group companies have been fully repaid and that all the investments subsequent to March 31, 2007 made in companies other than group companies have been disposed off. The company stated that in light of the board resolution, director's declaration and auditor's certificate submitted to the RBI, it will not be considered as a NBFC and accordingly will not require a certificate of registration or exemption under Section 45 IA of the RBI Act, 1934.

Arjun Securities Private Limited

Arjun Securities Private Limited was incorporated on March 30, 1994. Its registered office is located at New No. 60 (Old No. 100), IV Street Abhiramapuram, Chennai 600 018, Tamil Nadu, India. Arjun Securities Private Limited is engaged in the business of investment in securities.in group companies

Shareholders as of October 26, 2007

The shareholding pattern of equity shares of Arjun Securities Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage (%)
1.	Mr. B.G. Raghupathy	352,200	55.01
2.	Ms. Sasikala Raghupathy	287,935	44.99 [1]
	TOTAL	**640,135**	**100.00**

[1] *Less than 0.01%*

Directors as of October 26, 2007

The board of directors of Arjun Securities Private Limited comprise of Mr. B.G. Raghupathy and Ms. Sasikala Raghupathy.

Financial performance

(In Rupees, except share data)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Income	4,141,540	2,597,878	1,848,854
Profit/Loss after tax	3,669,562	2,336,065	1,811,088
Reserves and Surplus	12,905,326	9,235,764	6,899,699
Equity capital (par value Rs. 10)	6,401,350	642,000	642,000
Earnings per share (Rs)	61.00	36.00	28.00
Book value per share	30.16	153.86	117.47

Arjun Securities Private Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

Arjun Securities Private Limited filed an application dated July 7, 1997 with the RBI for grant of a certificate of registration for carrying on business of a non-banking financial institution, under Section 45 IA of the Reserve Bank of India Act, 1934. The RBI rejected the application through a letter bearing number DNBS (CH)/5490/ 13.10.01(C-61)/2002-2003 dated January 8, 2003 on the ground that the company did not meet the minimum net owned fund requirements. The RBI also directed the company to ensure that its financial assets are disposed off within a period of three years from the date of the letter and the company is converted to a non-banking non-financial company or is wound up. The company filed an appeal dated February 6, 2003 before the appellate authority under S. 45-1A(7) of the RBI Act, 1934, against the dismissal of the application for registration and the appeal has not been heard.

On July 23, 2007, after expiration of the three year period given by the RBI for compliance with its directions, the company filed a compliance report with the RBI informing the RBI that the company has passed a resolution at a board meeting held on July 20, 2007, not to carry on the business of a non-banking financial institution. The company also informed the RBI that since incorporation, it has not accepted any deposits from the public or from any source, the entire capital of the company have been contributed by its promoters and that the company never carried out any business of hire purchase, leasing, insurance or any other business of a financial institution except investment in group companies and investment of surplus funds in the initial public offerings of various listed companies, and that the investment made in the group companies as well as initial public offerings of listed companies have not been traded or sold since the date of investment. The company has further informed the RBI that it has since disposed off the shares acquired through initial public offerings and the short term loans and advances have also been settled.

In its response dated August 23, 2007 the RBI, *inter alia,* informed the company that it continues to invest in group companies without having a certificate of registration or an exemption from the RBI to carry on investment business and the company is thereby in violation of Section 45 IA of the RBI Act, 1934 which attracts penal provisions under Section 58 B(4A) of the RBI Act. The RBI has required clarifications and explanations on entries in relation to the unsecured loans in the balance sheet, discrepancies between the board resolution passed on July 20, 2007 and balance sheet as on March 31, 2007 and the auditor's certificate attached to the balance sheet and sought the submission of audited balance sheets as on March 31, 2006. The RBI also required the company to update it as to the present status of the appeal filed against the rejection order dated January 8, 2003.

Pursuant to the above, the company filed a response with the RBI through its letter dated September 13, 2007. Subsequently, the RBI has through its reply dated October 11, 2007 informed the company that the reply submitted by it is not satisfactory and advised to submit specific/point wise clarification as sought in the previous letter. In its reply dated October 24, 2007, the company further informed the RBI that it shall submit audited Balance Sheet as on September 30, 2007 and clarified that the unsecured loans were received from directors, associates, shareholders and group companies have been fully repaid and that all the investments subsequent to March 31, 2007 made in companies other than group companies have been disposed off. The company stated that in light of the board resolution, director's declaration and auditor's certificate submitted to the RBI, it will not be considered as an NBFC and accordingly will not require a certificate of registration or exemption under Section 45 IA of the RBI Act, 1934.

BGR Power Limited

BGR Power Limited was incorporated on February 15, 1999. Its registered office is located at 443, Guna Building, Anna Salai, Teynampet, Chennai, Tamil Nadu 600 018. BGR Power Limited. BGR Power Limited is engaged in the business of establishing, building, owning, operating and maintaining gas turbine based energy generating stations and tie-lines, sub-stations, main transmission lines and of production, generation, storage transmission, distribution, exchange, sale and supply of electricity and other energy.

Shareholders as of October 26, 2007

The shareholding pattern of equity shares of BGR Power Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage (%)
1.	Mr. B.G. Raghupathy	49,900	99.80%
2.	Ms. Sasikala Raghupathy	10	0.02%
3.	Mr. A. Srinivasulu	10	0.02%
4.	Mr. P.S. Gopalakrishnan	10	0.02%
5.	Mr. Soundara Rajan	10	0.02%
6.	Mr. A. Swaminathan	10	0.02%
7.	Mr. S. Rathinam	10	0.02%
8.	Mr. S. Subbhraman	10	0.02%
9.	Mr. G. Narayanan	10	0.02%
10.	Mr. V.R. Mahadevan	10	0.02%
11.	Mr. R Ramesh Kumar	10	0.02%
	Total	**50,000**	**100.00**

Directors as of October 26, 2007

The board of directors of BGR Power Limited comprise of Mr. B.G. Raghupathy, Ms. Sasikala Raghupathy and Mr. R. Ramesh Kumar.

Financial Performance

(In Rupees, except share data)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Sales and other Income	Nil	-	-
Profit/loss after tax	Nil	-	-
Reserves and Surplus	8,158,313	-	-
Equity capital	500,000	500,000	500,000
Earnings per share	Nil	-	-
Book Value per share	170.10	-	-

Profit and loss accounts have not been prepared for BGR Power Limited for the fiscal years 2005 and 2006 as the company has not carried out any operations until date.

BGR Power Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

Germanischer Lloyd Industrial Services India Private Limited

Germanischer Lloyd Industrial Services India Private Limited was incorporated on June 30, 1997. Its registered office is situated at 443, Anna Salai, Guna Building Teynampet, Chennai, Tamil Nadu 600 018. Germanischer Lloyd Industrial Services India Private Limited is engaged in the business of providing industrial services, including industrial certification and inspection services.

Shareholding as of October 26, 2007

The shareholding pattern of equity shares of Germanischer Lloyd Industrial Services India Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage (%)
1.	Arjun Securities Private limited	12,500	50.00
2.	Germanischer Lloyd Offshore and Industrial Services Gmbh	12,500	50.00
	Total	**25,000**	**100.00**

Directors as of October 26, 2007

The board of directors of Germanischer Lloyd Industrial Services India Private Limited comprise of Mr. B.G. Raghupathy, Mr. Matthias Wessler, Mr. Hergen H. Thielemann, Mr R. Ramesh Kumar, Mr N. Suresh and Mr. Lutz Wittenberg, Mr. Christian Mattlage and Mr. P.R. Seetharaman.

Financial Performance

(In Rupees, except share data)

	Year Ended December 31,			
	2006	2005	2004	2003
Sales and other Income	110,034,420	63,427,535	37,050,039	14,324,309
Profit/loss after tax	16,942,562	12,453,423	6,266,327	489,819
Reserves and Surplus	30,190,950	13,248,387	6,496,214	1,643,246
Equity capital	2,500,000	2,500,000	2,500,000	2,500,000
Earnings per share	677.70	498.14	250.65	19.59
Book Value per share	1307.63	629.44	359.84	145.97

Germanischer Lloyd Industrial Services India Private Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

Schmitz India Private Limited

Schmitz India Private Limited was incorporated on May 14, 1999. Its registered office is at No 22 & 23, SIDCO Industrial Estate, Vichoor, Gummudipoondi, Tamil Nadu 601 201. Schmitz India Private Limited is engaged in the business of manufacturing sponge rubber cleaning balls.

Shareholding as of October 26, 2007

The shareholding pattern of equity shares of Schmitz India Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage of Issued Capital (%)
1.	Mr. S. Subbhraman	100	0.03
2.	Mr. R.Rajendran	100	0.03
3.	Mr. G Narayanan	100	0.03
4.	Mr. B.G. Raghupathy	70,000	21.19
5.	Swarna Leasing Private Limited	65,000	19.68
6.	Priya Securities Private Limited	65,000	19.68
7.	Vani Securities Private Linited	65,000	19.68
8.	Arjun Securities Private Limited	65,000	19.68
	Total	**330,300**	**100.00**

Directors as of October 26, 2007

The board of directors of Schmitz India Private Limited comprise of Mr. B.G. Raghupathy, Mr. V.R. Mahadevan, Mr. R. Ramesh Kumar, Mr. S. Subhraman, Mr. R. Rajendran, Mr. G. Narayanan and Mr. K. Shanker.

Financial Performance

(In Rupees, except share data)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Sales and other Income	22,119,940	17,923,412	18,277,494
Profit/loss after tax	2,456,887	2,437,139	2,897,753
Reserves and Surplus	5,435,483	4,903,328	4,334,316
Equity capital	3,303,000	3,303,000	3,303,000
Earnings per share	7.45	7.42	8.77
Book Value per share	26.46	24.85	23.12

Schmitz India Private Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

GEA Cooling Tower Technologies (India) Private Limited

GEA Cooling Tower Technologies (India) Private Limited was incorporated on April 22, 1996. Its registered office is located at 443, Chennai, Tamil Nadu 600 018. GEA Cooling Tower Technologies (India) Private Limited is engaged in the design, engineering, procurement and construction of air cooled condensers, indirect dry cooling systems, dry/wet hybrid cooling systems, natural draft wet cooling tower and mechanical draft cooling towers.

Shareholding as of October 26, 2007

The shareholding pattern of equity shares of GEA Cooling Tower Technologies (India) Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage of Issued Capital (%)
1.	GEA Energietechnik GmbH	510,000	51.00
2.	BGR Energy Systems Limited	10,000	01.00
3.	Swarna Leasing Private limited	120,000	12.00
4.	Priya Securities Private limited	120,000	12.00
5.	Arjun Securities Private limited	120,000	12.00
6.	Vani Securities Private Limited	120,000	12.00
	Total	**1,000,000**	**100.00**

Directors as of October 26, 2007

The board of directors of GEA Cooling Tower Technologies (India) Private Limited comprise of Mr. B.G. Raghupathy, Mr. Michael Herbermann, Mr. Stephan Kochen and Mr. R. Ramesh Kumar.

Financial Performance

(In Rupees, except Share data)

	Period Ended December 31, 2006	Period Ended December 31, 2005	Period Ended December 31, 2004
Sales and other Income	506,545,555	433,573,831	344,151,016
Profit/loss after tax	26,949,957	24,561,928	24,270,014
Reserves and Surplus	21,949,757	14,699,300	3,820,372
Equity capital	10,000,000	2,000,000	2,000,000
Earnings per share	26.95	122.81	121.35
Book Value per share	31.95	83.45	29.10

GEA Cooling Tower Technologies (India) Private Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

Mega Funds India Limited

Mega Funds India Limited was incorporated on March 10, 1995. Its registered office is located at 310, PMG Complex 57, South Usman Road, T. Nagar, Chennai, Tamil Nadu 600 017. Mega Funds India Limited is engaged in real estate development activities.

Shareholding as of October 26, 2007

The shareholding pattern of equity shares of Mega Funds India Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage of issued capital (%)
1.	Mr. B.G. Raghupathy	206	0.20
2.	Ms. Sasikala Raghupathy	10	0.01
3.	Mr. S. K Sridhar	10	0.01
4.	Mr. S. Rathinam	10	0.01
5.	Mr. R. Ramesh Kumar	10	0.01
6.	Mr. Jayaram Rangan	10	0.01
7.	Ms. Selvi Sridhar	5,000	4.91
8.	Ms. Shantha Venkatesan	5,000	4.91
9.	Vani Securities Private Limited	21,000	20.61
10.	Priya Securities Private Limited	23,000	22.57
11.	Arjun Securities Private Limited	23,000	22.57
12.	Swarna Leasing Private Limited	24,644	24.18
	Total	**101,900**	**100.00**

Directors as of October 26, 2007

The board of directors of Mega Funds India Limited comprise of Mr. B.G. Raghupathy, Ms. Sasikala Raghupathy, Mr.S. Rathinam and Mr. R Ramesh Kumar.

Financial Performance

(In Rupees, except share data)

	Fiscal 2007	**Fiscal 2006**	**Fiscal 2005**
Sales and other Income	23,000	15,000	3,312
Profit/(loss) after tax	215,513	(74,789)	(83,722)
Reserves and Surplus	(3,236,096)	Nil	Nil
Equity capital	1,019,000	1,019,000	1,019,000
Earnings per share	Nil	Nil	Nil
Book Value per share	Nil	9.27	9.18

Mega Funds India Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

Mega Funds India Limited filed an application dated July 7, 1997 with the RBI for grant of a certificate of registration for carrying on business of a non-banking financial institution, under Section 45 IA of the Reserve Bank of India Act, 1934. The RBI rejected the application through its letter bearing number DNBS (ch)/1287/M54799-2000 dated May 15, 2000 on the ground that the Company did not meet the minimum net owned fund requirements. The RBI also directed the company to pass a specific resolution not to carry on the business of a non-banking financial institution. The company filed an appeal dated July 13, 2000 before the appellate authority under S. 45-1A(7) of the RBI Act, 1934, against the dismissal of the application for registration. The appeal was dismissed by the appellate authority by an order dated December 9, 2002. Pursuant to the dismissal of the appeal, the company changed its business to property development and trade related business activities on June 21, 2004.

BGR Aquaatech India Limited

BGR Aquaatech India Limited was incorporated on September 22, 1992 in Chennai. Its registered office is located at Valamedu, Post and Village Vakkadu Mandal, Nellore District, Andhra Pradesh 524 427. BGR Aquaatech India Limited was incorporated with the object of engaging in aquaculture.

Shareholding as of October 26, 2007

The shareholding pattern of equity shares of BGR Aquaatech India Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage of issued capital (%)
1.	Mr. B.G. Raghupathy	105,001	99.99
2.	Mr. S. Vijaykumar	1	0.00*
3.	Mr. S.K. Sridhar	1	0.00*
4.	Mr. G. Santha Venkatesan	1	0.00*
5.	Mr. G. Radhakrishnan	1	0.00*
6.	Mr. R. Janatha	1	0.00*
7.	Ms. Sasikala Raghupathy	1	0.00*
	Total	**105,007**	**100.00**

** Less than 0.01%.*

Directors as of October 26, 2007

The board of directors of BGR Aquaatech India Limited comprise of Mr. B.G. Raghupathy, Ms. Sasikala Raghupathy and Mr. S. K Sridhar.

Financial Performance

(In Rupees, except share data)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Sales and other Income	586,431	252,000	310,000
Profit/loss after tax	115,558	69,000	110,000
Reserves and Surplus	11,730,676	11,615,000	11,546,000
Equity capital	1,050,070	1,050,070	1,050,070
Earnings per share	1.10	0.66	1.05
Book Value per share	121.71	120.61	119.95

BGR Aquaatech India Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

ANI Constructions Private Limited

ANI Constructions Private Limited was incorporated on December 6, 1995. Its registered office is located at 15, (New No. 24), Cenotaph Road, Chennai, Tamil Nadu 600 018. ANI Constructions Private Limited is engaged in the business of purchase, sale, letting and operating of real estate residential and non- residential buildings.

Shareholding as of October 26, 2007

The shareholding pattern of equity shares of ANI Constructions Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage of issued capital (%)
1.	Mr. B.G. Raghupathy	20	0.00*
2.	Arjun Securities Private Limited	56,250	25.00
3.	Swarna Leasing Private Limited	56,250	25.00
4.	Priya Securities Private Limited	56,250	25.00
5.	Vani Securities Private Limited	56,250	25.00
	Total	**225,020**	**100.00**

**Less than 0.01%*

Directors as of October 26, 2007

The board of directors of ANI Constructions Private Limited comprise of Mr. B.G. Raghupathy, Ms. Sasikala Raghupathy and Mr. R. Ramesh Kumar.

Financial Performance

(In Rupees, except share data)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Sales and other Income	371,279	Nil	Nil
Profit/loss after tax	38,068	(176,186)	(202,715)
Reserves and Surplus	-	Nil	Nil
Equity capital	22,502,000	22,502,000	22,502,000
Earnings per share	Nil	Nil	Nil
Book Value per share	97.42	97.25	98.03

ANI Constructions Private Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

Sasikala Estate Private Limited

Sasikala Estate Private Limited was incorporated on July 14, 1993. Its registered office is located at 100, IV Street, Abhiramapuram, Chennai, Tamil Nadu 600 018. Sasikala Estates Private Limited is engaged in the business of real estate development.

Shareholding as of October 26, 2007

The shareholding pattern of equity shares of Sasikala Estate Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage of issued capital (%)
1.	Mr. B.G. Raghupathy	122,510	34.75
2.	Ms. Sasikala Raghupathy	230,010	65.25
	Total	**352,520**	**100.00**

Directors as of October 26, 2007

The board of directors of Sasikala Estate Private Limited comprise of Mr. B.G. Raghupathy and Ms. Sasikala Raghupathy.

Financial Performance

(In Rupees, except share data)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Sales and other Income	3,118,922	2,947,463	2,400,311
Profit/loss after tax	642,774	358,458	(404,215)
Reserves and Surplus	508,069	Nil	Nil
Equity capital	3,525,200	3,525,200	3,525,200
Earnings per share	1.82	1.02	(1.15)
Book Value per share	11.44	9.82	8.6

Sasikala Estate Private Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

Cuddalore Power Company Limited

Cuddalore Power Company Limited was incorporated on November 22, 1993. Its registered office is located at 443, Anna Salai, Guna Building, Teynampet, Chennai, Tamil Nadu 600 018. Cuddalore Power Company Limited is engaged in the development of 2 X 660 MW coal based combined cycle thermal power project in Cuddalore, Tamil Nadu, India, A power purchase agreement has been signed by the company with the TNEB on September 28, 2006 and the company is awaiting tariff approvals from the Tamil Nadu electricity regulatory commission.

Shareholding as of October 26, 2007

The shareholding pattern of equity shares of Cuddalore Power Company Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage of issued capital (%)
1.	Mr B.G. Raghupathy	14,377	58.41
2.	BGR Energy Systems Limited	10,090	41.00
3.	Others	145	0.59
	Total	**24,612**	**100.00**

Directors as of October 26, 2007

The board of directors of Cuddalore Power Company Limited comprises of Mr. B.G. Raghupathy, Mr. John Hormis, Mr. A. Swaminathan, Mr. R. Ramesh Kumar, and Mr. S. Rathinam.

Financial Performance

(In Rupees, except share data)

	Fiscal 2007	Fiscal 2006	Fiscal 2005
Sales and other Income	-	-	-
Profit/loss after tax	-	-	-
Reserves and Surplus	-	-	-
Equity capital	2,461,200	2,461,200	2,461,200
Earnings per share	Nil	Nil	Nil
Book Value per share	100	100	100

Note: No profit and loss account has been prepared for Cuddalore Power Company Limited as it has not commenced commercial operations as of the date of this Red Herring Prospectus

Cuddalore Power Company Limited is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company within the meaning of SICA nor is it subject to a winding-up order or petition. It does not have a negative net worth.

GEA BGR Energy System India Limited

GEA BGR Energy System India Limited was incorporated on June 28, 2007. Its registered office is located at New No 60 (Old No.100) Abhiramapuram IV Street, Chennai, Tamil Nadu 600 018. Its enagaged in the business of manufacturing and supply of tube cleaning system, debris filter and sponge rubber cleaning balls.

Shareholders as of October 26, 2007

The shareholding of the equity shares of GEA BGR Energy System India Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage (%)
1	Mr. B.G. Raghupathy	10,000	20.00
2.	Mrs. Sasikala Raghupathy	10,000	20.00
3.	Mr. R. Swarnamughi	6,000	12.00
4.	Mr. S. Rathinam	6,000	12.00
5.	Mr. A. Swaminathan	6,000	12.00
6.	Mr. V.R. Mahadevan	6,000	12.00
7.	Mr. R. Ramesh Kumar	6,000	12.00
	Total	**50,000**	**100.00**

Directors as of October 26, 2007

The board of directors of GEA BGR Energy System India Limited comprise of Mr.B.G. Raghupathy, Mr. V. R. Mahadevan, Ms. Sasikala Raghupathy and Mr R.Ramesh Kumar.

Financial Performance

As the Company has been incorporated in June, 2007 there is no data on financial performance. The equity share capital of the company is 500,000.

Vindiana Wines Private Limited

Vindiana Wines Private Limited was incorporated on June 19, 2007. Its registered office is situated at New No 60(Old No.100) Abhiramapuram, IV street, Chennai, Tamil Nadu 600 018. Its engaged in the business of trading of alcoholic and non-alcoholic beverages.

Shareholders as of October 26, 2007

The shareholding of the Equity shares of Vindiana Wines Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage (%)
1	Mr. B.G. Raghupathy	5,000	50.00
2.	Mr. R.Rajendran	5,000	50.00
	Total	**10,000**	**100.00**

Directors as of October 26, 2007

The board of directors of Vindiana Wines Private Limited comprise of Mr B.G. Raghupathy and Mr R. Rajendran.

Financial Performance

As the Company has been incorporated in June 2007, there is no information available with respect to financial performance.

Foreign Companies

Saturn Tradex Private Limited

Saturn Tradex Private Limited was incorporated on January 30, 1995. Its registered office is located at 56, Kampong Java Road, Singapore. Saturn Tradex Private Limited is engaged in the business of general and commodity trading.

Shareholders as of October 26, 2007

The shareholding pattern of equity shares of Saturn Tradex Private Limited is set forth below:

S.No	Shareholder	Number of shares	Percentage (%)
1.	Priya Securities Private Limited	100,000	99.99
2.	Mr. V.Alagappan	1	0.00
3.	Mr. B.G. Raghupathy	1	0.00
	TOTAL	**100,002**	**100.00**

Directors as of October 26, 2007

The board of directors of Saturn Tradex Private Limited comprise of Mr. B.G. Raghupathy and Mr. V. Alagappan.

Financial performance

(In Singapore Dollars, except share data)

	As at December 31,		
	2006	**2005**	**2004**
Other income	1,260	776	106
Profit/Loss after tax	722	452	(303)
Retained Profit	3,455	2,733	2,281
Equity capital (value Singapore Dollar 1.00)	100,002	100,002	100,002
Earnings per share (Rs)	Nil	Nil	Nil
Book value per share	1.03	1.03	1.02

*(In Rupees, except share data)**

	As at December 31,		
	2006	**2005**	**2004**
Other income	36,226.26	22,310.78	3,047.61
Profit/Loss after tax	20,758.22	12,995.45	-8,711.55
Retained Profit	99,334.71	78,576.48	65,581.03
Equity capital	28,75,157.50	28,75,157.50	28,75,157.50
Earnings per share (Rs)	Nil	Nil	Nil
Book value per share	29.61	27.86	27.14

* converted as per the exchange rate as of the respective year ending dates.

Schmitz Reinigungskugeln GmBh

Schmitz Reinigungskugeln GmBh was incorporated on April 28, 1994. Its registered office is located at 31188 Holle, An der Schaeferecke 2a. Schmitz Reinigungskugeln GmbH is engaged in the business of manufacturing and marketing sponge balls for the cleaning of inner surfaces of tubes.

Shareholders as of October 26, 2007

The shareholding of the equity shares of Schmitz Reinigungskugeln GmBh is set forth below:

S.No	Shareholder	Share Capital (Euro)	Percentage (%)
1	Schmitz India Private Limited	127,822.97	100.00
	TOTAL	**127,822.97**	**100.00**

Directors as of October 26, 2007

The board of directors of Schmitz Reinigungskugeln Gmbh comprise of Mr. B.G. Raghupathy.

Financial Performance

(In Euros)

	Six month period ended March 31, 2007	Twelve months ended September 30, 2006	Twelve months ended September 30, 2005
Income	165,063,52	264,729.96	263,166.32
Profit/Loss after tax	3,599.86	19,056.53	12,045.31
Reserves and Surplus	Nil	Nil	Nil
Equity capital (No.s)	127,822.97	127,822.97	127,822.97

*(In Rupees)**

	Six month period ended March 31, 2007	Twelve months ended September 30, 2006	Twelve months ended September 30, 2005
Income	165.063,52	264.729,96	263.166,32
Income	9,479,597.95	15,394,047.17	13,905,708.35
Profit/Loss after tax	206,739.96	1,108,137.22	636,474.18
Reserves and Surplus	Nil	Nil	Nil
Equity capital (Euro)	127,822.97	127,822.97	127,822.97

* converted as per the exchange rate as of the respective year ending dates.

Interest of our Promoter

Our Promoter is interested in our Company to the extent that he has promoted our Company, his shareholding in our Company and to extent of his being our Chairman and Managing Director. For further information, of our Promoter, see 'Our Management - Interests of Directors on page 133.

Our Promoter has no interest in any property acquired by our Company or proposed to be acquired by our Company.

Common Pursuits

The main objects and activities of certain of our Promoter Group entities are as follows:

S. No.	Company	Activity	Main Objects
1.	BGR Power Limited	Incorporated with the object of establishing, building, owning, operating and maintaining gas turbine based energy generating stations and tie-lines, sub-stations, main transmission lines and of production, generation, storage transmission, distribution, exchange, sale and supply of electricity and other energy, BGR Power Limited in Fiscal 2005 and 2006 and has generated no income in Fiscal 2007. This company has not commenced operations as yet and is intended to develop and own power generation assets.	1. To establish, build, operate, maintain gas turbine based energy generating stations and tie-lines, sub-stations, main transmission lines connected therewith as are required to be established by the generating company (and all other objects as are necessary and incidental) to generate and supply energy in accordance with the Electricity (Supply) Act, 1948 and any other applicable laws as may be in force from time to time relating to generation, transmission and distribution of electrical energy. 2. To carry on the business in India or elsewhere of production, generation, storage, transmission, distribution, exchange, sale and supply of electricity and other energy whether conventional or non-conventional and to construct, lay down, establish and carry out any and all necessary infrastructure facilities such as, power station, supply lines, distribution lines, service lines, railway lines, fuel tank forms, pipe lines and all other works connected therewith. 3. To carry on the business of consultants, advisors, architects, engineers, and to provide technical support and know how for the operation & maintenance of the projects relating to establishment, generation, transmission and distribution of electricity and other sources of energy and to manage and supervise the project during construction period and to carry on experiments, research and development of new devices. Designs, equipments, systems software required in the generation, transmission and distribution of electricity and other sources of energy. 4. To import, procure, trade, export, store, sell, stock, refine, prepare, purchase, treat, process and to generally deal in diesel oil, furnace oil, naphtha, crude petroleum oil and all other liquid fuels, liquid gas, biogas, water

S. No.	Company	Activity	Main Objects
			and coal used as a source of electricity power plants whether for own consumption by the company or for general commercial purposes. 5. Top acquire concessions, facilities or licenses from electricity boards, governments, semi governments or local authorities for generation, distribution, production, transmission or use of electric power and to take over alongwith all movable and immovable properties, the existing facilities on mutually agreed terms from aforesaid authorities and to do all incidental acts and things necessary for the attainment of foregoing objects.
2.	Cuddalore Power Company Limited	Engaged in the development of 2 X 660 MW coal based combined cycle thermal power project in Cuddalore, Tamil Nadu, India. This company has not commenced operations as yet and is intended to develop and own power generation assets.	1. To invest, build, own, establish maintain and operate Thermal Power Project at Cuddalore based on the memorandum of understanding between Tamil Nadu Electricity Board and International Contracting & Marketing Corporation to build, establish own operate & maintain generating stations tile lines substations and main and other transmission lines connected therewith. 2. To carry on business of generation, storage, transmission, distribution and supply of electricity and energy whether conventional or non-conventional and construct, lay down, establish, fix and carry out all necessary infrastructures like power station, cable wires, lines, lamps and works and other equipments and facilities necessary for the generation, storage, transmission, distribution and supply of electricity and other sources of energy. 3. To act as consultants, advisors, architects, engineer, for the projects relating to installation, generation, transmission and distribution of electricity and other sources of energy and to carry on experiments, research and development of new device, equipments, systems software required in the generation, storage and distribution of electricity and other sources of energy.

S. No.	Company	Activity	Main Objects
3.	GEA Cooling Tower Technologies (India) Private Limited	GEA Cooling Tower Technologies (India) Private Limited is engaged in the design, engineering, procurement and construction of air cooled condensers, indirect dry cooling systems, dry/wet hybrid cooling systems, natural draft wet cooling tower and mechanical draft cooling towers.This business is complementary in nature to the Issuer company's business as it will supply cooling systems the Issuer company's BOP and EPC contracts.This procures fin tubes from the Issuer company for its Dry cooling systems on market related price and terms.	1. To carry on all or any of the business of manufacture, dealers, importers, exporters, repairers, designers, project managers of or with respect to products such as Air Cooled Condensers, Indirect Dry Cooling Systems and Dry/Wet (Hybrid) Cooling Systems for the power station industry (including captive power stations), waste to energy plants (incinerators) and compressors driving steam turbines, Natural Draft and Mechanical Draft Wet Cooling Systems for the power station industry (including captive power stations with an unit rating up to 100MWe, waste to energy plants (incinerators), compressors driving steam turbines and such for cooling processes in the chemical, petro-chemical, steel and other industries, under license of GEA Energietecchnik Gmbh. 2. In connection with the business mentioned under para. 1 hereinabove, to carry on all or any of the business of selling, manufacturing, procurement, storage, hiring, repairing, contracting, dealing, exporting, importing of materials and components, equipment construction, erection, commissioning, service, quality assurance and quality control of complete cooling systems
4.	GEA BGR Energy System India Limited	It is engaged in the business of manufacturing and supply of tube cleaning system, debris filter and sponge rubber cleaning balls.	1. To carry on all or any of the business of manufacturers, dealers, importers, exporters, repairers in generating and distributing electricity, gas, including integrated tube cleaning systems for thermal condenser and heat exchangers consisting of on line tube cleaning system, debris separators and cleaning balls and of manufacturing or dealing in all kinds of machinery, equipment and appliances required for generating, distributing, employing and consuming electricity and of acting as electrical engineers and contractors and of purifying and distributing water. 2. To carry on the business of manufacturing, assembling, fabricating, repairing, exporting,

S. No.	Company	Activity	Main Objects
			importing and dealing in electrical, mechanical and electronic components, equipment systems and sub-systems of all types. 3. To carry on all or any of the business of designers (including engineering designs), consultants, manufacturers, engineers, dealers, importers, exporters, hirers and repairers of any and/or all equipments, machineries, appliances, instruments, systems, apparatus, including tools, parts, components, aids, accessories and other materials thereof, to be installed and used in oil exploration, refinery, chemical, petrochemical, oil, gas, energy, fertilizer, telecommunication, defence, informatic metallurgical, transportation, automotive, drugs, pharmaceuticals, paper, food processing, brewing, distilling, processing, diary, software development, computer, steel industries, project and plants and to enter into and undertake contracts related thereto. 4. To carry on the business of generation, transmission and distribution of electric power and in particular to build, construct, own, lay down, establish, operate, sell, transfer and carry out thermal, hydraulic and nuclear and non-conventional power plants and stations and to generate, acquire by purchase in bulk, accumulate, distribute and supply electricity and to carry on the business of manufacturers of and dealers in apparatus, plants, machinery and equipments of all kinds required for or capable of being used in connection with the generation, distribution, supply, accumulation and employment of electricity.
5.	Schmitz India Private Limited	Schmitz India Private Limited is engaged in the business of manufacturing sponge rubber cleaning balls.	1. To carry on all or any of the business of manufacturers, dealers, importers, exporters and distributors of rubber balls of every description for cleaning inner surface of condenser tubes in power stations and desalination plants.

S. No.	Company	Activity	Main Objects
			2. To carry on the business of manufacture of rubber products of every description and other articles made of rubber and the rubber so used for such manufacture may be natural, artificial, synthetic and reclaimed. 3. To produce, manufacture, purchase, refine, prepare, process, import, export, sell and generally to deal in rubber and rubber products and in connection therewith to acquire, erect, construct, establish, operate and maintain factories, workshops and other works. 4. To manufacture, develop, import, export, buy, sell, distribute, repair, convert, alter, modify, take or let on hire, lease and otherwise deal in all kinds of rubber articles, products and devices and their accessories, stores, spares, parts, components and assemblies and all kinds of instruments and appliances used for or in connection with equipments having application in rubber manufacturing industry.
6.	Schmitz Reinigungskugeln GmBh	Schmitz Reinigungskugeln GmbH is engaged in the business of manufacturing and marketing sponge balls for the cleaning of inner surfaces of tubes.	

None of the other Promoter Group Entities are engaged in similar lines of business as our Company.

GEA Cooling Tower Technologies (India) Private Limited ("GEA Cooling Towers") is engaged in the design, engineering, procurement and construction of air cooled condensers, indirect dry cooling systems, dry/wet hybrid cooling systems, natural draft wet cooling tower and mechanical draft cooling towers. These cooling systems are complementary to our company's BOP and EPC business. Our airfin cooler business sells its fin tubes to this company. Since 2003, GEA Cooling Towers has sold us towers for power projects in India for a total cost of Rs. 122.24 million. To carry out contracts with us and with other entities, GEA Cooling has spent a total of Rs. 206.33 million since 2003 purchasing products from our air fin coolers and environmental engineering businesses. All sales between us and GEA Cooling Towers are done on an arm's length basis.

Our Board shall adopt the necessary procedures and practices requiredby law to address any conflict situations, as and when they may arise. For,further information with respect to the related party transactions, see "Related Party Transactions" on page 166.

Disassociation by the Promoters in the last three years

Except as provided below our Promoter has not disassociated himself from any companies/firms during preceding three years.

S. No	Name of the Company	Date of disassociation	Reason for Disassociation
1.	Road Studs India Private Limited	October 15, 2004	Company struck off the register of companies pursuant to application made under S. 560 of the Companies Act, 1956
2.	Atthur Sugars and Chemicals Limited	October 12, 2004	Company struck off the register of companies pursuant to application made under S. 560 of the Companies Act, 1956
3.	ILA Home Utilities Private Limited	January 3, 2007	Transfer of shares and resignation as directors
4.	Jove Tradex Private Limited	June 30, 2007	Transfer of shares and resignation as director
5.	Bown Granites Company Private Limited	June 30,, 2007	Transfer of shares and resignation as director
6.	Erode Power Corporation Limited	June 30, 2007	Transfer of shares and resignation as director
7.	Govin Engineering and Constructions Limited	June 30, 2007	Transfer of shares and resignation as director
8.	Pragati Information Technologies Private Limited	June 30, 2007	Transfer of shares and resignation as director
9.	Goa Oceanarium Private Limited	June 30, 2007	Transfer of shares and resignation as director
10.	Pragati Computers Limited	June 30, 2007	Transfer of Shares and resignation as director

The shares of the Promoter in these companies were transferred to certain third parties.

Payment or Benefit to Promoter

Except as stated in "Financial Statements - Related Party Transactions" on pages 207 & 253, no amount or benefit has been paid or given to our Promoter within the two years preceding the date of filing of this Red Herring Prospectus, and no such amount is intended to be paid.

Other Confirmations

Our Promoter has further confirmed that they have not been declared as willful defaulters by the Reserve Bank of India or any other governmental authority and there are no violations of securities laws committed by him in the past or is pending against him.

RELATED PARTY TRANSACTIONS

As required under Accounting Standard 18 'Related Party Disclosures' (AS - 18), following are details of transactions during the year with related parties of the Company as defined in AS - 18:

LIST OF RELATED PARTIES

	12 Months period ended				18 months period ended
	30-Sep-02	30-Sep-03	30-Sep-04	30-Sep-05	31-Mar-07
Subsidiaries	Progen Systems and Technologies Ltd. Schmitz Reinigungskugeln GmbH.	Progen Systems and Technologies Ltd. Schmitz Reinigungskugeln GmbH.	Progen Systems and Technologies Ltd. Schmitz Reinigungskugeln GmbH.	Progen Systems and Technologies Ltd. Schmitz Reinigungskugeln GmbH.	Progen Systems and Technologies Ltd. Schmitz Reinigungskugeln GmbH.
Joint Venture	Mecon - GEA Energy System (India) Limited (JV)	Mecon - GEA Energy System (India) Limited (JV)	Mecon - GEA Energy System (India) Limited (JV)	Mecon - GEA Energy System (India) Limited (JV)	Mecon - GEA Energy System (India) Limited (JV)
Associates	Cuddalore Power Company Ltd	Cuddalore Power Company Ltd	Cuddalore Power Company Ltd	Cuddalore Power Company Ltd	Cuddalore Power Company Ltd
Other Entities	Pragati Computers Ltd Sasikala Estate Pvt Ltd	Pragati Computers Ltd Sasikala Estate Pvt Ltd	Pragati Computers Ltd Sasikala Estate Pvt Ltd	Pragati Computers Ltd Sasikala Estate Pvt Ltd	Pragati Computers Ltd Sasikala Estate Pvt Ltd
Key Management Personnel	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance)	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance) -	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance) -	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance) Mr.V.R.Mahadevan (Whole Time Director)	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance) Mr.V.R.Mahadevan (Whole Time Director)

Restated Statement of Related Party Transactions - Standalone *INR in millions*

Particulars	As at 30th September				As at 31st March 07
	2002	2003	2004	2005	
Transactions during the year					
Subsidiary Companies					
- Sales	Nil	Nil	Nil	Nil	Nil
- Purchases	32.16	19.30	15.22	11.79	26.87
- Loans & Advances	16.83	24.93	Nil	(4.74)	(19.31)
Joint Ventures					
- Sales	Nil	Nil	Nil	Nil	57.25
- Purchases	Nil	Nil	Nil	Nil	Nil
- Loans & Advances	Nil	Nil	Nil	Nil	Nil
Other Companies					
- Sales	Nil	Nil	Nil	Nil	Nil
- Purchases	0.06	1.56	1.43	1.28	2.81
- Loans & Advances	1.60	(0.94)	0.01	1.84	2.32
- Rent	2.40	2.40	2.40	2.40	4.70
Key Management Personnel					
- Remuneration to Directors	5.52	9.64	8.99	13.35	38.57
TOTAL	**58.57**	**56.89**	**28.05**	**25.92**	**113.21**

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company. Our Company had not declared any dividend in the last five fiscals except as disclosed below. We have paid out the following dividends since Fiscal 2002.

(Rupees in million)

Particulars	For the year ended 30th September				For the 18 month period ended 31st Mar 2007
	2002	2003	2004	2005	
Paid up Capital (Nos of Shares)	5.40	5.40	10.80	10.80	10.80
Paid up Share Capital (Rs.)	54.00	54.00	108.00	108.00	108.00
Face Value Per share	10.00	10.00	10.00	10.00	10.00
Dividend (Rs.)	1.80	10.80	21.60	21.60	32.40
Dividend per equity share (Rs.)	1.00	1.00	2.00	2.00	3.00
Dividend Rate (% to paid up capital)	20%	20%	20%	20%	30%

The amounts paid as dividends in the past are not in any manner indicative of our dividend policy or dividends, if any, that may be declared or paid in the future.

SECTION V: FINANCIAL STATEMENTS

STAND ALONE AUDIT REPORT OF BGR ENERGY SYSTEMS LIMITED (Formerly GEA ENERGY SYSTEM (INDIA) LIMITED)

To,

The Board of Directors,
BGR Energy Systems Limited,
443, Anna Salai, Teynampet,
Chennai – 600 018.

Dear Sirs,

1. We have examined the attached financial information of **BGR Energy Systems Limited** (formerly Gea Energy System (India) Limited) (hereinafter referred to as '**the Company**'), as approved by the Board of Directors of the Company, annexed to this report for the purpose of inclusion in the Red Herring Prospectus (hereinafter referred to as '**the RHP'**) prepared in terms of the requirements of:

   a. Paragraph B of Part II of Schedule II to the Companies Act, 1956 (hereinafter referred to as '**the Act**');

   b. Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (hereinafter referred to as '**the Guidelines**'); and

   c. The terms of our engagement agreed upon in accordance with our engagement letter dated 18th July, 2007 in connection with the proposed issue of equity shares of the Company.

2. This information has been extracted by the management from the financial statement for the year ended 30th September 2002, 2003, 2004, 2005, 18 months period ended 31st March 2007 and three months period ended 30th June 2007.

3. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the guidelines issued by SEBI and the terms of our engagement agreed with you, we further report that:

   a. The Summary Statements of Assets and Liabilities, as restated, of the Company as at 30th September, 2002, 2003, 2004, 2005, 31st March 2007 and 30th June 2007 examined by us, as set out in **Annexure - I** to this report are after making adjustments and regrouping, as in our opinion, were appropriate;

   b. The Summary Statement of Profits and Losses, as restated, for the years ended 30th September, 2002, 2003, 2004, 2005, eighteen months ended 31st March, 2007 and three months ended 30th June, 2007 examined by us, as set forth in **Annexure - II** to this report are after making adjustments and after regrouping, in our opinion, were appropriate; and

   c. The Summary Cash Flow Statement, as restated for the years ended 30th September 2002, 2003, 2004, 2005, eighteen months ended 31st March, 2007 and three months ended 30th June 2007 examined by us, as set forth in **Annexure - III** to this report are after making adjustments and after regrouping, in our opinion, were appropriate.

d. These summary restatements are more fully described in Significant Accounting Policies, Note and Changes in Significant Accounting Policies (Refer **Annexure – IVA to IVC)**

e. Based on the above, we are of the opinion that the restated financial information have been made after incorporating:

   i. Adjustments for the changes in accounting policies, retrospectively, in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.

   ii. Adjustments for material amounts in the respective financial years to which they relate; and

   iii. There are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.

   Please refer **Annexure – V**.

f. *Accounting Standard 28 (AS-28) on 'Impairment of assets' issued by the Institute of Chartered Accountants of India (ICAI) is mandatory in respect of accounting period commencing on or after 01.04.2004. Accordingly, the company has adopted the Standard in preparing and presenting the financial statements for the year ending 30 September, 2005. In this restated standalone financial statement, the requirements of AS-28 had to be applied retrospectively for the entire reporting periods from financial year 2002. However, the company has expressed its view that it is impracticable:*

   i. to review the conditions of each of the assets that existed as on the respective reporting dates; and

   ii. to precisely quantify the amount of impairment as on the reporting dates.

   On account of this, we state that the impairment of assets in accordance with AS -28 pertaining to the company, has not been dealt in the restated Consolidated Summary statements of Assets and Liabilities, Profits and Losses, Cash flows for the year ending 30th September 2002,2003 and 2004 as referred to in ***Annexures – I, II & III***

g. For the purpose of this Audit Report, we have read the minutes of the meetings of Board of Directors' and Shareholders' held between 1st July, 2007 and 30th September,2007. In our opinion, which is solely based on the recordings in the minutes as referred above, the following are the material events that have occurred after our audited balance sheet as on 30th June,2007:

   i. The Company has granted an Employee Stock Option Plan whereby, the permanent employees of the Company have been granted stock option to subscribe for the shares of the company. The total number of shares offered for subscription under this scheme is 7,04,770 at an agreed Exercise price of 85% of the offer price per share. The Board resolution to give effect to this scheme was passed on 11th July,2007; and

   ii. The company vide its resolution dated 11th July,2007 in the General Meeting has approved to issue bonus shares in the ratio 5:1. With this bonus issue, the capital base of the Company stands expanded to 1,08,00,000 numbers from 6,48,00,000 numbers. Accordingly, the share capital has increased to Rs.64,80,00,000/- from Rs.10,80,00,000/-as it stood on 31.03.2007.

h. We confirm that the attached Restated Consolidated Financials as on 30th June,2007 are not adjusted for the above since they occurred after 30th June,2007 and are of non-adjusting events in nature.

i. We have examined the following Stand alone other financial information of the Company for each of the years / period presented which are proposed to be included in the Offer Documents as approved by the Board of Directors and annexed to this report :

Details of other financial information examined	**Annexure**
Fixed Assets	**VI**
Investments	**VII**
Inventory	**VIII**
Sundry debtors	**IX**
Cash & Bank Balances	**X**
Other Current Assets	**XI**
Loans and Advances	**XII**
Secured Loans	**XIII**
Unsecured Loans	**XIV**
Current Liabilities and provisions	**XV**
Share Capital	**XVI**
Contingent liabilities	**XVII**
Other Income	**XVIII**
Capitalization Statement	**XIX**
Related Party Disclosures	**XX**
Dividend paid	**XXI**
Tax Shelters	**XXII**
Major Accounting Ratios	**XXIII**

In our opinion, the Financial Information contained in Annexure VI to XXIII of this report read along with the Significant Accounting Policies, Changes in Significant Accounting Policies and Notes prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the DIP Guidelines.

4. Our report is intended solely for use of management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company. Our report should not be used, referred to or distributed for any purpose except with our consent in writing.

For **Manohar Chowdhry & Associates**
Chartered Accountants

CA Hari G.R
Partner
Membership No.: 206386

Place : Chennai
Date :October 15, 2007

Stand Alone Summary Statements of Assets and Liabilities, as restated

Annexure – I

(INR in millions)

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
A. Assets						
Fixed Assets-gross block	171.41	179.35	260.62	377.60	508.78	528.82
Less: Depreciation	73.85	85.53	102.70	131.38	207.05	176.21
Net Block	97.56	93.82	157.92	246.22	301.73	352.61
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after adjustment for Revaluation Reserve	97.56	93.82	157.92	246.22	301.73	352.61
Capital Work in Progress	-	-	1.83	5.53	30.19	10.07
Sub-total	**97.56**	**93.82**	**159.75**	**251.75**	**331.92**	**362.68**
B. Investments	49.30	49.30	49.30	49.30	51.07	47.80
C. Current assets, loans and advances						
Inventories	58.38	90.58	100.12	157.72	260.39	235.29
Sundry Debtors	565.68	743.98	732.53	1,164.55	3,668.00	4199.71
Cash & bank balances	64.16	71.03	219.71	180.57	921.14	1034.01
Other current assets	7.02	5.72	18.56	35.74	50.72	71.19
Loans and advances	126.48	146.73	245.91	269.23	882.92	1196.28
Sub-total	**821.72**	**1058.04**	**1316.83**	**1807.81**	**5783.16**	**6736.48**
Total Assets	**968.58**	**1,201.16**	**1,525.88**	**2,108.86**	**6,166.15**	**7146.96**
D. Liabilities & Provisions						
Loan funds						
Secured loans	339.90	430.99	471.90	804.12	2,388.43	2602.59
Unsecured loans	67.34	66.37	63.31	59.21	48.70	39.86
Sub-total	**407.24**	**497.36**	**535.21**	**863.33**	**2437.13**	**2642.45**
Current liabilities & provisions						
Sundry liabilities	288.06	351.90	526.04	648.21	2,618.85	3171.17
Provisions	54.28	70.85	97.77	124.15	275.34	351.72
Sub-total	**342.34**	**422.75**	**623.81**	**772.36**	**2894.19**	**3522.89**
E. Net worth						
Represented by:						
Shareholders funds						
Share Capital	54.00	54.00	108.00	108.00	108.00	108.00
Share Application advance	0.90	0.90	0.90	0.90	-	-
Reserves & surplus	164.10	226.15	257.96	364.27	726.83	873.62
Less: Revaluation Reserve	-	-	-	-	-	-
Reserves (Net of Revaluation Reserve)	**164.10**	**226.15**	**257.96**	**364.27**	**726.83**	**873.62**
Share Capital and Reserves	**219.00**	**281.05**	**366.86**	**473.17**	**834.83**	**981.62**
Less: miscellaneous expenditure not written off	-	-	-	-	-	-
Total Net Worth	**219.00**	**281.05**	**366.86**	**473.17**	**834.83**	**981.62**
Total Liabilities	**968.58**	**1,201.16**	**1,525.88**	**2,108.86**	**6,166.15**	**7146.96**

Summary Statement of Profits and Losses, as restated - Stand alone

Annexure - II

(INR in millions)

Period ended on	As at 30th September				18 months ended 31st March, 2007	3 months ended 30th June, 07
	2002	2003	2004	2005		
Income						
Sales:						
Manufactured Goods	474.02	706.56	975.12	906.79	1,659.18	93.69
Traded Goods	15.61	20.04	20.03	23.12	536.07	25.90
Contract Income	742.39	829.12	1,669.48	1,960.06	5,556.17	2204.54
Total	**1,232.02**	**1,555.72**	**2,664.63**	**2,889.97**	**7,751.42**	**2,324.13**
Other income	1.71	4.87	2.90	2.24	3.38	(2.09)
Increase (decrease) in Work-in-progress	(0.42)	30.39	(20.98)	35.18	22.30	55.34
Total Income	**1,233.31**	**1,590.98**	**2,646.56**	**2,927.39**	**7,777.10**	**2,377.38**
Expenditure						
Raw materials & goods consumed	795.09	1,106.23	2,009.08	2,059.78	5,551.67	1,727.03
Other Manufacturing expenses	112.29	147.18	207.91	299.27	686.52	209.98
Staff costs	80.01	82.81	103.06	137.61	317.21	102.92
Selling & distribution expenses	4.39	7.11	5.43	10.36	21.26	2.50
General & Administrative Expenses	100.90	97.78	119.20	144.61	335.82	63.93
Interest	44.80	41.30	42.25	57.39	174.38	34.53
Depreciation	11.23	11.65	15.45	27.59	81.26	11.84
Miscellaneous expenditure written off	2.10	1.91	1.98	3.85	3.99	-
Total Expenditure	**1,150.81**	**1,495.97**	**2,504.36**	**2,740.46**	**7,172.11**	**2,152.73**
Net Profit before tax and extraordinary items	82.50	95.01	142.20	186.93	604.99	224.65
Provision for taxation	19.82	20.35	31.84	54.36	213.03	77.84
Net profit before adjustments	**62.69**	**74.66**	**110.36**	**132.57**	**391.96**	**146.81**
Adjustments						
Depreciation on Development Expenditure	(1.23)	(1.23)	(1.44)	(1.63)	-	-
Miscellaneous expenditure written off	2.10	1.91	1.98	(1.73)	3.72	-
Depreciation on technical know-how	(0.37)	(0.37)	(0.37)	(0.37)	2.31	-
Foreign exchange variation	(0.10)	-	-	-	(0.08)	-
Restatement of Sundry creditors	(0.08)	0.13	(0.02)	0.11	-	-
Warranty provision	(1.58)	(0.43)	(1.41)	1.09	2.33	-
Royalty provision	0.29	1.39	0.95	(0.06)	(2.39)	-
Provision for taxation	1.67	(0.41)	0.18	0.96	2.61	-
Restated Profit after tax	**63.39**	**75.65**	**110.24**	**130.94**	**400.46**	**146.81**
Restated Profit before tax	**81.53**	**96.41**	**141.90**	**184.34**	**610.88**	**224.65**
Earlier year adjustments	-	-	-	-	-	-
Appropriations						
Transfer to general reserve	6.27	7.47	11.04	13.26	39.20	-
Proposed dividend	10.80	10.80	21.60	21.60	32.40	-
Tax on proposed dividend	-	2.80	2.82	3.03	5.51	-
Balance carried to Balance sheet	**46.32**	**54.58**	**74.78**	**93.05**	**323.35**	**146.81**

Summary of restated Cash Flows, as restated - Stand Alone

Annexure –III

(INR in millions)

Particulars	As at 30th September				18 months period of 2005 - 07	3 months ended Jun-07
	2002	2003	2004	2005		
Cash Flow from Operating Activities						
Net Profit before tax	81.53	96.41	141.89	184.34	610.88	224.65
Adjustments for:						
Depreciation & Amortisation	12.83	13.25	17.26	34.97	78.95	11.84
Dividend income	-	-	-	-	(0.22)	-
(Profit)/loss on sales of Fixed assets	-	1.17	0.22	0.07	0.50	-
(Profit)/loss on sales of Business division	-	-	-	-	-	(4.26)
(Profit)/loss on sales of Investments	-	-	-	-	-	(0.23)
(Profit)/loss on Foreign currency translation	(0.10)	-	-	-	0.42	3.82
Interest Expense	44.81	41.31	42.25	57.39	174.38	34.53
Operating profit before working capital changes	**139.07**	**152.14**	**201.62**	**276.77**	**864.92**	**270.36**
(Increase) / Decrease in Sundry Debtors	(72.76)	(179.19)	11.44	(432.02)	(2,503.46)	(531.72)
(Increase) / Decrease in Inventories	(35.97)	(32.20)	(9.54)	(57.60)	(102.66)	25.10
(Increase) / Decrease in Other Current Assets	(0.01)	0.30	(13.84)	(17.18)	(14.98)	(20.48)
(Increase) / Decrease in Loans and Advances	(13.88)	(19.25)	(98.18)	(23.32)	(613.69)	(313.36)
Increase / (Decrease) in Sundry liabilities	129.89	63.84	171.72	122.31	1,970.64	552.32
Increase / (Decrease) in Provisions	4.00	(0.96)	0.45	(1.03)	(2.33)	-
Cash generated from Operations	**150.34**	**(15.33)**	**263.67**	**(132.07)**	**(401.56)**	**(17.78)**
Income taxes paid	(16.95)	(6.03)	(18.82)	(26.80)	(74.59)	(1.96)
Net Cash Flow from Operating Activities	**133.39**	**(21.36)**	**244.85**	**(158.87)**	**(476.15)**	**(19.73)**
Cash Flows (used in) / from Investing Activities						
Net proceeds on (Purchase) and sale of Fixed Assets and business division	(6.47)	(9.51)	(81.57)	(123.52)	(137.23)	(37.74)
Net proceeds on (Purchase) and sale of Investments		1.00	-		(1.77)	3.50
Capital Work in progress	-	-	(1.83)	(3.71)	(24.66)	(1.50)
Dividend income	-	-	-		0.22	-
Net Cash Flow from Investing Activities	**(6.47)**	**(8.51)**	**(83.40)**	**(127.23)**	**(163.44)**	**(35.74)**

Particulars	As at 30th September				18 months period of 2005 - 07	3 months ended Jun-07
	2002	2003	2004	2005		
Cash Flows (Used in) / from Financing Activities						
Proceeds from Issuance of Shares (Refer Note-a)	-	-	-	-	-	-
Repayment of Share Capital Advance	-	-	-		(0.90)	-
Secured Loans (repaid) / availed	(127.28)	6.82	(15.73)	51.23	(19.00)	(18.39)
Unsecured Loans (repaid) / availed	(7.33)	(0.97)	(3.07)	(4.09)	(10.51)	(8.84)
Dividends Paid	(10.80)	(10.80)	(10.80)	(21.60)	(21.60)	-
Secured Working capital Loans	71.90	84.27	56.64	280.99	1603.31	232.56
Interest Expense	(49.29)	(42.57)	(39.83)	(59.54)	(171.14)	(37.00)
Net Cash Flow (Used in) / from Financing Activities	**(122.80)**	**36.75**	**(12.78)**	**246.99**	**1,380.16**	**168.33**
Net (Decrease) / Increase in Cash and cash Equivalents	4.13	6.88	148.68	(39.11)	740.57	112.86
Cash and Cash Equivalents at the beginning of the period	60.03	64.16	71.03	219.71	180.57	921.15
Cash and cash Equivalents at the end of the period	64.16	71.03	219.71	180.57	921.15	1,034.01

Note:

(a) There has been a bonus issue in the ratio of 1:1 during the financial year ended 30th September, 2004. This issue has a non-cash impact of INR 54 million.

(b) Closing Cash and Cash equivalents as on 30 June, 2007 includes INR 739.41 mns being deposits placed with banks under lien.

SIGNIFICANT ACCOUNTING POLICIES

Annexure – IV A

a. Accounting Conventions

The financial statements have been prepared under the historical cost convention and following the accrual method of accounting in accordance with the applicable mandatory accounting standards in India and provisions of Companies Act, 1956.

b. Use of Estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting year. Differences between the actual results and the estimates are recognized in the year in which the results are known / materialized.

c. Fixed Assets

Fixed assets are assets held with the intention of being used for purpose of producing or providing goods and services and is not held for sale in the ordinary course of business. The Cost of Fixed assets comprises the purchase price including import duties and other non refundable taxes or levies and any directly attributable cost to bring the asset to the working condition for intended use. Further any trade discounts and rebates are deducted in arriving at the cost.

Intangible assets are identifiable non-monetary assets, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets are separately acquired and are capable of being measured reliably. The cost of intangible asset comprises the purchase price including import duties and other non refundable taxes or levies and any directly attributable cost on making the asset ready for intended use.

d. Depreciation & Amortization

Fixed assets are depreciated as per straight line method on all assets in accordance with the rates prescribed under Schedule XIV of Companies Act, 1956. One-fifth of the value of loose tools and equipments at the end of the year is written-off to the profit and loss account. Loose tools acquired during the year and the actual cost of which is less than Rs.5,000/- has been fully written-off. Intangible assts are amortized over a period of 5 years.

e. Investments

Long term investments are stated at cost less provision for diminution in value other than temporary, if any.

f. Earning per share (EPS)

The earnings considered in ascertaining the company's Basic EPS is the attributable net profit or loss to the equity shareholder's as per AS-20 "Earnings Per Share" issued by ICAI. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period. The Diluted EPS is calculated on the same basis as Basic EPS, after adjusting for the effects of potential dilutive equity shares unless the effect of the potential dilutive equity shares is anti-dilutive.

g. **Revenue Recognition**

i) Sales are accounted on basis of dispatches.

ii) Sales include equipment billed but dispatch of which is withheld at the request of the customer.

iii) In respect of Construction contracts, executed over a period of more than one financial year, the company recognizes revenue on the basis of percentage of completion method as per AS-7 (Revised) "Construction Contracts" issued by ICAI.

iv) Construction contracts revenue is based on the ratio of cost incurred to date to total estimated cost and physical work done as estimated by the technical staff.

h. **Inventories**

Raw materials, work in progress, consumables, stores and spares have been valued at cost, ascertained on weighted average basis. Work in progress value includes all direct costs and applicable production overheads to bring the goods to the present location and condition.

i. **Foreign currency Transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of acquisition. Monetary items are translated at the rates prevailing on reporting dates. The exchange difference between rate prevailing on the date of transaction and on the date of settlement and also on translation of monetary items at the reporting date is recognized as income or expense.

j. **Income taxes**

Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax is measured at the amount expected to be paid to / recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences between taxable income and accounting income which are capable of reversal in subsequent periods and are measured using relevant enacted tax rates. Fringe benefits taxes are recognized in accordance with the relevant provisions of the Income tax act, 1961 and the guidance note on Fringe Benefits Tax issued by ICAI. Tax on distributable profits payable by the company in accordance with the provisions of Income tax act, 1961 is disclosed in accordance with the guidance note on Accounting for Corporate Dividend Tax issued by ICAI.

k. **Impairment of Assets**

At every balance sheet date, the company determines whether the provisions should be made for the impairment loss on fixed assets by considering the indications that the carrying amount of the asset exceeds the recoverable amount as per recognition and measurement principles laid down in AS-28 "Impairment of Assets" issued by ICAI. For the purpose of impairment, assets are grouped as, for which there are separately identifiable cash flows (cash generating units).

l. **Retirement Benefits**

Gratuity liability and Leave encashment benefit to the employees of the company has been provided on accrual basis.

m. **Leases**

Finance Leases, which effectively transfer to the company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased term, are classified as operating leases.

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

n. **Provisions**

The company recognizes provision when there is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits which can be measured only by using a substantial degree of estimation.

o. **Contingent Liabilities**

The company recognizes contingent liability for disclosure in notes to accounts if any of the following conditions is fulfilled:

i) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or

ii) a present obligation that arises from past events but is not recognized because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- a reliable estimate of the amount of the obligation cannot be made.

Changes in accounting policies

Development Expenditure

After the introduction of Accounting Standard 26 - Accounting for Intangible Assets, with effect from the accounting period commencing on or after 01.04.2004, the company has regrouped the miscellaneous expenditure as development expenditure as part of intangible assets under the head fixed assets. Therefore, in the restated financial statements, adjustments have been carried out to align the development expenditure in accordance with Accounting Standard 26. Accordingly, the consequential effect of this restatement has been carried out on depreciation also.

Provision for warranty

During the year ended 30th September 2005, provision for warranty was made on prudence basis in compliance with the Accounting Standard - 'Provisions, Contingent liabilities and Contingent assets' issued by ICAI, which was earlier accounted for on cash basis. Accordingly, provision for warranty has been recomputed for each preceding year and consequently the adjustments have been made in the expense for warranty expenses for the years ended September 2002, 2003, and 2004.

Deferred Tax

The Company adopted AS-22 'Accounting on taxes on Income' issued by ICAI for the first time in preparing and presenting the financial statements for the year ended 30 September 2003. For the purpose of this report, AS-22 has been applied retrospectively from the financial year ended 30th September 2002. Accordingly, deferred tax asset has been recorded in the respective year of origination, thereby, leading to a corresponding adjustment in opening reserves.

Annexure – IV C

Common Notes to Accounts for the years ending 30.09.02, 30.09.03, 30.09.04, 30.09.05, 18 months period ending 31.03.07 and for the 3 months period ending 30.06.07

1. All the figures have been given in rupees in millions.

2. Expenditure In Foreign Currency on Account of

Particulars	**For the year ending 30.09.02** *12 months*	**For the year ending 30.09.03** *12 months*	**For the year ending 30.09.04** *12 months*	**For the year ending 30.09.05** *12 months*	**For the period ending 31.03.07** *18 months*	**For the period ending 30.06.07** *3 months*
Traveling	7.97	4.86	5.64	5.80	18.20	3.59
Professional Charges	0.18	1.03	-	1.36	13.77	11.69
Commission on Sales	5.00	3.09	3.82	7.34	12.26	14.10
Technical Know-how	1.95	-	-	-	-	-
Royalty	-	-	5.25	-	1.37	-
Erection & Commissioning	4.06	2.44	5.50	0.01	11.97	3.61
Technical Fee (Capital)	-	-	-	-	1.80	-
Others	1.88	2.52	1.64	1.84	26.37	5.85
TOTAL	**21.04**	**13.94**	**21.85**	**16.35**	**85.74**	**38.84**

3. Earnings in Foreign Exchange

Particulars	**For the year ending 30.09.02** *12 months*	**For the year ending 30.09.03** *12 months*	**For the year ending 30.09.04** *12 months*	**For the year ending 30.09.05** *12 months*	**For the period ending 31.03.07** *18 months*	**For the period ending 30.06.07** *3 months*
Sales	194.34	124.94	360.14	501.02	963.56	20.72
Services	2.62	5.99	5.61	3.41	6.39	0.21
Foreign Exchange Variation	-	3.09	-	-	-	-
TOTAL	**196.96**	**134.02**	**365.75**	**504.43**	**969.95**	**20.93**

4. A) Details of pro-rata value of assets which are jointly owned along with other company

Particulars	For the year ending 30.09.02 *12 months*	For the year ending 30.09.03 *12 months*	For the year ending 30.09.04 *12 months*	For the year ending 30.09.05 *12 months*	For the period ending 31.03.07 *18 months*	For the period ending 30.06.07 *3 months*
Office Equipment	1.07	1.07	1.07	1.07	1.07	1.07
Office Fixtures	3.67	3.67	3.67	3.67	3.67	3.67
Furniture & Fixtures	0.19	0.19	0.19	0.19	0.19	0.19

B) Plant and Machinery to the extent mentioned hereunder are jointly owned along with a Joint Venture, of which the company is a member.

Particulars	For the year ending 30.09.02 *12 months*	For the year ending 30.09.03 *12 months*	For the year ending 30.09.04 *12 months*	For the year ending 30.09.05 *12 months*	For the period ending 31.03.07 *18 months*	For the period ending 30.06.07 *3 months*
Plant & Machinery	-	-	25.25	91.61	91.61	91.61

5. Sale of Energy Division

Effective June 30, 2007, the company has sold the assets and liabilities related to Energy Division to GEA BGR Energy System India Limited for a aggregate consideration of Rs.250 mn. During the three months ended June 30, 2007, the division suffered a negative profit of INR 8.215 mn and posted a turnover of 45.92 mn.

6. Construction Contracts :

In respect of all construction contracts in progress

Particulars	For the year ending 30.09.02 *12 months*	For the year ending 30.09.03 *12 months*	For the year ending 30.09.04 *12 months*	For the year ending 30.09.05 *12 months*	For the period ending 31.03.07 *18 months*	For the period ending 30.06.07 *3 months*
a) The aggregate amount of costs incurred and recognized profits (less recognized losses)	742.30	829.13	1669.47	1514.30	5104.79	2204.54
b) The amount of advances received	5.01	-	59.90	70.88	1826.00	1255.99
c) The amount of retentions	81.99	5.59	3.42	24.47	746.83	1056.33

Particulars	For the year ending 30.09.02 *12 months*	For the year ending 30.09.03 *12 months*	For the year ending 30.09.04 *12 months*	For the year ending 30.09.05 *12 months*	For the period ending 31.03.07 *18 months*	For the period ending 30.06.07 *3 months*
d) The gross amount due from customers for contract work as an asset	26.65	305.82	-	635.90	1019.03	953.06
e) The gross amount due to customers for contract work as a liability	-	-	387.13	-	1.05	-

7. Infrastructure Contracts

Cochin Project: The end client of Cochin Port Road connectivity Project Viz., Cochin Port Road Company Ltd. (CPRCL) a SPV of NHAI, has terminated the contract on 28.05.2007. Consequently, CPRCL has encashed Bank Guarantees for a value of INR 127 mn furnished by the company on behalf of MECON-GEA JV. The main contractor viz., MECON – GEA JV is contesting the termination of the contract with CPRCL. As per the termination clause of the contract with CPRCL, the company has identified a sum of INR 6.27 mn as on 30.06.2007 as recoverable expenses from the end client through the JV and is shown as receivable from the JV.

Tuticorin Project: The contract for Tirunelveli – Tuticorin Port connectivity Road Project has expired on 12.08.2006. Subsequently, the main contractor MECON – GEA(JV) has put on hold further execution of contracted works. The end client viz., Tuticorin Port Road Company Ltd (SPV of NHAI) and the main contractor had held various discussions. It is now proposed by the end client to terminate the contract for mutual convenience of both the contractor and end client. In accordance with the Proposed termination agreement to be entered into between the JV and the end contractor, the company has identified a sum of INR 8.27 mn as receivable as on 30.06.2007 as recoverable expenses from the end client through the JV. The same has been reflected as receivable from the JV.

8. Segmental Reporting :

For the 12 months year ending September 30, 2002

Particulars	Industrial Products Segment	Construction Contract Segment	Others
Revenue	474.74	761.57	-
Expenditure	440.85	710.51	-
Result	33.89	51.06	-
Assets	203.63	79.45	376.56
Liabilities	362.89	188.83	107.92
Capital Assets acquired during the year	5.61	1.14	-
Depreciation	11.14	0.95	-

For the 12 months year ending September 30, 2003

Particulars	Industrial Products Segment	Construction Contract Segment	Others
Revenue	769.29	821.70	-
Expenditure	703.63	792.35	-
Result	65.66	29.36	-
Assets	500.90	202.07	109.17
Liabilities	338.27	30.76	443.12
Capital Assets acquired during the year	10.25	0.75	-
Depreciation	11.53	1.16	-

For the 12 months year ending September 30, 2004

Particulars	Industrial Products Segment	Construction Contract Segment	Others
Revenue	979.94	1666.61	-
Expenditure	902.92	1601.42	-
Result	77.02	65.19	-
Assets	534.31	277.92	120.44
Liabilities	567.89	139.76	225.02
Capital Assets acquired during the year	72.68	68.91	-
Depreciation	14.95	4.93	-

For the 12 months year ending September 30, 2005

Particulars	Industrial Products Segment	Construction Contract Segment	Others
Revenue	966.66	1960.74	-
Expenditure	882.94	1857.53	-
Result	83.72	103.21	-
Assets	679.93	576.10	118.10
Liabilities	752.63	438.00	183.50
Capital Assets acquired during the year	7.86	108.65	-
Depreciation	11.69	15.90	-

For the 18 months year ending March 31, 2007

Particulars	Industrial Products Segment	Construction Contract Segment	Others
Revenue	2220.54	5556.56	-
Expenditure	2090.96	5081.15	
Result	129.58	475.41	-
Assets	814.55	2412.76	62.76
Liabilities	1408.64	1785.41	96.02
Capital Assets acquired during the year	44.64	95.08	-
Depreciation	33.04	37.83	-

For the 3 months year ending June 30, 2007

Particulars	Industrial Products Segment	Construction Contract Segment	Others
Revenue	177.46	2209.97	-
Expenditure	192.06	1970.72	-
Result	(14.60)	239.25	-
Assets	698.00	4105.64	69.64
Liabilities	1568.57	3224.23	80.48
Capital Assets acquired during the year	41.05	36.99	-
Depreciation	3.51	8.33	-

9. Retirement Benefits:

Gratuity liability of the company has been provided on accrual basis as on 30.06.2007 and 31.03.2007, the same has been provided on basis of actuarial valuation for the year ended 30.09.2002, 30.09.2003, 30.09.2004 and 30.09.2005. The company's gratuity liability has been covered by Group Gratuity Policy of Life Insurance Corporation of India and SBI life.

10. Leases:

A) Finance Lease:

i. The Company has taken Plant and Machinery amounting to Rs. 83.24 millions on Finance Lease. The written down value of these assets as on 30.06.2007 is Rs.59.11 millions , as on 31.03.07 is Rs. 61.47 millions and as on 30.09.05 is Rs.75.42 millions.

ii. The minimum lease rentals and the present value of minimum lease payments in respect of assets acquired under finance lease are as follows:

Particulars	Minimum Lease Payments			Present value of minimum lease payments		
	As on 30.09.05	As on 31.03.07	As on 30.06.07	As on 30.09.05	As on 31.03.07	As on 30.06.07
Payables not later than one year	21.59	21.59	21.59	19.67	18.68	18.68
Payable later than 1 year and not later than 5 years	55.91	23.53	21.59	43.03	22.34	17.03
Payable later than 5 years	NIL	NIL	NIL	NIL	NIL	NIL
TOTAL	**77.50**	**45.12**	**43.18**	**62.70**	**41.02**	**35.71**
Less : Future Finance Charges	14.80	4.09	3.59	-	-	-
Present Value of Minimum lease payments	62.70	41.02	39.59	-	-	-

There were no Finance leases for the years ending on 30.09.02, 30.09.03 and 30.09.04.

B) Operating Lease :

The minimum lease rentals in respect of assets acquired under Operating lease are as follows

Particulars	As on 30.09.05	As on 31.03.07	As on 0.06.07
Paid till the year end	1.79	7.16	8.05
Payable not later than 1 year	3.58	3.58	3.58
Payable later than 1 year and not later than 5 years	9.76	1.79	0.895

There were no Operating leases for the years ending on 30.09.02, 30.09.03 and 30.09.04.

11. Joint Ventures :

The company along with Mecon Ltd has formed an unincorporated Joint Venture (Association of Persons) for execution of project contracts.

12. Impairment of Assets :

The Company has adopted AS-28 'Impairment of assets' issued by the ICAI for the first time in preparing and presenting the financial statements for the year ending 30 September, 2005. In this restated financial statement, the requirements of AS-28 had to be applied retrospectively for all the reporting periods from financial year 2002. However, since it is impracticable to review the conditions of the assets that existed as on respective reporting dates, the restatement of fixed assets for impairment has not been carried out. Accordingly, the following provisions for impairment has been made in books.

a. Cash Generating Units:

There is no impairment loss of cash generating assets and hence no provision was made in the financial statements.

b. Other Assets:

The company has made a provision of Rs.10.39 millions as on 31.03.07 in the accounts towards impairment of other fixed assets based on technical valuation.

13. Provisions :

The company has made a provision for warranty expenses for the first time during the year ending 30.09.2005 in accordance with the requirement under AS 29 – Provisions, contingent liabilities and contingent assets. However, for the purpose of this restated statements the provision has been computed retrospectively from year ending 30.09.2002 as detailed here below:

Year ending / Period ending	**Amount (Rs.)**
30th September, 2002	1.58
30th September, 2003	2.01
30th September, 2004	3.42
30th September, 2005	3.64
31st March, 2007	9.82
30th June, 2007	3.19

14. Deferred Taxes

Major components of Deferred Tax Assets and liabilities for the 18 months period ending as on 31.03.2007 and for 3 months period ending as on 30.06.2007 are

Components	**Deferred Tax Asset**		**Deferred Tax Liability**	
	31.03.2007	**30.06.2007**	**31.03.2007**	**30.06.2007**
Depreciation	-	-	20.73	21.51
R & D	-	-	3.27	3.27
Impairment of Assets	3.53	3.53	-	-
Gratuity	1.29	2.72	-	-
Royalty	3.32	3.32	-	-
PL Encashment	2.48	2.70	-	-
Others	0.88	0.09	-	-
TOTAL	**11.50**	**12.37**	**24.00**	**24.78**

15. All the figures have been restated wherever necessary.

Notes on Adjustments made in the Summary Statements, as restated – Stand Alone

Annexure V

Summary of adjustments made *(Rs. in millions)*

Particulars	**Ref**	**2002**	**2003**	**2004**	**2005**	**2007**	**30th June 2007**
Profits as per Annual Return		62.69	74.66	110.36	132.57	391.96	146.81
Adjustment for							
Depreciation on Development Expenditure	A (i)	(1.23)	(1.23)	(1.44)	(1.63)	-	-
Miscellaneous expenditure written off	A (i)	2.10	1.91	1.98	(1.73)	3.72	-
Depreciation on technical know-how	A (ii)	(0.37)	(0.37)	(0.37)	(0.37)	2.31	-
Foreign exchange variation	A (ii)	(0.10)	-	-	-	(0.08)	-
Restatement of Sundry creditors	A (ii)	(0.08)	0.13	(0.02)	0.11	-	-
Warranty provision	A (iii)	(1.58)	(0.43)	(1.41)	1.09	2.33	-
Royalty provision	A (iv)	0.29	1.39	0.96	(0.06)	(2.39)	-
Provision for taxation	A (v)	1.67	(0.41)	0.18	0.96	2.61	-
Restated profits		**63.39**	**75.65**	**110.23**	**130.94**	**400.46**	**146.81**

Explanatory Notes for above adjustments

A. Restatements having Adjusting Effects

(The corresponding restated accounts have been indicated within brackets)

i. Intangible asset-Development Expenditure:*(Miscellaneous expenditure, Fixed Assets & Depreciation)*

The company has incurred development expenditure throughout the reporting periods. The entity has recognized and disclosed these development expenditures for the financial years ended 2002, 2003 and 2004 under the head "Miscellaneous Expenditure" in accordance with Accounting Standard 8 - Accounting for Research and Development expenditure, which was applicable in those corresponding periods. As per the accounting policy of the company, such expenditures were amortized over a period of 5 years.

After the introduction of Accounting Standard 26 - Accounting for Intangible Assets, with effect from the accounting period commencing on or after 01.04.2004, the company has disclosed such development expenditure as part of intangible assets under the head fixed assets. Therefore, in the restated financial statements, adjustments have been carried out to align the development expenditure in accordance with Accounting Standard 26. Accordingly, the consequential effect of this restatement has been carried out on depreciation also.

ii. Technical Know-How: *(Fixed assets, Current liabilities & Provisions and Depreciation)*

The Company has acquired Technical Know-How during the financial year 2000-01 vide an agreement approved by RBI. This technical know-how was ready for use as on the date of purchase itself. However, the payments for the cost of the asset were made in installments in accordance with the agreement and capitalized in the books in the respective year of payment on a periodical basis. Adjustments have been carried out in the restated financial statements, to reinstate the full value of intangible asset in the year in which it was acquired. Accordingly, in this restated financial statements, the amount with respect to Technical Know-How, creditors, depreciation and foreign exchange variation are restated. The consequent effect on provision for taxation has also been restated.

iii. **Provision for warranty:** *(Other manufacturing expenses and Current liabilities & Provisions)*

During the financial year ended 30th September 2002, 2003 and 2004, the Company was following a policy of accounting for warranty expenses in the year in which it was actually incurred. Subsequently, from financial year 2005 the Company adopted a policy of making provision on warranty at 0.3% on service revenue and 0.125% on other turnover. This change was adopted in accordance with the principles contemplated in AS-29 - 'Provisions, Contingent liabilities and Contingent assets' issued by the ICAI. The necessary impact on net profit of the company and provision for tax has been restated in accordance with AS 5 – 'Net Profit or Loss for the period, Prior period Items and Changes in Accounting policies'.

iv. **Royalty Expenses:** *(Other manufacturing expenses, Current liabilities & Provisions & Other Income)*

Royalty expenses for the financial years 2002, 2003, 2004 and 2005 were provided on the basis of estimates as per the information available as on the respective reporting dates. However, the actual outflow in the subsequent years were not the same as estimated and provided earlier. Thus, in the financial year 2007, the cumulative excess provision made in the books during the earlier financial years was reversed and disclosed as prior period income. This excess provision reversed during the financial year 2007 is restated to the respective financial years, after providing for tax.

v. **Deferred Tax:**

The Company adopted AS-22 'Accounting on taxes on Income' issued by ICAI for the first time in preparing and presenting the financial statements for the year ended 30 September, 2003. For the purpose of this report, AS-22 has been applied retrospectively from the financial year ended 2002. Accordingly, deferred tax asset has been recorded in the respective year of origination, thereby, leading to a corresponding adjustment in opening reserves.

vi. **Provision for taxation**

The company has created a provision for INR 0.69 million and INR 4.09 million as additional provision pertaining to the tax liability of financial years 1993 – 94 and 1997 – 98 respectively. These were pertaining to income tax legal cases pending for final judgement, which materialized during the 18 months period ended 31.03.2007. Therefore, these provisions were reversed and adjusted against the opening reserves of the financial year 2001 – 2002.

B. Adjustments having effects, not restated

Impairment of Assets

The Company has adopted AS-28 'Impairment of assets' issued by the ICAI for the first time in preparing and presenting the financial statements for the year ending 30 September, 2005. In this restated financial statement, the requirements of AS-28 had to be applied retrospectively for all the reporting periods from financial year 2002. However, since it is impracticable to review the conditions of the assets that existed as on respective reporting dates, the restatement of fixed assets for impairment has not been carried out.

C. Non Adjusting Restatements:

(The corresponding restated accounts have been indicated within brackets)

i) Retention Money: *(Inventories and sundry debtors)*

During the Financial Years 2002, 2003, 2004 and 2005, the Company has disclosed retention money held by the customers, as a part of work in Progress. During the 18 months period ending 31st March 2007, the company has regrouped and disclosed such retention money under the head "Sundry Debtors". In this restated financial statement, such regroupings has been given effect.

ii) Share capital advance: *(Investments and Loans & advances)*

During the financial years 2002 and 2003, the Company has disclosed share capital advance paid under the head "Investment". From the financial year ending 2004, regrouping has been carried out to disclose such advances under the "Loans and Advances". Accordingly, in the financial statement, restated appropriate effect has been given for all the earlier financial years.

iii) Foreign Exchange Variation Account: *(Other Income and General & Administrative Expenses)*

The company has been disclosing the loss arising out of Forex exchange transactions under the head "General & Administrative expenses". In the restated statements, such losses have been regrouped under the head "Other Income". This regrouping does not have any effect on the profits of the company.

iv) Loss on sale of Assets: *(Other Income and General & Administrative Expenses)*

The company has been disclosing the loss on sale of assets under the head "General & Administrative expenses". In the restated statements, the same has been regrouped under the head "Other Income".

v) Sale of Energy Division:

Effective June 30, 2007, the company has sold the assets and liabilities related to Energy Division to GEA BGR Energy System India Limited for a aggregate consideration of Rs.250 mn. During the three months ended June 30, 2007, the division suffered a negative profit of INR 8.215 mn and posted a turnover of 45.92 mn,

Restated Schedules of Fixed Assets – Standalone

Annexure – VI

INR in millions

Particulars	Ref.	As at 30th September 2002	As at 30th September 2003	As at 30th September 2004	As at 30th September 2005	As at 31st March 2007	As at 30th June 2007
Gross Block							
Tangible Assets							
Land		3.21	3.21	3.21	3.21	5.16	2.97
Building		19.55	19.55	19.55	19.55	21.86	18.51
Plant and Machinery		71.30	71.30	131.43	240.59	303.94	328.57
Electrical Installations		3.62	3.62	4.54	4.70	6.07	5.55
Furniture and Fixtures		5.76	5.56	6.78	7.34	11.97	7.83
Office Fixtures		10.84	9.76	9.93	10.80	21.56	13.39
Office Equipments		19.53	21.46	26.81	29.99	52.99	46.13
Vehicles		19.36	25.48	36.73	37.68	59.32	60.08
Total	**(A)**	**153.17**	**159.94**	**238.98**	**353.86**	**482.87**	**483.03**
Intangible Assets							
Technical Know-how		14.45	14.45	14.45	14.45	14.45	14.45
Development Expenses		3.79	4.96	7.19	9.29	11.46	31.34
Total	**(B)**	**18.24**	**19.41**	**21.64**	**23.74**	**25.91**	**45.79**
Total Gross Block ((A) + (B))	**(C)**	**171.41**	**179.35**	**260.62**	**377.60**	**508.78**	**528.82**
Less: Accumulated Depreciation	**(D)**	73.85	85.53	102.70	131.38	207.05	176.21
Net Block ((C) - (D))	**(E)**	**97.56**	**93.82**	**157.92**	**246.22**	**301.73**	**352.61**
Capital Work - in - Progress	**(F)**	-	-	1.83	5.53	30.19	10.07
Total Fixed Assets ((E) + (F))		**97.56**	**93.82**	**159.75**	**251.75**	**331.92**	**362.68**

Restated Schedule of Investments - Standalone

Annexure – VII

INR in millions

PARTICULARS	NO. OF UNITS/ SHARES	As at 30th September				As at 31st Mar 07	As at 30th June 07
		2002	2003	2004	2005		
TRADE(Quoted)							
i) State Bank of India - Bonds *(market value **** per share as on 30/09/2002)*	10,000	1.00	NIL	NIL	NIL	NIL	NIL
ii) Indian Bank *(market value Rs.127.70 per share as on 30/06/2007)(Rs.91)*	13,970	NIL	NIL	NIL	NIL	1.27	1.27
iii) SBI- Mutual Fund- Magnum Multi Cap *(NAV INR Rs.14.17 per unit as on 30/06/2007) (Rs.10)*	50,000	NIL	NIL	NIL	NIL	0.50	0.50
iv) SBI- Mutual Fund- Infrastructure bond (NAV INRs 10 per unit as on 30/06/2007) (Rs.10)	25,00,000	NIL	NIL	NIL	NIL	NIL	2.50
NON TRADE UNQUOTED (AT COST)							
a) Investment in Subsidiary Companies							
i) M/s. Progen Systems and Technologies Ltd., *(4,250,000 Equity Shares of Rs.10/- each fully paid)*	4,250,000	42.50	42.50	42.50	42.50	42.50	42.50
ii) M/s. Schmitz Reiningunskugeln Gmbh, Germany	-	5.77	5.77	5.77	5.77	5.77	NIL
b) Investment in Other group Companies							
i) M/s. GEA Cooling Tower Technologies (India) Pvt. Ltd. *(2,000 Equity Shares of Rs.10/-)*	2,000	0.02	0.02	0.02	0.02	0.02	0.02
ii) M/s. Cuddalore Power Company Ltd. *(10,090 Equity shares of Rs.100/- each)*	10,090	0.01	1.01	1.01	1.01	1.01	1.01
TOTAL		**49.30**	**49.30**	**49.30**	**49.30**	**51.07**	**47.80**

Restated Schedule of Inventories - Standalone

Annexure – VIII

INR in millions

Particulars	**As at 30th September**				**As at 31st March 2007**	**As at 30th June 2007**
	2002	**2003**	**2004**	**2005**		
Raw Materials, Consumables, Bought outs and Components	46.72	68.23	89.59	133.35	207.94	185.41
Work in Progress	11.66	22.35	10.53	24.37	52.45	49.88
TOTAL	**58.38**	**90.58**	**100.12**	**157.72**	**260.39**	**235.29**

Restated schedule of Sundry Debtors - Standalone

Annexure – IX

INR in millions

Particulars	Ref	As at 30th September				As at 31st March 2007	As at 30th June 2007
		2002	2003	2004	2005		
Debts outstanding for over 6 months							
Unsecured- Considered good		22.08	26.19	47.16	85.18	211.82	272.42
- Considered doubtful		-	-	-	-	-	-
TOTAL	**A**	22.08	26.19	47.16	85.18	211.82	272.42
Other debts							
Unsecured - Considered good		543.60	717.79	685.37	1,079.37	3,456.18	3927.29
- Considered doubtful		-	-	-	-	-	-
TOTAL	**B**	543.60	717.79	685.37	1,079.37	3,456.18	3927.29
TOTAL	**C=A+B**	**565.68**	**743.98**	**732.53**	**1,164.55**	**3,668.00**	**4199.71**
Less: Provision for doubtful debts	**D**	-	-	-	-	-	-
TOTAL	**C-D**	**565.68**	**743.98**	**732.53**	**1,164.55**	**3,668.00**	**4199.71**

Restated Schedule of Cash and Bank Balances - Standalone

Annexure – X

INR in millions

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
Cash and Cheques on hand	0.86	1.29	0.88	0.35	3.03	3.59
Balance with Scheduled Bank						
- On Current Account	8.80	1.98	13.20	9.78	73.78	78.92
- On Deposit Account	54.42	67.70	205.57	170.38	*844.32	951.50
Balance with Other Bank	0.08	0.06	0.06	0.06	-	-
TOTAL	**64.16**	**71.03**	**219.71**	**180.57**	**921.14**	**1,034.61**

*Note: As per the information and explanation given by the management, of the total sum of Rs. 84 crores, a sum of Rs.62 crores has been deposited with various banks as security on March 31,2007. The same is held towards cash margins required to be provided to banks under lien for facilities such as bank guarantees and letters of credit. The balance amount of Rs. 22 crores constitutes working funds which were used in the company's operations in normal course subsequent to March 31, 2007.

Restated Statement of other current assets - Standalone

Annexure – XI

INR in millions

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
Interest Accrued on deposits	3.89	3.66	7.91	6.68	20.96	41.44
Share Capital Advance	2.00	1.00	9.80	27.90	27.90	27.90
Loose tools and Spares	1.13	1.06	0.85	1.16	1.86	1.85
TOTAL	**7.02**	**5.72**	**18.56**	**35.74**	**50.72**	**71.19**

Restated Statement of Loans & Advances -Standalone

Annexure – XII

INR in millions

Particulars	**As at 30th September**				**As at 31st March 2007**	**As at 30th June 2007**
	2002	**2003**	**2004**	**2005**		
Loans & Advances						
- Subsidiary Companies	54.18	80.88	80.07	76.50	74.57	73.24
- Other advances	8.06	7.97	5.78	6.90	6.92	6.93
Total	**62.24**	**88.85**	**85.85**	**83.40**	81.49	80.17
Advance recoverable in cash or in kind or for value to be received	54.03	55.31	141.35	154.50	711.88	1017.04
Balance with Central Excise Authorities	(5.49)	(14.12)	0.20	5.78	39.17	38.45
Balance with Sales Tax Authorities	-	-	-	-	4.92	13.83
Deposits	15.70	16.69	18.51	25.55	45.46	46.79
TOTAL	**126.48**	**146.73**	**245.91**	**269.23**	**882.92**	**1196.28**

Restated schedule of Secured Loans – standalone

Annexure – XIII

INR in millions

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
A. Working Capital Loans						
Working Capital Loan from Banks	205.49	289.77	346.40	627.39	2,230.70	2,463.25
Total – A	**205.49**	**289.77**	**346.40**	**627.39**	**2,230.70**	**2,463.25**
B. Fixed Asset Loans						
Fixed Asset Loans & Lease Loans	6.38	11.22	44.25	120.36	87.12	74.83
Total – B	**6.38**	**11.22**	**44.25**	**120.36**	**87.12**	**74.83**
C. Term Loans						
Rupee Loan from Banks	96.10	130.00	81.25	56.37	70.61	64.51
Rupee Loan from Financial Institutions	31.93	Nil	Nil	Nil	Nil	Nil
Total – C	**128.03**	**130.00**	**81.25**	**56.37**	**70.61**	**64.51**
Total - (A+B+C)	**339.90**	**430.99**	**471.90**	**804.12**	**2,388.43**	**2,602.59**

Principal Terms of Secured Loans as on June 30th , 2007- Standalone Statements

INR. in Million

Sl. No.	Particulars	Rate of Interest	Outstanding as on June 30, 2007	Principal Terms of Loan	Security
	Working Capital Loans				
1	State Bank of India	Refer Note-1	439.87	Refer Note - 1	Refer Note–1
2	State Bank of Hyderabad		344.40		
3	State Bank of Travancore		127.24		
4	State Bank of Patiala		492.16		
5	State Bank of Bikaner & Jaipur		273.16		
6	UCO Bank Ltd.		201.46		
7	State Bank of Mysore		134.86		
8	IDBI Bank Ltd.		137.62		
9	State Bank of Indore		299.25		
10	Indian bank		13.23		
	Term Loans				
1	Corporation Bank	11.00%	10.64	18 quarterly installments, repayable in 5 years	Hypothecation of machinery, imported under L/C
2	Corporation Bank	11.75%	25.21	6 quaterly instalments, repayable in 18 months	First charge on fixed assets of the company
3	Corporation Bank	12.25%	28.66	16 quaterly instalments, repayable in 5 years with a moratorium period of 1 year	First charge on fixed assets of the company
	Fixed Assets Loans				
1	HDFC Bank Ltd.		4.96		
2	Kotak Mahindra Ltd.		7.11		
3	ICICI Bank Ltd.		12.33		
4	Indian Overseas Bank	Refer Note–2	7.94	Refer Note–2	Refer Note–2
5	Tamilnad Mercantile Bank Ltd.		1.69		
6	SREI Infrastructure Limited		35.51		
7	ABN Amro Bank		5.29		
	TOTAL		**2,602.59**		

NOTES :

1. **Working Capital Loans:**

   a. Working Capital Loan by State Bank of Patiala, Indian Bank and State Bank of Indore has been provided on independent basis.

   b. Whereas State Bank of India, State Bank of Travancore, State Bank of Mysore, State Bank of Hyderabad, State Bank of Patiala, IDBI Bank, UCO Bank, State Bank of Bikaner & Jaipur and State Bank of Indore has provided loan on consortium basis

   c. Interest shall be charged on the outstandings in the said accounts at such rate or rates as may be determined in the Banks Advance Rate Norms by the particulars banks from time to time. However, the rate of interest as on June 30, 2007 generally ranges between in the range of 10% and 13% p.a.

   d. The loans are secured by way of hypothecation of inventories, book debts and movable current assets of the respective contracts for which the loan was availed. The participating banks share the security on pari-passu basis. The loans are further secured by personnel guarantees of two Directors, including the Managing Director of the company.

   e. In respect of Working Capital Loan on pari-passu basis from State Bank of Patiala- Consortium, IDBI Bank- Consortium and State Bank of Bikaner & Jaipur - Consortium the contract specific loans are secured by way of:-

      i. Pari-passu first charge on all current assets of the project on pari-passu basis with other lenders participating in the project.

      ii. Power of Attorney to be registered in favour of lenders, granting them right to receive payments directly in respect of bills raised by the company.

      iii. Counter Guarantee of the company, also with the personal guarantee of the Promoter Directors.

2. **Fixed Asset Loans:**

   a. Different banks adopt different rate of interest depending upon the type of loan taken. However, the rate of interest generally lies between 9% - 11% for the assets acquired.

   b. Repayment is made on equal installments for a specified period of time on the basis of the EMI charts provided by the respective bank.

   c. The respective fixed assets acquired under the loan are held as security.

Restated Schedule of Unsecured Loans – Standalone

Annexure – XIV

INR in millions

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
1. Interest Free Sales Tax Loan (IFST)	25.51	29.74	33.84	33.09	30.75	29.20
Total- (A)	**25.51**	**29.74**	**33.84**	**33.09**	**30.75**	**29.20**
2. ICICI Bank Ltd	20.00	20.00	17.78	13.33	6.67	5.55
Total- (B)	**20.00**	**20.00**	**17.78**	**13.33**	**6.67**	**5.55**
3. Others	21.83	16.63	11.69	12.79	11.28	5.11
Total - (C)	**21.83**	**16.63**	**11.69**	**12.79**	**11.28**	**5.11**
Total- (A)+(B)+(C)	**67.34**	**66.37**	**63.31**	**59.21**	**48.70**	**39.86**

Note:

1) One of the divisions of the company is entitled to a scheme of Interest free sales tax loan offered by the state government. The amount of sales tax collected during the moratorium period in respect of sales made is repayable to the state government in the same order of collection. As there is no security offered for this loan, the same has been classified under the head "Unsecured Loan".

2) The loan of INR 20 millions from ICICI bank was availed based on the security of Progen Systems and Technologies Limited, a subsidiary of BGR Energy Systems Limited.

Restated Schedule of Current Liabilities and Provisions

Annexure – XV

INR in millions

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
Current Liabilities						
Sundry Creditors	226.02	298.48	299.36	424.23	836.87	1,158.97
Advances from Customers	26.16	19.49	100.03	111.54	1,671.77	1837.04
Other Liabilities	32.54	31.86	122.15	110.09	104.63	172.05
Interest accrued but not due	3.34	2.07	4.50	2.35	5.58	3.11
Total - (A)	**288.06**	**351.90**	**526.04**	**648.21**	**2,618.85**	**3171.17**
Provisions						
Proposed dividend	10.80	10.80	21.60	21.60	32.40	32.40
Other provisions	1.48	0.52	0.97	(0.06)	(2.39)	(2.39)
Provision for Direct Tax	42.00	58.15	72.38	99.58	239.82	316.20
Corporate dividend tax	-	1.38	2.82	3.03	5.51	5.51
Total - (B)	**54.28**	**70.85**	**97.77**	**124.15**	**275.34**	351.72
Total ((A) + (B))	**342.34**	**422.75**	**623.81**	**772.36**	**2,894.19**	**3522.89**

Restated Schedule of Share Capital – Standalone

Annexure – XVI

INR in millions

Particulars		As at 30th September				As at 31st March 2007	As at 30th June 2007
		2002	2003	2004	2005		
Authorized Share capital							
Equity Share capital							
Equity Shares of Rs. 10 each		60.00	60.00	150.00	150.00	150.00	150.00
		60.00	**60.00**	**150.00**	**150.00**	**150.00**	**150.00**
Issued, Subscribed and Paid up							
Equity Share capital							
Equity Shares of Rs. 10 each	A	54.00	54.00	108.00	108.00	108.00	108.00
Advance against Equity	B	0.90	0.90	0.90	0.90	-	-
Total (A+B)		**54.90**	**54.90**	**108.90**	**108.90**	**108.00**	**108.00**
No. of Equity Shares of Rs.10 each		**5,400,000**	**5,400,000**	**10,800,000**	**10,800,000**	**10,800,000**	**10,800,000**

Note:

Of the above shares, 10,650,000 Equity Shares of Rs.10/- each were allotted as fully paid up bonus shares by capitalisation of profits for the year ended 2004

Restated statement of contingent Liabilities, Guarantees, Capital Commitments & Export Undertakings

Annexure – XVII

INR in millions

Particulars	**As at 30th September**				**As at 31st March 2007**	**As at 30th June 2007**
	2002	**2003**	**2004**	**2005**		
Contingent Liabilities						
Income Tax Matters	-	3.78	3.31	0.43	2.32	2.32
Sales Tax Matters	4.73	4.31	1.21	4.68	8.94	6.19
Excise Duty	1.72	1.79	1.79	4.26	-	-
Bills Discounted	3.48	4.36	9.88	25.15	148.89	-
Total - (A)	**9.93**	**14.24**	**16.19**	**34.52**	**160.15**	**8.51**
Guarantees						
Issued by Banks	272.14	272.57	451.84	262.16	3,645.80	3092.13
Corporate Guarantee	35.54	84.46	92.46	114.21	122.02	81.15
Undertakings	73.08	86.62	54.26	182.97	435.60	264.88
(issued in favour of The President of India towards provisional duty bond for custom duty, legal undertakings for export obligation and end user undertakings for concessional customs duty)						
Total - (B)	**380.76**	**443.65**	**598.56**	**559.34**	**4,203.42**	**3,438.16**
Capital Commitments						
Estimated amount of contracts remaining to be executed on capital accounts	0.05	0.06	33.64	24.40	9.00	4.24
Total - (C)	**0.05**	**0.06**	**33.64**	**24.40**	**9.00**	**4.24**
Total - (A)+(B)+(C)	**390.74**	**457.95**	**648.39**	**618.26**	**4,372.57**	**3450.91**

Restated other income - Standalone

Annexure – XVIII

INR in millions

Particulars	For the year ended 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
A) Other income, as per Standalone Summary Statement	0.42	3.83	2.09	(1.66)	0.01	(2.09)
B) Net Profit before tax,as per Standalone Summary Statement	81.53	96.41	141.90	184.34	610.87	224.65
Percentage (A/B)	0.51%	3.97%	1.48%	-0.90%	-	-0.93%

(INR. In millions)

Sources & Particulars of Other Income	Nature of Income	Related or Related not to Business	For the year ended 30th September				18 Months as at 31st Mar 07	3 Months as at 30th June 07
			2002	2003	2004	2005		
Foreign Exchange Variation	Recurring	Related	(1.29)	3.22	(0.59)	(3.83)	(0.48)	(10.05)
Dividend received	Non Recurring	Related	-	-	-	-	0.22	-
Profit/(Loss) on Sale of Fixed Assets	Non Recurring	Related	-	(1.17)	(0.22)	(0.07)	(0.50)	-
Profit/(Loss) on Sale of Business division	Non Recurring	Related	-	-	-	-	-	4.26
Profit/(Loss) on Sale of Investment	Non Recurring	Related	-	-	-	-	-	0.23
Miscellaneous	Recurring	Related	1.71	1.78	2.90	2.24	0.77	3.47
TOTAL			**0.42**	**3.83**	**2.09**	**(1.66)**	**0.01**	**(2.09)**

Note:

1. The Classification of "Other Income" as Recurring and Non Recurring is based on the current operations and business activity of the company as determined by the management.

2. The details of "Other Income" disclosed above are stated after adjusting the effect of restatement. The same have been shown gross of restatement in the standalone summary statement of profits and losses, as restated and the adjustments have been listed separately under the head "Other Adjustments" as there in.

3. Miscellaneous description above include commission on sale of spares, interest on staff loan, insurance claims etc.

Restated Capitalisation Statement – Standalone

Annexure – XIX

INR in millions

Particulars	Pre-issue as at 30th June 2007	Adjusted for the Public Issue
Borrowings		
Short-Term debt	2526.83	
Long-Term debt	115.62	
Total Debt - (A)	**2642.45**	
Shareholder's Fund		Refer Note
Share Capital		
Equity	108.00	
Reserves & Surplus	873.62	
Less: Miscellaneous Expenditure not written off	NIL	
Total Shareholders' funds - (B)	981.62	
Total Capitalization - (A)+(B)	**3624.07**	
Long term debt / Equity Ratio	**0.12**	
Term debt / Equity Ratio	**2.69**	

Note:

1. Share capital and reserves, post issue can be ascertained only on the conclusion of the book building process.

2. Reserves and Surplus include general reserve and accumulated balance of standalone profit &Loss account as at 31st March 2007, as restated.

Restated Related Party Disclosures

Annexure – XX

As required under Accounting Standard 18 'Related Party Disclosures' (AS - 18), following are details of transactions during the year with related parties of the Company as defined in AS - 18:

LIST OF RELATED PARTIES

	12 Months period ended		18 months period ended		3months period ended	
	30-Sep-02	**30-Sep-03**	**30-Sep-04**	**30-Sep-05**	**31-Mar-07**	**30-Jun-07**
Subsidiaries	Progen Systems and Technologies Ltd. Schmitz Reinigungskugeln GmbH.	Progen Systems and Technologies Ltd. Schmitz Reinigungskugeln GmbH.	Progen Systems and Technologies Ltd. Schmitz Reinigungskugeln GmbH.	Progen Systems and Technologies Ltd. Schmitz Reinigungskugeln GmbH.	Progen Systems and Technologies Ltd. Schmitz Reinigungskugeln GmbH.	Progen Systems and Technologies Ltd. -
Joint Venture	Mecon – GEA Energy System (India) Limited (JV)	Mecon - GEA Energy System (India) Limited (JV)	Mecon - GEA Energy System (India) Limited (JV)	Mecon - GEA Energy System (India) Limited (JV)	Mecon - GEA Energy System (India) Limited (JV)	Mecon - GEA Energy System (India) Limited (JV)
Associates	Cuddalore Power Company Ltd	Cuddalore Power Company Ltd	Cuddalore Power Company Ltd	Cuddalore Power Company Ltd	Cuddalore Power Company Ltd	Cuddalore Power Company Ltd
Other Entities	Pragati Computers Ltd Sasikala Estate Pvt Ltd	Pragati Computers Ltd Sasikala Estate Pvt Ltd	Pragati Computers Ltd Sasikala Estate Pvt Ltd	Pragati Computers Ltd Sasikala Estate Pvt Ltd	Pragati Computers Ltd Sasikala Estate Pvt Ltd	Pragati Computers Ltd Sasikala Estate Pvt Ltd
Key Management Personnel	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance) -	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance) -	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance) -	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance) Mr.V.R.Mahadevan (Whole Time Director)	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance) Mr.V.R.Mahadevan (Whole Time Director)	Mr.B.G.Raghupathy (MD) Mr.S.Rathinam (Director Finance) Mr.V.R.Mahadevan (Whole Time Director)

Restated Statement of Related Party Transactions – Standalone

Annexure – XX

INR in millions

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
Transactions during the year						
Subsidiary Companies						
- Sales	Nil	Nil	Nil	Nil	Nil	Nil
- Purchases	32.16	19.30	15.22	11.79	26.87	1.36
- Loans & Advances	16.83	24.93	Nil	(4.74)	(19.31)	(1.34)
Joint Ventures						
- Sales	Nil	Nil	Nil	Nil	57.25	Nil
- Purchases	Nil	Nil	Nil	Nil	Nil	Nil
- Loans & Advances	Nil	Nil	Nil	Nil	Nil	Nil
Other Companies						
- Sales	Nil	Nil	Nil	Nil	Nil	Nil
- Purchases	0.06	1.56	1.43	1.28	2.81	16.70
- Loans & Advances	1.60	(0.94)	0.01	1.84	2.32	Nil
- Rent	2.40	2.40	2.40	2.40	4.70	0.75
Key Management Personnel						
- Remuneration to Directors	5.52	9.64	8.99	13.35	38.57	12.50
Relatives						
- Remuneration						
TOTAL	**58.57**	**56.89**	**28.05**	**25.92**	**113.21**	**29.97**

Restated Statement of Dividend Paid - Standalone

Annexure – XXI

INR in millions

PARTICULARS	For the year ended 30th September				18 Months as at 31st Mar 07	Months as at 30th June 07
	2002	2003	2004	2005		
Paid up Capital (Nos of Shares)	5.40	5.40	10.80	10.80	10.80	10.80
Paid up Share Capital (Rs.)	54.00	54.00	108.00	108.00	108.00	108.00
Face Value Per share	10.00	10.00	10.00	10.00	10.00	10.00
Dividend (Rs.)	10.80	10.80	21.60	21.60	32.40	-
Dividend per equity share (Rs.)	1.00	1.00	2.00	2.00	3.00	-
Dividend Rate (% to paid up capital)	20%	20%	20%	20%	30%	-

Restated Schedule of Tax Shelters - Standalone

Annexure – XXII

INR in millions

Particulars	Ref	As at 30th September				18 Months as at 31st Mar 07	Months as at 30th June 07
		2002	2003	2004	2005		
Profit before current & deferred taxes, as restated		**81.54**	**96.41**	**141.89**	**184.34**	**610.88**	**224.65**
Income Tax Rate (%)	(A)	36.75	35.90	36.60	33.66	33.66	33.99
MAT Rate (%)		11.33	11.22	8.42	7.84	7.69	10.30
Tax expense	(B)	**29.97**	**34.61**	**51.93**	**62.05**	**205.62**	**76.46**
Adjustments on account of:							
a) Permanent differences							
Deduction u/s. 80 HHC		(5.90)	(4.99)	-	-	-	-
Foreign exchange variation		0.08	(0.05)	(0.03)	(0.14)	-	3.82
Donations		-	0.69	0.24	0.82	1.81	0.06
TOTAL	(C)	**(5.82)**	**(4.35)**	**0.21**	**0.68**	**1.81**	**3.88**
b) Timing differences							
Difference between book depreciation and tax depreciation		0.33	(0.20)	(47.65)	(19.45)	24.72	2.29
Royalty disallowed 40(a)(i)		-	-	0.96	1.39	1.49	-
Royalty disallowed in earlier years subsequently paid		-	(6.62)	-	-	(3.22)	-
TDS Disallowance 40a(ia)		-	-	-	-	2.39	(2.39)
Gratuity 43B		-	-	-	-	3.80	4.21
Bonus provision		-	-	-	-	0.20	0.08
Leave encashment		-	0.07	(0.11)	0.36	3.21	0.82
Research & Development Expenditure		(10.10)	(10.74)	(0.44)	(0.11)	(2.17)	-
(Profit)/Loss od sale of Assets		-	1.17	0.22	0.06	0.50	-
TOTAL	(D)	**(9.77)**	**(16.32)**	**(47.02)**	**(17.75)**	**30.93**	**5.01**
Net Adjustment	(E) =(C+D)	(15.59)	(20.67)	(46.81)	(17.07)	32.74	8.89
Tax (saving) thereon	(F) = (E*A)	(5.73)	(7.42)	(17.13)	(5.75)	11.02	3.02
Total taxation	(G)= (F+B)	**24.24**	**27.19**	**34.80**	**56.30**	**216.64**	**79.48**
Less : Reversal of provision		4.90	7.73	-	10.52	-	-
Add: Interest		-	-	-	-	9.32	-
Total Tax Expense		**19.34**	**19.46**	**34.80**	**45.78**	**225.96**	**79.48**

Restated Statement of Major Accounting Ratios – Standalone

Annexure – XXIII

INR in millions

Sl.	Particulars	As at 30th September				18 months period ended 31st Mar 07	Annualised for year ending 31st Mar 07	3 months period ended 30th June 07
		2002	2003	2004	2005			
1.	Restated Earnings per Equity Share (*Note 3*)							
	- Basic (in INR)	0.98	1.17	1.70	2.02	6.18	4.12	2.27
	- Diluted (in INR)	0.97	1.15	1.68	2.00	6.11	4.07	2.24
2	Return on Net Worth – *(Note 3)*	28%	26%	30%	27%	47%	38%	15%
3	Restated Net Asset value per share – Basic (*Note 3*)	3.38	4.34	5.66	7.30	12.88	12.88	15.15
4	Restated Net Asset value per Share – Diluted (Note 3)	3.34	4.28	5.59	7.21	12.73	12.73	14.99
5	Weighted average number of equity shares outstanding during the year (nos)	10.80	10.80	10.80	10.80	10.80	10.80	10.80
6	Total number of shares outstanding at the end of the year(nos)	5.40	5.40	10.80	10.80	10.80	10.80	10.80
7	Restated Weighted average number of equity shares outstanding during the year (nos) – BASIC (*Note 2*)	64.80	64.80	64.80	64.80	64.80	64.80	64.80
8	Weighted average number of equity shares outstanding during the year (nos) – DILUTED (*Note 2*)	65.59	65.59	65.59	65.59	65.59	65.59	65.50

Notes:

1. Earnings per share is calculated in accordance with Accounting Standard 20 ‘ Earnings per share’, issued by the Institute of Chartered Accountants of India.

2. Restated Basic and Diluted Weighted average shares are completed as follows:

Particulars	Nos in Millions
No of shares as on 31.03.2007/ 30.06.2007	10.80
Add: Bonus shares	54.00
Restated Weighted average No of shares – Basic	**64.80**
Add: ESOP	0.70
	65.50
Add: Share application advance (Refer note 6)	0.09
Restated Weighted average No of shares – Diluted	**65.59**

3. The ratios has been computed as below

$$\text{Restated Basic earnings per share} = \frac{\text{Stand alone Net profit attributable to equity shareholders, as restated}}{\text{Restated Weighted average number of equity shares (Basic) outstanding during the year}}$$

$$\text{Restated Diluted earnings per share (Rs)} = \frac{\text{Stand alone Net profit attributable to equity shareholders, as restated}}{\text{Restated Weighted average number of equity shares (Diluted) outstanding during the year}}$$

$$\text{Return on net worth (\%)} = \frac{\text{Standalone Net Profit after tax, as restated}}{\text{Net worth at the end of the year}}$$

The annualized Return on net worth has been arrived at by dividing the annualizing the restated Standalone profit after Tax by annualizing the Standalone net worth at the end of the year

$$\text{Restated Net Asset Value per Equity Share - Basic} = \frac{\text{Standalone Net worth at the end of the year}}{\text{Restated No. of Equity Shares (Basic) of holding company outstanding at the end of the year}}$$

$$\text{Restated Net Asset Value per Equity Share – Diluted} = \frac{\text{Standalone Net worth at the end of the year}}{\text{Restated Number of Equity Shares(Diluted) outstanding at the end of the year}}$$

4. Standalone Profit & Loss as restated has been considered for computing the above ratios.

5. Share Application advance received by BGR Energy Systems Limited (formerly GEA Energy System (India) Limited) has been taken for the calculation of the diluted EPS as the same has been utilized for business purposes. The Share Application Advance has been repaid on 31st Mar 2007.

6. The company has adopted 18 months period for the financial ending 31st Mar 2007. Accordingly, the above ratios for the period ending 31st March 2007 are annualized on time basis.

7. For calculating the Net Asset Value, the weighted average number of Equity Shares has to be considered.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL INFORMATION OF BGR ENERGY SYSTEMS LIMITED

(Formerly GEA ENERGY SYSTEM (INDIA) LIMITED)

To,
The Board of Directors,
BGR Energy Systems Limited,
(Formerly GEA Energy System (India) Limited),
443, Anna Salai, Teynampet,
Chennai – 600 018

Dear Sirs,

Sub: Proposed Public Issue of Equity Shares of BGR Energy Systems Limited (Formerly GEA Energy System (India) Limited)

1. We have examined the attached consolidated financial information of **BGR Energy Systems Limited** (Formerly GEA Energy System (India) Limited) (hereinafter referred to as '**the Company**' or '**the Holding Company**') and its subsidiaries, joint ventures and associate (hereinafter jointly called or referred to as, '**the Group**'), annexed to this report for the purpose of inclusion in the Red Herring Prospectus (hereinafter '**the RHP'**) and initialed by us for identification. The consolidated financial information has been prepared by the Company and approved by the Board of Directors which has been prepared in accordance with:

   a) paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 (hereinafter referred to as '**the Act**');

   b) Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as '**the Guidelines**') issued by the Securities and Exchanges Board of India ('SEBI') pursuant to Section 11 of the Securities and Exchange Board of India Act, 1992; and related clarification as amended upto date; and

   c) The terms of our engagement agreed with you in accordance with our letter dated 18th July 2007 in connection with the proposed issue of equity shares of the company.

2. These information have been prepared by the Management from the respective audited financial statements of the Group as detailed in **point no. 3** of common notes to accounts for the group, attached herewith in **Annexure IVA**.

3. We did not audit the financial statements of the following subsidiaries of the Company for the financial years ended 30th September, 2002, 2003, 2004, 2005, 31st March 2007 and 30th June 2007:

   a) Progen Systems and Technologies Ltd; and

   b) Schmitz Reinigungskugeln GmbH, Germany (Ceased to be a subsidiary as on 30th June 2007)

4. Further, we did not audit the financial statements of the following joint ventures and associates of the Company for the financial years ended 31st March 2002, 2003, 2004, 2005, 2006, 2007 and 30th June 2007:

a) Joint Venture - Mecon-GEA Energy System (India) Ltd (JV); and

b) Associate - Cuddalore Power Company Ltd.

5. The following are the total assets, total liabilities, Net Assets Value and total revenue of subsidiaries, joint ventures and associate compiled from the audited financial statements of the respective concerns:

INR in millions

Name of the company	Details	As at 30th September				As at 31st March 2007	As at 30th June 2007
		2002	2003	2004	2005		
Progen Systems and Technologies limited (Subsidiary)	Total of Assets	168.28	171.95	176.84	165.54	162.38	178.89
	Total Liabilities	165.83	168.00	171.33	157.80	111.98	108.19
	Net Assets Value	2.45	3.95	5.51	7.74	50.40	70.70
	Total of Revenue	54.65	46.48	48.96	55.07	129.04	56.51
Schmitz Reinigungskugeln GmbH (Subsidiary)	Total of Assets	5.05	6.44	8.64	7.82	9.89	NIL
	Total liabilities	3.66	5.64	7.94	6.52	7.15	NIL
	Net Assets Value	1.39	0.80	0.70	1.30	2.74	NIL
	Total of Revenue	7.40	10.01	14.99	14.83	24.39	5.07

INR in millions

Name of the company	Details	For the 12 months year ended 31st March						For the 3 months ended 30th June 2007
		2002	2003	2004	2005	2006	2007	
Mecon-GEA Energy System (India) Ltd (JV)	Total of Assets	Not Applicable		109.05	124.15	295.40	339.43	340.63
	Total liabilities			109.05	124.15	295.73	339.83	341.07
	Net Assets value			NIL	NIL	(0.33)	(0.40)	(0.44)
	Total of Revenue			NIL	168.16	446.73	69.10	NIL
Cuddalore Power Company Ltd (Associate)	Total of Assets	22.45	22.48	22.51	22.53	22.56	62.65	89.54
	Total liabilities	0.28	0.31	0.28	0.28	0.28	36.94	10.18
	Net Assets value	22.17	22.17	22.23	22.25	22.28	25.71	9.36
	Total of Revenue	NIL	NIL	NIL	NIL	NIL	NIL	NIL

6. These financial statements have been audited by different auditors as given here below, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in these Consolidated Restated Summary Statement of Asset & Liabilities and Consolidated Restated Summary Statement of Profit & Loss Account, Certificates are based solely on the report of such other auditors.

<table>
<tr><th rowspan="2">Name of the company</th><th colspan="4">For the year ended 30th September</th><th rowspan="2">For the year ended 31.03.07</th><th rowspan="2">For the 3 months ended 30th June 2007</th></tr>
<tr><th>2002</th><th>2003</th><th>2004</th><th>2005</th></tr>
<tr><td>Progen Systems and Technologies limited</td><td>S.Neelakantan & Associates</td><td colspan="5">CNGSN & Associates</td></tr>
<tr><td>Schmitz Reinigungskugeln GmbH</td><td colspan="6">Gerda Verhasselt</td></tr>
</table>

<table>
<tr><th rowspan="2">Name of the company</th><th colspan="6">For the year ended 31st March</th><th rowspan="2">For the 3 months ended 30th June 2007</th></tr>
<tr><th>2002</th><th>2003</th><th>2004</th><th>2005</th><th>2006</th><th>2007</th></tr>
<tr><td>Mecon-GEA Energy System (India) Ltd</td><td colspan="2">Not Applicable</td><td colspan="5">S.Ravi Shankar</td></tr>
<tr><td>Cuddalore Power Company Ltd (Associate)</td><td colspan="7">S.Ravi Shankar</td></tr>
</table>

7. We have adopted the audited financial information of the Subsidiaries, Joint Ventures and Associate and have restated the same for the purpose of inclusion in the consolidated financial information after incorporating:

   a) adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods; and

   b) adjustments for the material amounts in the respective financial years to which they relate.

   There are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.

8. In accordance with the requirements of the Act, the Guidelines and the terms of our engagement agreed with you, we further report that:

   a) The Consolidated Summary Statements of Assets and Liabilities, as restated, of the Group as at 30th September 2002, 2003, 2004, 2005, 31st March 2007 and 30th June 2007 examined by us and by the respective other auditors as mentioned in para 5 above, as set out in **Annexure - I** to this report are after making adjustments and regrouping, as in our opinion, were appropriate;

   b) The Consolidated Summary Statement of Profits and Losses, as restated, of the Group for the years ended 30th September, 2002, 2003, 2004, 2005, eighteen months ended 31st March, 2007 and three months ended 30th June 2007 examined by us and by the respective other auditors as mentioned in para 5 above, as set forth in **Annexure - II** to this report are after making adjustments and after regrouping, in our opinion, were appropriate;

   c) The Consolidated Summary Cash Flow Statement, as restated, of the Group for the years ended 30th September 2002, 2003, 2004, 2005, eighteen months ended 31st March, 2007 and 30th June 2007 examined by us and by the respective other auditors, as set forth in **Annexure - III** to this report are after making adjustments and after regrouping, in our opinion, were appropriate.

d) These summary restatements are more fully described in Significant Accounting Policies, Note and Changes in Significant Accounting Policies (Refer **Annexure – IV & IVA**)

e) Based on the above, we are of the opinion that the consolidated restated financial information have been made after incorporating:

i. Adjustments for the changes in accounting policies, retrospectively, in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.

ii. Adjustments for material amounts in the respective financial years to which they relate; and

iii. There are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.

Please refer **Annexure – V**.

f) *Accounting Standard 28 (AS-28) on 'Impairment of assets' issued by the Institute of of India (ICAI) is mandatory in respect of accounting period commencing on or after 01.04.2004. Accordingly, the Holding Company has adopted the Standard in preparing and presenting the financial statements for the year ending 30 September, 2005. In this restated consolidated financial statement, the requirements of AS-28 had to be applied for the Holding company retrospectively for the entire reporting periods from financial year 2002. However, the Holding company has expressed its view that it is impracticable to:*

i. review the conditions of each of the assets that existed as on the respective reporting dates; and

ii. precisely quantify the amount of impairment as on such reporting dates.

*On account of this, we state that the impairment of assets in accordance with AS -28 pertaining to the Holding Company, has not been dealt in the restated Consolidated Summary statements of Assets and Liabilities, Profits and Losses for the year ending 30th September 2002, 2003 and 2004 as referred to in **Annexures – I, II & III**.*

g) For the purpose of this Audit Report, we have read the minutes of the meetings of Board of Directors' and Shareholder's of BGR Energy Systems Limited, held between 1st July,2007 and 30th September 2007. In our opinion, which is solely based on the recordings in the minutes as referred above, the following are the material events that have occurred after our audited balance sheet as on 30th June 2007:

i. The Company has granted an Employee Stock Option Plan whereby, the permanent employees of the Company have been granted stock option to subscribe for the shares of the company. The total number of shares offered for subscription under this scheme is 7,04,770 at an agreed Exercise price of 85% of the offer price per share. The Board resolution to give effect to this scheme was passed on 11th July,2007; and

ii The company vide its resolution dated 11th July,2007 in the General Meeting has approved to issue bonus shares in the ratio 5:1. With this bonus issue, the capital base of the Company stands expanded to 1,08,00,000 numbers from 6,48,00,000 numbers. Accordingly, the share capital has increased to Rs.64,80,00,000/- from Rs.10,80,00,000/-as it stood on 31.03.2007.

h) We confirm that the attached Restated Consolidated Financials as on 30.06.2007 are not adjusted for the above since they occurred after 30.06.2007 and are of non-adjusting events in nature.

i) We have examined the following Consolidated other financial information of the Group for each of the years / period presented which are proposed to be included in the Offer Documents as approved by the Board of Directors and annexed to this report :

Details of other financial information examined	Annexure
Fixed Assets	VI
Investments	VII
Inventory	VIII
Sundry debtors	IX
Cash & Bank Balances	X
Other Current Assets	XI
Loans and Advances	XII
Secured Loans	XIII
Unsecured Loans	XIV
Current Liabilities and provisions	XV
Share Capital	XVI
Contingent liabilities	XVII
Other Income	XVIII
Capitalization Statement	XIX
Related Party Disclosures	XX
Tax Shelters	XXI
Major Accounting Ratios	XXII

In our opinion, the Consolidated Financial Information contained in **Annexure VI to XXII** of this report read along with the Significant Accounting Policies, Changes in Significant Accounting Policies and Notes prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with the Act and the Guidelines.

9. Our report is intended solely for use of management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company. Our report should not be used, referred to or distributed for any purpose except with our consent in writing.

For **Manohar Chowdhry & Associates**
Chartered Accountants

CA. Hari G.R
Partner
Membership No.: 206386

Place : Chennai
Date : October 15, 2007

Consolidated Statement of Assets and Liabilities, as restated

Annexure - I

(INR in Millions)

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
A. Assets						
Goodwill on Consolidation of Subsidiaries	4.66	4.66	4.67	4.74	4.59	5.87
Fixed Assets-gross block	294.46	302.32	385.61	495.93	633.21	651.49
Less: Depreciation	100.19	117.47	140.15	165.84	249.18	218.23
Net Block	194.27	184.86	245.45	330.09	384.04	433.26
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Block after adjustment for Revaluation Reserve	194.27	184.86	245.45	330.09	384.04	433.26
Capital Work in Progress	0.00	0.00	1.83	5.53	30.19	10.07
Sub-total	**194.27**	**184.86**	**247.28**	**335.62**	**414.23**	**443.33**
B. Investments	**1.03**	**1.03**	**1.03**	**1.03**	**2.80**	**5.30**
(Goodwill on consolidation of associates - Refer Note below)	*0.06*	*0.08*	*0.08*	*0.08*	*0.08*	*0.08*
C. Current assets, loans and advances						
Inventories	84.82	116.39	123.39	187.32	293.33	257.53
Sundry Debtors	573.36	755.28	754.59	1,181.30	3,688.00	4209.97
Cash & bank balances	66.22	73.20	228.79	185.03	929.02	1064.57
Other current assets	7.44	6.15	10.63	27.76	79.50	108.16
Loans and advances	75.51	69.02	183.02	235.66	842.33	1184.90
Sub-total	**807.35**	**1,020.04**	**1,300.43**	**1,817.07**	**5,832.19**	**6825.13**
Total Assets	**1,007.30**	**1,210.59**	**1,553.40**	**2,158.46**	**6,253.81**	**7279.63**

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
D. Liabilities & Provisions						
Loan funds						
Secured loans	405.67	471.37	505.23	831.47	2,404.73	2618.33
Unsecured loans	54.67	58.22	56.95	57.55	59.43	59.08
Sub- total	**460.34**	**529.59**	**562.17**	**889.02**	**2,464.15**	**2677.41**
Minority Interest	0.54	1.00	1.48	2.34	15.36	21.44
Current liabilities & provisions						
Sundry liabilities	314.01	368.47	564.46	706.60	2,669.48	3234.20
Provisions	54.39	70.98	97.92	124.29	275.60	352.50
Sub-total	**368.40**	**439.45**	**662.38**	**830.89**	**2,945.08**	**3586.70**
Liabilities & Provisions sub total	**829.28**	**970.04**	**1226.03**	**1722.25**	**5424.59**	**6285.55**
E. Net worth						
Represented by:						
Shareholders funds						
Share Capital	54.00	54.00	108.00	108.00	108.00	108.00
Advance Share capital	0.90	0.90	0.90	0.90	0.00	0.00
Reserves & surplus	121.91	183.29	215.34	324.18	717.82	886.08
Add: Foreign currency translation reserve	1.22	2.36	3.12	3.14	3.41	0.00
Less: Revaluation Reserve	0.00		0.00	0.00	0.00	0.00
Reserves (Net of Revaluation Reserve)	178.02	240.55	327.36	436.21	829.21	994.08
Less: miscellaneous expenditure not written off	0.00	0.00	0.00	0.00	0.00	0.00
Total	**178.02**	**240.55**	**327.36**	**436.22**	**829.21**	**994.08**
Total	**1,007.30**	**1,210.59**	**1,553.40**	**2,158.46**	**6,253.81**	**7279.63**

Note:

As per AS-23 on Accounting for Investments in Associates in Consolidated financial statements, goodwill arising on valuation of associate, is presented separately

Consolidated Profit & Loss Account, as restated

Annexure - II

(INR in Millions)

Particulars	For the period ended 30th September				For the period ended 31st March 2007	For the period ended 30th June 2007
	2002	2003	2004	2005		
Income						
Sale of Manufactured Goods	486.96	723.82	1,002.15	959.69	1,751.45	165.81
Sale of Traded goods	22.91	29.93	34.93	37.84	560.41	25.90
Contract Income	742.39	829.13	1,669.48	1,960.06	5,556.17	2204.54
Total	**1,252.26**	**1,582.88**	**2,706.56**	**2,957.59**	**7,868.03**	**2396.25**
Other income	1.69	4.06	2.32	(1.45)	2.95	6.20
Increase (decrease) in inventory	8.08	39.83	(14.42)	35.17	31.78	42.76
Total Income	**1,262.03**	**1,626.77**	**2,694.46**	**2,991.31**	**7,902.76**	**2445.21**
Expenditure						
Raw materials, goods consumed & goods purchased	789.96	1,106.06	2,019.97	2,082.57	5,598.92	1757.90
Staff costs	87.88	89.89	109.91	145.55	328.23	213.68
Other Manufacturing expenses	119.86	158.26	219.49	312.05	713.76	102.92
Selling & distribution expenses	4.90	8.18	7.27	12.58	24.94	4.02
General & Administration expenses	104.41	101.77	123.95	151.09	351.66	65.67
Interest	51.75	47.18	47.34	61.30	179.68	35.37
Depreciation	17.33	17.69	20.92	32.45	88.80	13.15
Miscellaneous expenditure written off	2.10	1.91	1.98	3.85	3.99	-
Total Expenditure	1,178.19	1,530.94	2,550.83	2,801.44	7,289.98	2192.71
Net Profit before tax and extraordinary items	**83.84**	**95.83**	**143.63**	**189.87**	**612.78**	**252.50**
Provision for taxation	19.83	20.36	31.85	54.38	213.14	77.66
Net profit after tax & before extraordinary items	**64.01**	**75.47**	**111.78**	**135.49**	**399.64**	**174.84**
Extraordinary items (net of tax)	-	-	-	-	-	-
Net profit after extraordinary items	**64.01**	**75.47**	**111.78**	**135.49**	**399.64**	**174.84**
Earlier year adjustments	-	-	-	-	-	-
Net profit after extraordinary items and earlier year adjustments	**64.01**	**75.47**	**111.78**	**135.49**	**399.64**	**174.84**

Particulars	For the period ended 30th September				For the period ended 31st March 2007	For the period ended 30th June 2007
	2002	**2003**	**2004**	**2005**		
Adjustments	-					
Depreciation on Development Expenditure	(1.23)	(1.23)	(1.44)	(1.63)	-	-
Miscellaneous expenditure written off	2.10	1.91	1.98	(1.73)	3.72	-
Depreciation on technical know-how	(0.37)	(0.37)	(0.37)	(0.37)	2.31	-
Foreign exchange variation	(0.10)	-	-	-	(0.08)	-
Restatement of Sundry creditors	(0.08)	0.13	(0.02)	0.11	-	-
Warranty provision	(1.58)	(0.43)	(1.41)	1.09	2.33	-
Royalty provision	0.29	1.39	0.96	(0.06)	(2.39)	-
Provision for taxation	1.67	(0.41)	0.18	0.96	2.61	-
General & Administration expenses	-	-	-	0.55	-	-
Restated profit	**64.71**	**76.46**	**111.66**	**134.41**	**408.14**	**174.84**
Restated profit before tax	**82.87**	**97.22**	**143.32**	**187.82**	**618.67**	**252.50**
Appropriations						
Transfer to general reserve	6.27	7.47	11.04	13.26	39.20	-
Proposed dividend	10.80	10.80	21.60	21.60	32.40	-
Tax on proposed dividend	-	2.80	2.82	3.03	5.51	-
Profit / (loss) Minority interest	(9.22)	(5.33)	(4.09)	0.25	(6.14)	6.16
Balance carried to Balance sheet	**56.86**	**60.72**	**80.29**	**96.27**	**337.17**	**168.68**

Consolidated Summary of Cash Flows, as restated

Annexure - III

(Rs. In Millions)

Particulars	For the financial year				18 months period 2005-07	For the 3 months ended 30th June, 2007
	2001-02	2002-03	2003-04	2004-05		
Cash Flow from Operating Activities						
Net Profit before tax	82.87	97.22	143.32	187.82	618.67	252.50
Adjustments for:						
Depreciation & Amortization	18.93	19.30	22.74	40.03	86.76	13.15
Dividend income	-	-	-	-	(0.22)	-
(Profit)/loss on Foreign Currency Translation	(0.10)	-	-	-	0.42	3.82
(Profit)/loss on disposal of investment on consolidation*(incl Foreign exchange translation reserve)*	-	-	-	-	-	(10.75)
(Profit)/loss on sales of Fixed assets	-	1.17	0.22	0.07	0.50	-
(Profit)/loss on sales of Business Unit	-	-	-	-	-	(4.26)
Interest Expense	51.75	47.18	47.34	61.30	179.68	35.37
Operating profit before working capital changes	**153.45**	**164.87**	**213.62**	**289.22**	**885.81**	**289.82**
(Increase) / Decrease in Sundry Debtors	(66.56)	(181.92)	0.69	(426.71)	(2,506.71)	(521.96)
(Increase) / Decrease in Inventories	(38.02)	(31.57)	(7.00)	(63.92)	(106.02)	35.80
(Increase) / Decrease in Other Current Assets	(0.01)	0.29	(5.48)	(17.13)	(14.77)	(28.65)
(Increase) / Decrease in Loans and Advances	(13.55)	7.49	(115.42)	(52.64)	(606.66)	(342.57)
Increase / (Decrease) in Sundry liabilities	132.18	54.46	195.99	142.13	1,962.89	564.72
Increase / (Decrease) in Provisions	4.00	(0.96)	0.45	(1.03)	(2.33)	0.68
Cash generated from Operations	**171.49**	**12.65**	**282.84**	**(130.07)**	**(387.79)**	**(2.16)**
Income taxes paid	(16.96)	(6.04)	(18.83)	(26.82)	(74.71)	(1.96)
Net Cash Flow from Operating Activities	**154.53**	**6.61**	**264.01**	**(156.88)**	**(462.50)**	**(4.12)**

Particulars	For the financial year				18 months period 2005-07	For the 3 months ended 30th June, 2007
	2001-02	2002-03	2003-04	2004-05		
Cash Flows (used in) / fromInvesting Activities						
Net proceeds on (Purchase) andsale of Fixed Assets	(6.40)	(10.64)	(83.46)	(124.95)	(143.50)	(37.74)
Purchase of Investments	-	1.00	-	-	(1.77)	3.50
Capital Work in progress	-	-	(1.83)	(3.71)	(24.66)	(1.50)
Dividend income	-	-	-	-	0.22	-
Net Cash Flow from Investing Activities	**(6.40)**	**(9.64)**	**(85.29)**	**(128.66)**	**(169.71)**	**(35.74)**
Cash Flows (Used in) / from Financing Activities						
Repayment of Share Capital Advance	-	-	-	-	(0.90)	-
Secured Loans (repaid) / availed	(160.27)	(3.55)	1.27	(0.60)	(1.88)	(25.07)
Unsecured Loans (repaid) / availed	10.04	(10.25)	(18.01)	46.78	(25.65)	(0.35)
Secured Working capital Loans (repaid) / availed	72.14	83.05	49.32	280.67	1,602.67	238.67
Interest Expense	(56.19)	(48.44)	(44.92)	(63.45)	(176.44)	(37.84)
Dividends Paid	(10.80)	(10.80)	(10.80)	(21.60)	(21.60)	-
Net Cash Flow (Used in) / from Financing Activities	**(145.08)**	**10.01**	**(23.13)**	**241.79**	**1376.20**	**175.41**
Net (Decrease) / Increase in Cashand cash Equivalents	3.06	6.98	155.59	(43.76)	743.99	135.56
Cash and Cash Equivalents at the beginning of the period	63.16	66.22	73.20	228.79	185.03	929.02
Cash and cash Equivalents atthe end of the period	**66.22**	**73.20**	**228.79**	**185.03**	**929.02**	**1064.58**

Note:

(a) There has been a bonus issue in the ratio of 1:1 during the financial year ended 30th September, 2004. This issue has a non-cash impact of INR 54 million.

(b) Closing Cash and Cash equivalents as o 30 June, 2007 includes INR 739.41 mns being deposits placed with banks under lien.

Significant Accounting Policies – Consolidated

Annexure – IV

a. Accounting Conventions:

The consolidated Financial Statements of the Group has been prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI). The Consolidated Financial Statements are prepared under historical cost convention and following the accrual method of accounting in accordance with the mandatory applicable accounting standards.

b. Principles of Consolidation:

The basis of preparation of the Consolidated Financial Statements is as follows:

The financial Statements (The Balance sheet, the Profit and Loss account and the Cash Flow statement) of the group have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances transactions and the resulting unrealized profit or losses.

The differential with respect to the cost of investments in the subsidiaries over the Company's portion of equity is recognized as Goodwill or Capital Reserve, as the case may be.

The differential with respect to the cost of investments in the jointly controlled entity over the Company's share of its net assets of the jointly controlled entity is recognized as Goodwill or Capital Reserve, as the case may be in line with AS – 27 – Financial reporting of interests in Joint ventures

The differential with respect to the cost of investments in the associate entity over the Company's share of its net assets of the is identified and disclosed as Goodwill or Capital Reserve, as the case may be in line with AS -23 – Accounting for investment in Associates in Consolidated financial statements.

The consolidated Financial Statements are prepared using the accounting policies for like transactions and other events in similar circumstances except stated otherwise.

The list of enterprises, which are included in this Consolidate Financial Statements along with Nature of relationship, Company's holding therein, is as under:

No.	Name of the company	Natureof relationship	Last reporting dateof the enterpriseas incorporated in Consolidated Financial Statements	Voting Power/share of interest % as at March 31, 2007
1.	Progen Systems and Technologies Limited.	Indian Subsidiary Company	June 30,2007	69.67%
2.	Schmitz Reinigungskuugein GmbH, Germany.	Foreign Subsidiary Company	March 31,2007	100%
3.	Mecon- Gea EnergySystem (India) Limited (JV)	Indian Joint Controlled Entity	June 30, 2007	10%
4.	Cuddalore PowerCompany limited	Indian Associate	June 30, 2007	41%

c. **Use of Estimates:**

The preparation of consolidated financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting year. Differences between the actual results and the estimates are recognized in the year in which the results are known / materialized.

d. **Fixed Assets:**

Fixed assets are assets held with the intention of being used for purpose of producing or providing goods and services and is not held for sale in the ordinary course of business. The Cost of Fixed assets comprises the purchase price including import duties and other non refundable taxes or levies and any directly attributable cost to bring the asset to the working condition for intended use. Further any trade discounts and rebates are deducted in arriving at the cost.

Intangible assets are identifiable non-monetary assets, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets are separately acquired and are capable of being measured reliably. The cost of intangible asset comprises the purchase price including import duties and other non refundable taxes or levies and any directly attributable cost on making the asset ready for intended use.

e. **Depreciation & Amortization:**

Fixed assets are depreciated as per straight line method on all assets in accordance with the rates prescribed under Schedule XIV of Companies Act, 1956. One-fifth of the value of loose tools and equipments at the end of the year is written-off to the profit and loss account. Loose tools acquired during the year and the actual cost of which is less than Rs.5,000/- has been fully written-off. Intangible assts are amortized over a period of 5 years.

f. **Investments:**

Long term investments are stated at cost less provision for diminution in value other than temporary, if any.

g. **Earning per share (EPS):**

The earnings considered in ascertaining the company's Basic EPS is the attributable net profit or loss to the equity shareholder's as per AS-20 "Earnings Per Share" issued by ICAI. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period. The Diluted EPS is calculated on the same basis as Basic EPS, after adjusting for the effects of potential dilutive equity shares unless the effect of the potential dilutive equity shares is anti-dilutive.

h. **Revenue Recognition:**

i) Sales are accounted on basis of dispatches.

ii) Sales include equipment billed but dispatch of which is withheld at the request of the customer.

iii) In respect of Construction contracts, executed over a period of more than one financial year, the company recognizes revenue on the basis of percentage of completion method as per AS-7 (Revised) "Construction Contracts" issued by ICAI.

iv) Construction contracts revenue is based on the ratio of cost incurred to date to total estimated cost and physical work done as estimated by the technical staff.

i. Inventories:

Raw materials, work in progress, consumables, stores and spares have been valued at cost, ascertained on weighted average basis. Work in progress value includes all direct costs and applicable production overheads to bring the goods to the present location and condition.

j. Foreign currency Transactions:

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of acquisition. Monetary items are translated at the rates prevailing on reporting dates. The exchange difference between rate prevailing on the date of transaction and on the date of settlement and also on translation of monetary items at the reporting date is recognized as income or expense.

k. Translation and accounting of Foreign Subsidiaries:

The financial statements are translated to Indian rupees in accordance with principles laid down under AS-11 (Revised) "Effects on Changes in Foreign Exchange rates" issued by ICAI as follows:

i) All incomes and expenses are translated at average rate of exchange prevailing during the year.

ii) Assets and Liabilities, both monetary and non-monetary are translated at the closing rate on the reporting date.

iii) Share Capital translated at historical rate.

iv) The resulting exchange differences are accumulated in "Foreign Currency Translation Reserve" (FCTR).

v) On disposal of foreign subsidiary, the FCTR a/c is transferred to Profit and loss account of the enterprise in the consolidated financial statements.

l. Income taxes:

Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax is measured at the amount expected to be paid to / recovered from the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences between taxable income and accounting income which are capable of reversal in subsequent periods and are measured using relevant enacted tax rates. Fringe benefits taxes are recognized in accordance with the relevant provisions of the Income tax act, 1961 and the guidance note on Fringe Benefits Tax issued by ICAI. Tax on distributable profits payable by the company in accordance with the provisions of Income tax act, 1961 is disclosed in accordance with the guidance note on Accounting for Corporate Dividend Tax issued by ICAI.

m. Impairment of Assets:

At every balance sheet date, the company determines whether the provisions should be made for the impairment loss on fixed assets by considering the indications that the carrying amount of the asset exceeds the recoverable amount as per recognition and measurement principles laid down in AS-28 "Impairment of Assets" issued by ICAI. For the purpose of impairment, assets are grouped as, for which there are separately identifiable cash flows (cash generating units).

n. Retirement Benefits:

Gratuity liability and Leave encashment benefit to the employees of the company has been provided on accrual basis.

o. Leases:

Finance Leases, which effectively transfer to the company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased term, are classified as operating leases.

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

p. Provisions:

The company recognizes provision when there is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits which can be measured only by using a substantial degree of estimation.

q. Contingent Liabilities:

The company recognizes contingent liability for disclosure in notes to accounts if any of the following conditions is fulfilled:

i) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or

ii) a present obligation that arises from past events but is not recognized because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- a reliable estimate of the amount of the obligation cannot be made.

Annexure - IVA

COMMON NOTES TO ACCOUNTS for the years ending 30.09.02, 30.09.03, 30.09.04, 30.09.05, for the 18 months period ending 31.03.07 and for 3 months ending 30th June 2007

1. All values presented as INR in Millions

2. The consolidated financial statements present the consolidated accounts of the company, which consists of the accounts of the company and its subsidiaries, joint ventures and associates, indicated below:

Subsidiary Company

Sl. No.	Name of the company	Country of Incorporation	Extent of Holding (%) as on June 30, 2007	Goodwill or (Capital Reserve) on account of Consolidation
1.	Progen Systems and Technologies limited	India	69.67%	5.95
2	Schmitz Reinigungskugeln Gmbh	Germany	Remained as a 100% subsidiary till June 30th, 2007. Consolidated Results include the financial information till the date of disposal of the subsidiary	

Joint Ventures

Sl. No.	Name of the company	Country of Incorporation	Extent of Holding (%) as on June 30, 2007	Goodwill or (Capital Reserve) on account of Consolidation
1.	Mecon - Gea Energy System(India) Limited (JV)	India	10% & 30% on two different construction projects	Nil

Associates

Sl. No.	Name of the company	Country of Incorporation	Extent of Holding (%) as on June 30, 2007	Goodwill or (Capital Reserve) on account of Consolidation
1.	Cuddalore Power Company limited	India	41%	0.08

3. **Consolidation of Subsidiaries, Joint ventures and Associates**

Except for 3 month period ended 30th June 2007, the above-mentioned Joint venture and Associates have been adopting a financial year ending of 31st of March every year. Therefore, for the purpose of consolidation the following procedure has been adopted:

a) In case of Assets and Liabilities :

i. the financials of year ending 31.03.2007 has been consolidated as it is; and

ii. the financials of the other years has been clubbed as follows:

Sl.no.	Financial year ending of the Holding Company and Subsidiaries	Financial year ending of Joint venture and Associate
1.	30.09.2002	31.03.2002
2.	30.09.2003	31.03.2003
3.	30.09.2004	31.03.2004
4.	30.09.2005	31.03.2005

b) In case of Profit and loss statement:

Sl.no.	Year ending of the Holding Company and Subsidiaries	Financial year ending of Joint venture and Associate
1.	12 months period ending 30.09.2002	12 months period ending 31.03.2002
2.	12 months period ending 30.09.2003	12 months period ending 31.03.2003
3.	12 months period ending 30.09.2004	12 months period ending 31.03.2004
4.	12 months period ending 30.09.2005	12 months period ending 31.03.2005
5.	18 months period ending 31.03.2007	24 months period ending 31.03.2007

4. **Contingent Liabilities**

Particulars	As at 30th September				As at 31st March	As at 30th June
	2002	2003	2004	2005	2007	2007
Contingent Liabilities						
Income Tax Matters	Nil	0.97	0.17	-	2.28	2.32
Sales Tax Matters	4.73	4.31	1.21	4.68	8.94	6.19
Excise Duty	1.72	1.79	1.79	4.26	Nil	Nil
Bills Discounted	3.48	4.36	9.88	25.15	148.88	Nil
Total - (A)	**9.93**	**11.43**	**13.05**	**34.09**	**160.10**	**8.51**
Guarantees						
Issued by Banks	277.15	278.30	453.68	277.16	3,660.80	3103.08
Corporate Guarantee	35.54	84.46	92.46	114.21	122.02	81.15
Undertakings						
(issued in favour of The President of India towards provisional duty bond for custom duty, legal undertakings for export obligation and end user undertakings for concessional customs duty)	73.08	86.62	54.26	182.97	435.60	264.88
Total - (B)	**385.77**	**449.38**	**600.40**	**574.34**	**4,218.42**	**3449.11**
Total - (A)+(B)	**395.70**	**460.81**	**613.45**	**608.43**	**4,378.52**	**3457.62**

The estimated amount of contracts remaining to be executed on capital accounts and not provided for:

As at	Amount
September 30, 2002	0.05
September 30, 2003	0.60
September 30, 2004	33.64
September 30, 2005	24.40
March 31, 2007	8.66
June 30, 2007	4.21

5. Sale of Energy Division

Effective June 30, 2007, the company has sold the assets and liabilities related to Energy Division to GEA BGR Energy System India Limited for a aggregate consideration of Rs.250 mn. During the three months ended June 30, 2007, the division suffered a negative profit of INR 8.215 mn and posted a turnover of 45.92 mn.

6. Segmental Information

As per Accounting Standard 17 (AS 17) on Segment reporting issued by ICAI, information about Business Segments are furnished below:

For the 12 months year ending September 30, 2002

Sl.No.	Particulars	Industrial Products Segment	Construction Contract Segment	Others
1.	Revenue	500.28	761.57	Nil
2.	Expenditure	468.47	710.51	Nil
3.	Result (PBT)	31.81	51.06	Nil
4.	Assets	203.63	79.45	376.56
5.	Liabilities	362.89	188.83	107.92

For the 12 months year ending September 30, 2003

Sl.No.	Particulars	Industrial Products Segment	Construction Contract Segment	Others
1.	Revenue	805.20	821.70	Nil
2.	Expenditure	737.33	792.35	Nil
3.	Result (PBT)	67.87	29.35	Nil
4.	Assets	500.90	202.07	109.17
5.	Liabilities	338.27	30.76	443.12

For the 12 months year ending September 30, 2004

Sl.No.	Particulars	Industrial Products Segment	Construction Contract Segment	Others
1.	Revenue	1,027.83	1666.61	Nil
2.	Expenditure	949.69	1601.42	Nil
3.	Result (PBT)	78.14	65.19	Nil
4.	Assets	534.31	277.92	120.44
5.	Liabilities	567.89	139.76	225.02

For the 12 months year ending September 30, 2005

Sl.No.	Particulars	Industrial Products Segment	Construction Contract Segment	Others
1.	Revenue	1,030.68	1960.74	Nil
2.	Expenditure	946.07	1857.53	Nil
3.	Result (PBT)	84.61	103.21	Nil
4.	Assets	679.93	576.10	118.10
5.	Liabilities	752.63	438.00	183.50
6.	Capital Assets acquired during the year	78.62	1960.74	Nil
7.	Depreciation	116.94	15.90	Nil

For the 18 months year ending March 31, 2007

Sl.No.	Particulars	Industrial Products Segment	Construction Contract Segment	Others
1.	Revenue	2,344.13	5556.56	Nil
2.	Expenditure	2,200.48	5081.15	Nil
3.	Result (PBT)	143.65	475.41	Nil
4.	Assets	814.55	2412.76	62.76
5.	Liabilities	1408.64	1785.41	96.02
6.	Capital Assets acquired during the year	44.64	95.08	Nil
7.	Depreciation	33.04	37.83	Nil

For the 3 months year ending June 30, 2007

Sl.No.	Particulars	Industrial Products Segment	Construction Contract Segment	Others
1.	Revenue	177.46	2209.97	Nil
2.	Expenditure	192.05	1968.37	Nil
3.	Result (PBT)	(14.59)	241.60	Nil
4.	Assets	698.01	4107.10	69.64
5.	Liabilities	1570.04	3224.23	80.48
6.	Capital Assets acquired during the year	41.05	36.99	Nil
7.	Depreciation	3.513	8.33	Nil

7. Infrastructure Contracts

Cochin Project: The end client of Cochin Port Road connectivity Project Viz., Cochin Port Road Company Ltd. (CPRCL) a SPV of NHAI, has terminated the contract on 28.05.2007. Consequently, CPRCL has encashed Bank Guarantees for a value of INR 127 mn furnished by the company on behalf of MECON-GEA JV. The main contractor viz., MECON – GEA JV is contesting the termination of the contract with CPRCL. As per the termination clause of the contract with CPRCL, the company has identified a sum of INR 6.27 mn as on 30.06.2007 as recoverable expenses from the end client through the JV and is shown as receivable from the JV.

Tuticorin Project: The contract for Tirunelveli – Tuticorin Port connectivity Road Project has expired on 12.08.2006. Subsequently, the main contractor MECON – GEA(JV) has put on hold further execution of contracted works. The end client viz., Tuticorin Port Road Company Ltd (SPV of NHAI) and the main contractor had held various discussions. It is now proposed by the end client to terminate the contract for mutual convenience of both the contractor and end client. In accordance with the Proposed termination agreement to be entered into between the JV and the end contractor, the company has identified a sum of INR 8.27 mn as receivable as on 30.06.2007 as recoverable expenses from the end client through the JV. The same has been reflected as receivable from the JV.

8. Details regarding Schmitz Reinigungskugeln GmbH

INR in millions

Particulars	For the period ending 30th September				For the 18 months period ending 31st March 2007	For the 3 months period ending 30th June, 2007
	2002	2003	2004	2005		
Income	7.40	10.01	14.99	14.83	24.39	5.07
Profit Before Tax	(0.86)	(0.72)	(0.14)	0.69	1.28	0.12
Profit After Tax	(0.96)	(0.73)	(0.16)	0.67	1.28	0.12

Notes on adjustments

Annexure – V

Summary of adjustments made *(Rs. in millions)*

Particulars	Ref	For the period ending 30th September				For the 18 months period ending 31st March 2007	For the 3 months period ending 30th June, 2007
		2002	2003	2004	2005		
Profits as per Consolidated Statement		64.01	75.47	111.78	135.49	399.64	174.84
Adjustments for							
Depreciation on Development Expenditure	A (i)	(1.23)	(1.23)	(1.44)	(1.63)	-	-
Miscellaneous expenditure written off	A (i)	2.10	1.91	1.98	(1.73)	3.72	-
Depreciation on technical know-how	A (ii)	(0.37)	(0.37)	(0.37)	(0.37)	2.31	-
Foreign exchange variation	A (ii)	(0.10)	-	-	-	(0.08)	-
Restatement of Sundry creditors	A (ii)	(0.08)	0.13	(0.02)	0.11	-	-
Warranty provision	A (iii)	(1.58)	(0.43)	(1.41)	1.09	2.33	-
Royalty provision	A (iv)	0.29	1.39	0.96	(0.06)	(2.39)	-
Provision for taxation	A (v) & (vii)	1.67	(0.41)	0.18	0.96	2.61	-
General & Administration expenses	A (vi)	-	-	-	0.55	-	-
Restated profit		**64.71**	**76.46**	**111.66**	**134.41**	**408.14**	**174.84**

Explanatory Notes for above adjustments

A. Restatements having Adjusting Effects

(The corresponding restated accounts have been indicated within brackets)

i. Intangible asset-Development Expenditure:*(Miscellaneous expenditure, Fixed Assets & Depreciation)*

The Company has incurred development expenditure throughout the reporting periods. The entity has recognized and disclosed these development expenditures for the financial years ended 2002, 2003 and 2004 under the head "Miscellaneous Expenditure" in accordance with Accounting Standard 8 - Accounting for Research and Development expenditure, which was applicable in those corresponding periods. As per the accounting policy of the company, such expenditures were amortized over a period of 5 years.

After the introduction of Accounting Standard 26 - Accounting for Intangible Assets, with effect from the accounting period commencing on or after 01.04.2004, the company has disclosed such development expenditure as part of intangible assets under the head fixed assets. Therefore, in the restated financial statements, adjustments have been carried out to align the development expenditure in accordance with Accounting Standard 26. Accordingly, the consequential effect of this restatement has been carried out on depreciation also.

ii. **Technical Know-How:** *(Fixed assets, Current liabilities & Provisions and Depreciation)*

The Company has acquired Technical Know-How during the financial year 2000-01 vide an agreement approved by RBI. This technical know-how was ready for use as on the date of purchase itself. However, the payments for the cost of the asset were made in installments in accordance with the agreement and capitalized in the books in the respective year of payment on a periodical basis. Adjustments have been carried out in the restated financial statements, to reinstate the full value of intangible asset in the year in which it was acquired. Accordingly, in this restated financial statements, the amount with respect to Technical Know-How, creditors, depreciation and foreign exchange variation are restated. The consequent effect on provision for taxation has also been restated.

iii. **Provision for warranty:** *(Other manufacturing expenses and Current liabilities & Provisions)*

During the financial year ended 30th September 2002, 2003 and 2004, the Company was following a policy of accounting for warranty expenses in the year in which it was actually incurred. Subsequently, from financial year 2005 the Company adopted a policy of making provision on warranty at 0.3% on service revenue and 0.125% on other turnover. This change was adopted in accordance with the principles contemplated in AS-29 - 'Provisions, Contingent liabilities and Contingent assets' issued by the ICAI. The necessary impact on net profit of the company and provision for tax has been restated in accordance with AS 5 – 'Net Profit or Loss for the period, Prior period Items and Changes in Accounting policies'.

iv. **Royalty Expenses:** *(Other manufacturing expenses, Current liabilities & Provisions & Other Income)*

Royalty expenses for the financial years 2002, 2003, 2004 and 2005 were provided on the basis of estimates as per the information available as on the respective reporting dates. However, the actual outflow in the subsequent years were not the same as estimated and provided earlier. Thus, in the financial year 2007, the cumulative excess provision made in the books during the earlier financial years was reversed and disclosed as prior period income. This excess provision reversed during the financial year 2007 is restated to the respective financial years, after providing for tax.

v. **Deferred Tax:**

The Company adopted AS-22 'Accounting on taxes on Income' issued by ICAI for the first time in preparing and presenting the financial statements for the year ended 30 September, 2003. For the purpose of this report, AS-22 has been applied retrospectively from the financial year ended 2002. Accordingly, deferred tax asset has been recorded in the respective year of origination, thereby, leading to a corresponding adjustment in opening reserves.

vi. General and administration expenses

One of the subsidiaries, Progen Systems and Technologies limited, has charged of Rs. 0.55 Million as prior period expenses during the Financial year ending 30th September 2005. This amount is pertaining to expenses prior to financial year ending 30th September 2002. Therefore, the same has been restated in the opening reserves of the financial year ending 30th September 2002.

vii. Provision for taxation

The company has created a provision for INR 0.69 million and INR 4.09 million as additional provision pertaining to the tax liability of financial years 1993 – 94 and 1997 – 98 respectively. These were pertaining to income tax legal cases pending for final judgement, which materialized during the 18 months period ended 31.03.2007. Therefore, these provisions were reversed and adjusted against the opening reserves of the financial year 2001 – 2002.

B. Adjustments having effects, but not restated

Impairment of Assets

The Company has adopted AS-28 'Impairment of assets' issued by the ICAI for the first time in preparing and presenting the financial statements for the year ending 30 September, 2005. In this restated financial statement, the requirements of AS-28 had to be applied retrospectively for all the reporting periods from financial year 2002. However, since it is impracticable to review the conditions of the assets that existed as on respective reporting dates, the restatement of fixed assets for impairment has not been carried out.

C. Regroupings:

(The corresponding restated accounts have been indicated within brackets)

i) Retention Money: *(Inventories and sundry debtors)*

During the Financial Years 2002, 2003, 2004 and 2005, the Company has disclosed retention money held by the customers, as a part of work in Progress. During the 18 months period ending 31st March 2007, the company has regrouped and disclosed such retention money under the head "Sundry Debtors". In this restated financial statement, such regroupings has been given effect.

ii) Share capital advance: *(Investments and Loans & advances)*

During the financial years 2002 and 2003, the Company has disclosed share capital advance paid under the head "Investment". From the financial year ending 2004, regrouping has been carried out to disclose such advances under the "Loans and Advances". Accordingly, in the financial statement, restated appropriate effect has been given for all the earlier financial years.

iii) Foreign Exchange Variation Account: *(Other Income and General & Administrative Expenses)*

The company has been disclosing the loss arising out of Forex exchange transactions under the head "General & Administrative expenses". In the restated statements, such losses have been regrouped under the head "Other Income". This regrouping does not have any effect on the profits of the company.

iv) **Loss on sale of Assets:** *(Other Income and General & Administrative Expenses)*

The company has been disclosing the loss on sale of assets under the head "General & Administrative expenses". In the restated statements, the same has been regrouped under the head "Other Income".

v) **Sale of Energy Division:**

Effective June 30, 2007, the company has sold the assets and liabilities related to Energy Division to GEA BGR Energy System India Limited for a aggregate consideration of Rs.250 mn. During the three months ended June 30, 2007, the division suffered a negative profit of INR 8.215 mn and posted a turnover of 45.92 mn,

Restated Schedule of Fixed Assets – Consolidated **Annexure - VI**

INR in millions

Particulars	Ref	As at 30th September				As at 31st March 2007	As at 30th June 2007
		2002	2003	2004	2005		
Gross Block							
Tangible Assets							
Land		10.85	10.84	10.84	10.84	12.79	10.60
Building		59.61	59.99	60.56	60.56	65.71	62.36
Plant and Machinery		122.25	122.25	183.37	293.70	358.96	383.62
Electrical Installations		13.13	13.28	14.45	14.63	16.24	15.72
Furniture and Fixtures		6.48	6.28	7.51	8.07	12.75	8.6
Office Fixtures		10.84	9.76	9.93	10.80	21.55	13.39
Office Equipments		22.26	24.28	29.68	33.08	56.46	49.39
Vehicles		21.89	27.27	38.54	39.15	61.35	62.02
Total	**(A)**	**267.31**	**273.95**	**354.88**	**470.83**	**605.81**	**605.70**
Intangible Assets							
Technical Know-how		22.07	22.08	22.08	14.45	14.45	14.45
Development Expenses		3.79	4.96	7.19	9.29	11.46	31.34
Concessions, patent rights etc		1.29	1.34	1.45	1.36	1.49	0.00
Total	**(B)**	**27.15**	**28.38**	**30.72**	**25.10**	**27.40**	**45.79**
Total Gross Block ((A) + (B))	**(C)**	**294.46**	**302.33**	**385.60**	**495.93**	**633.21**	**651.49**
Less: Accumulated Depreciation	**(D)**	100.19	117.47	140.15	165.84	249.17	218.23
Net Block ((C) - (D))	**(E)**	**194.27**	**184.86**	**245.45**	**330.09**	**384.04**	**433.26**
Capital Work - in – Progress	**(F)**	-	-	1.83	5.53	30.19	10.07
Total Fixed Assets ((E) + (F))		**194.27**	**184.86**	**247.28**	**335.62**	**414.23**	**443.33**

Restated Schedule of Investments- Consolidated **Annexure - VII**

(INR in millions)

Particulars	No. of Units/ shares	As at 30th September				As at 31st March 2007	As at 30th June 2007
		2002	2003	2004	2005		
TRADE(Quoted)							
i) State Bank of India – Bonds	10,000	1.00	NIL	NIL	NIL	NIL	NIL
(10,000 Units of Rs.100/- each, fully paid up)							
ii) Indian Bank	13,970	NIL	NIL	NIL	NIL	1.27	1.27
(13,970 Equity Share of Rs.91 per share)							
iii) SBI- Mutual Fund- Magnum Multi Cap	50,000	NIL	NIL	NIL	NIL	0.50	0.50
(50,000 units of Rs.10/- each)							
iv) SBI- Mutual Fund- Infrastructure bond	250,000	NIL	NIL	NIL	NIL	NIL	2.50
(NAV INR Rs.10 per unit as on 30/06/2007)(Rs.10)							
NON TRADE UNQUOTED (AT COST)							
a) Investment in Other Companies							
i) M/s. GEA Cooling Tower Technologies(India) Pvt. Ltd.	2,000	0.02	0.02	0.02	0.02	0.02	0.02
(2,000 Equity Shares of Rs.10/-)							
ii) M/s. Cuddalore Power Company Ltd.	10,090	0.01	1.01	1.01	1.01	1.01	1.01
(10,090 Equity shares of Rs.100/- each) In the year 2002, only 90 Equity Shares were held.							
TOTAL		**1.03**	**1.03**	**1.03**	**1.03**	**2.80**	**5.30**

Restated Schedule of Inventories **Annexure - VIII**

INR in millions

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
Raw Materials, Consumables, Bought outs and components	61.43	83.74	95.60	145.30	213.75	194.37
Work in progress	22.99	32.12	26.90	40.77	78.32	63.16
Finished goods	0.40	0.53	0.89	1.25	1.26	0.00
TOTAL	**84.82**	**116.39**	**123.39**	**187.32**	**293.33**	**257.53**

Restated schedule of Sundry Debtors – Consolidated **Annexure - IX**

(Rs. In millions)

Particulars	Ref	As at 30th September				As at 31st March 2007	As at 30th June 2007
		2002	2003	2004	2005		
Debts outstanding for over 6 months							
Unsecured- Considered good		24.72	28.95	51.81	89.67	215.41	275.13
- Considered doubtful		-	-	-	-	-	-
TOTAL	**A**	24.72	28.95	51.81	89.67	215.41	275.13
Other debts							
Unsecured - Considered good		548.64	726.33	702.78	1088.73	3469.42	3931.67
- Considered doubtful		-	-	-	2.90	3.17	3.17
TOTAL	**B**	548.64	726.33	702.78	1091.63	3472.59	3934.84
TOTAL	**C=A+B**	**573.36**	**755.28**	**754.59**	**1181.30**	**3688.00**	**4209.97**
Less: Provision for doubtful debts	**D**	-	-	-	-	-	-
TOTAL	**C-D**	**573.36**	**755.28**	**754.59**	**1181.30**	**3688.00**	**4209.97**

Restated Schedule of Cash and Bank Balances

Annexure – X

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
Cash and Cheques on hand	0.87	1.30	0.92	0.40	3.09	3.59
Balance with Scheduled Bank						
- On Current Account	8.87	2.07	13.26	9.94	73.93	105.75
- On Deposit Account	55.80	69.16	207.09	172.35	*850.21	955.23
Balance with Other Bank	0.68	0.67	7.52	2.34	1.79	-
TOTAL	**66.22**	**73.20**	**228.79**	**185.03**	**929.02**	**1064.57**

*Note: As per the information and explanation given by the management, of the total sum of Rs. 85 crores, a sum of Rs.62 crores has been deposited with various banks as security on March 31,2007. The same is held towards cash margins required to be provided to banks under lien for facilities such as bank guarantees and letters of credit. The balance amount of Rs. 23 crores constitutes working funds which were used in the company's operations in normal course subsequent to March 31, 2007.

Consolidated Schedule of other current assets, as restated

Annexure – XI

Particularsa	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
Interest Accrued on deposits	3.92	3.68	7.93	6.71	21.26	41.76
Share Capital Advance	2.00	1.00	1.00	19.10	19.10	27.90
Loose tools and Spares	1.32	1.18	0.97	1.31	1.98	1.97
Others	0.20	0.29	0.73	0.64	37.16	36.53
Total	**7.44**	**6.15**	**10.63**	**27.76**	**79.50**	**108.16**

Consolidated Statement of Loans And Advances, as restated

Annexure - XII

(Rs.in Million)

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
Advance recoverable in cash or in kind or for value to be received	55.69	56.78	143.97	156.76	716.15	1027.45
Other advances	9.09	7.24	16.68	46.50	35.96	57.32
Balance with Central Excise Authorities	(5.49)	(14.12)	0.20	5.78	39.17	38.45
Balance with Sales Tax Authorities	-	-	-	-	4.92	13.83
Deposits	16.22	19.12	22.17	26.62	46.13	47.85
TOTAL	**75.51**	**69.02**	**183.02**	**235.66**	**842.33**	**1184.90**

Restated schedule of Secured Loans

Annexure - XIII

(Rs. in Million)

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
A. Working Capital Loans						
Working Capital Loan from Banks	234.14	310.09	361.95	641.42	2,240.33	2478.99
Total – A	234.14	310.09	361.95	641.42	2,240.33	2478.99
B. Fixed Asset Loans						
Hire Purchase loan	6.50	11.28	44.25	120.36	87.12	74.83
Total – B	**6.50**	**11.28**	**44.25**	**120.36**	**87.12**	**74.83**
C. Term Loans						
Rupee Loan from Banks (Refer Note)	133.10	150.00	99.03	69.69	77.28	64.51
Rupee Loan from Financial Institutions	31.93	Nil	Nil	Nil	Nil	Nil
Total – C	**165.03**	**150.00**	**99.03**	**69.69**	**77.28**	**64.51**
Total - (A+B+C)	**405.67**	**471.37**	**505.23**	**831.47**	**2,404.73**	**2,618.33**

Note: The holding Company has availed a loan from ICICI Bank, which is secured by the assets of Progen, its subsidiary company. This loan was classified as unsecured loan in the restated standalone statements of the Holding Company, as there were no securities offered directly by the Holding Company. However, for the purpose of this consolidated statement, since the financials of the Holding Company and Progen are consolidated together, the loan from ICICI has been classified as a Secured Loan.

Principal Terms of Secured Loans as on June 30, 2007- Consolidated Statements

INR. in Million

Sl. No.	Particulars	Rate of Interest	Outstanding as on June 30, 2007	Principal Terms of Loan	Security
	Working Capital Loans				
1	State Bank of India	Refer Note-1	439.87	Refer Note-1	Refer Note-1
2	State Bank of Hyderabad		344.40		
3	State Bank of Travancore		127.24		
4	State Bank of Patiala		492.16		
5	State Bank of Bikaner & Jaipur		273.16		
6	UCO Bank Ltd.		201.46		
7	State Bank of Mysore		134.86		

Sl. No.	Particulars	Rate of Interest	Outstanding as on June 30, 2007	Principal Terms of Loan	Security
8	IDBI Bank Ltd.		137.62		
9	State Bank of Indore		299.26		
10	Indian Overseas Bank		15.73		
11	Indian bank		13.23		
	Term Loans				
1	Corporation Bank	11.00%	10.64	18 quarterly installments, repayable in 5 years	Hypothecation of machinery, imported under L/C
2	Corporation Bank	11.75%	25.21	6 quaterly instalments, repayable in 18 months	First charge on fixed assets of the company
3	Corporation Bank	12.25%	28.66	16 quaterly instalments, repayable in 5 years with a moratorium period of 1 year	First charge on fixed assets of the company
4	ICICI Bank Ltd.	12.50%	5.56	18 quarterly installments, repayable in 5 years	First charge on all movable and immovable properties of Progen
	Fixed Assets Loans				
1	HDFC Bank Ltd.		4.96		
2	Kotak Mahindra Ltd.		7.11		
3	ICICI Bank Ltd.		12.33		
4	Indian Overseas Bank	Refer Note-2	7.94	Refer Note-2	Refer Note-2
5	Tamilnad Mercantile Bank Ltd.		1.69		
6	SREI Infrastructure Limited		35.70		
7	ABN Amro Bank		5.29		
	TOTAL		**2,618.32**		

NOTES :

Working Capital Loans:

a. Working Capital Loan in the form of Cash credit and Bank Guarantee by State Bank of Patiala, Indian Bank, State Bank of Indore and Indian Overseas Bank has been provided on independent basis.

b. Whereas State Bank of India, State Bank of Travancore, State Bank of Mysore, State Bank of Hyderabad, State Bank of Patiala, IDBI Bank, UCO Bank, State Bank of Bikaner & Jaipur and State Bank of Indore has provided loan on consortium basis

c. Interest shall be charged on the outstandings in the said accounts at such rate or rates as may be determined in the Banks Advance Rate Norms by the particulars banks from time to time. However, the rate of interest as on 31/3/07 generally ranges between in the range of 10% and 13% p.a.

d. The loans are secured by way of hypothecation of inventories, book debts and movable current assets of the respective contracts for which the loan was availed. The participating banks share the security on pari-passu basis. The loans are further secured by personnel guarantees of two Directors, including the Managing Director of the company.

e. Loan availed from Indian Overseas Bank is secured by way of Second charge on the fixed assets of Progen.

f. In respect of Working Capital Loan on pari-passu basis from State Bank of Patiala- Consortium, IDBI Bank- Consortium and State Bank of Bikaner & Jaipur - Consortium the contract specific loans are secured by way of:-

   i. Pari-passu first charge on all current assets of the project on pari-passu basis with other lenders participating in the project.

   ii. Power of Attorney to be registered in favour of lenders, granting them right to receive payments directly in respect of bills raised by the company.

   iii. Counter Guarantee of the company, also with the personal guarantee of the Promoter Directors.

Fixed Asset Loans:

a. Different banks adopt different rate of interest depending upon the type of loan taken. However, the rate of interest generally lies between 9% - 11% for the assets acquired.

b. Repayment is made on equal installments for a specified period of time on the basis of the EMI charts provided by the respective bank.

c. The respective fixed assets acquired under the loan are held as security.

Consolidated Schedule of Unsecured Loans, as restated

Annexure - XIV

(Rs. in Million)

Details of the Unsecured Loans	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
1. Interest Free Sales Tax Loan (IFST)	32.24	37.96	42.56	43.64	45.68	44.13
Total- (A)	**32.24**	**37.96**	**42.56**	**43.64**	**45.68**	**44.13**
2. Others	22.43	20.26	14.39	13.91	13.75	14.95
Total - (B)	**22.43**	**20.26**	**14.39**	**13.91**	**13.75**	**14.95**
Total- (A)+(B)	**54.67**	**58.22**	**56.95**	**57.55**	**59.43**	**59.08**

Note:

Progen and one of the divisions of the Holding Company are entitled to the scheme of interest free sales tax loan offered by the state government. The amount of sales tax collected during the moratorium period in respect of sales made is repayable to the state government in the same order of collection. As there is no security to this loan, the same has been classified under unsecured loan category.

Consolidated Schedule of Current Liabilities & Provisions, as restated

Annexure – XV

(Rs. in Millions)

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	2003	2004	2005		
Current Liabilities						
Sundry Creditors	241.17	301.90	306.12	439.92	808.67	1217.49
Advances from Customers	25.89	20.56	120.31	148.08	1,745.81	1840.04
Other Liabilities	43.61	43.95	133.55	116.24	109.42	173.56
Interest accrued but not due	3.34	2.06	4.48	2.36	5.58	3.11
Total - (A)	**314.01**	**368.47**	**564.46**	**706.60**	**2,669.48**	**3234.20**
Provisions						
Proposed dividend	10.80	10.80	21.60	21.60	32.40	32.40
Provision for Others	1.59	0.65	1.12	0.08	(2.22)	(1.64)
Provision for Direct Tax	42.00	58.15	72.38	99.58	239.91	316.23
Corporate dividend tax	-	1.38	2.82	3.03	5.51	5.51
Total - (B)	**54.39**	**70.98**	**97.92**	**124.29**	**275.60**	**352.50**
Total ((A) + (B))	**368.40**	**439.45**	**662.38**	**830.89**	**2,945.08**	**3586.70**

Consolidated schedule of share capital

Annexure – XVI

Particulars		As at 30th September				As at 31st March 2007	As at 30th June 2007
		2002	2003	2004	2005		
Authorized Share capital							
Equity Share capital							
Equity Shares of Rs. 10 each		60.00	60.00	150.00	150.00	150.00	150.00
Total		**60.00**	**60.00**	**150.00**	**150.00**	**150.00**	**150.00**
Issued, Subscribed and Paid up							
Equity Share capital							
Equity Shares of Rs. 10 each	**A**	54.00	54.00	108.00	108.00	108.00	108.00
Advance against Equity	**B**	0.90	0.90	0.90	0.90	-	-
Total(A+B)		**54.90**	**54.90**	**108.90**	**108.90**	**108.00**	**108.00**
No. of Equity Shares of Rs.10 each		**5,400,000**	**5,400,000**	**10,800,000**	**10,800,000**	**10,800,000**	**10,800,000**

Consolidated schedule of contingent Liabilities, Guarantees, Capital Commitments & Undertakings –

Annexure - XVII

(INR in millions)

Particulars	As at 30th September				As at 31st March 2007	As at 30th June 2007
	2002	**2003**	**2004**	**2005**		
Contingent Liabilities						
Income Tax Matters	Nil	0.97	0.17	—	2.28	2.32
Sales Tax Matters	4.73	4.31	1.21	4.68	8.94	6.19
Excise Duty	1.72	1.79	1.79	4.26	-	-
Bills Discounted	3.48	4.36	9.88	25.15	148.88	-
Total - (A)	**9.93**	**11.43**	**13.05**	**34.09**	**160.10**	**8.51**
Guarantees						
Issued by Banks	277.15	278.30	453.68	277.16	3,660.80	3103.08
Corporate Guarantee	35.54	84.46	92.46	114.21	122.02	81.15
Undertakings (issued in favour of The President of India towards provisional duty bond for custom duty, legal undertakings for export obligation and end user undertakings for concessional customs duty)	73.08	86.62	54.26	182.97	435.60	264.88
Total - (B)	**385.77**	**449.38**	**600.40**	**574.34**	**4,218.42**	**3449.11**
Capital Commitments						
Estimated amount of contracts remaining to be executed on capital accounts	0.05	0.60	33.64	24.40	9.00	4.21
Total - (C)	**0.05**	**0.60**	**33.64**	**24.40**	**9.00**	**4.21**
Total - (A)+(B)+(C)	**395.75**	**461.41**	**647.09**	**632.83**	**4387.52**	**3461.83**

Note: The above figures are compiled from the annual reports of the group for the period from 2002 to 2007, after restatement.

Restated Breakup of other income – Consolidated

Annexure - XVIII

(INR in millions)

Particulars	For the year ended 30th September				For the 18 months Period ended March 2007	For the 3 Months period ended June 30 2007
	2002	2003	2004	2005		
Other income, as per Consolidated Summary Statement (Refer Note 2)	1.51	4.19	2.30	(1.34)	0.48	6.20
Net Profit before tax, as per Consolidated Summary Statement	82.87	97.23	143.33	187.83	618.67	252.50
Percentage (A/B)	**1.82%**	**5.43%**	**2.06%**	**0.89%**	**0.12%**	**2.46%**

(INR in millions)

Sources & Particulars of Other Income	Nature of Income	Related or not Related to Business	For the year 30th September				For the 18 months period ended March 2007	For the 3 months period ended June 2007
			2002	2003	2004	2005		
Other Incomes :								
Foreign Exchange Variation	Recurring	Related	(1.29)	3.22	(0.59)	(3.82)	(0.47)	(9.49)
Net Profit on disposal of investment on consolidation	Non Recurring	Related	-	-	-	-	-	7.84
Profit/(Loss) on Sale of Business Division	Non Recurring	Related	-	-	-	-	-	4.26
Dividend received	Non Recurring	Related	-	-	-	-	0.22	-
Profit/(Loss) on Sale of Fixed Assets	Non Recurring	Related	(0.05)	(1.41)	(0.24)	(0.07)	(0.50)	-
Interest Income	Recurring	Related	1.86	1.90	2.97	2.36	1.11	0.10
Miscellaneous Income(Refer Note 3)	Recurring	Related	0.99	0.47	0.17	0.19	0.12	3.49
TOTAL			**1.51**	**4.18**	**2.31**	**(1.34)**	**0.48**	**6.20**

Note:

1. The Classification of "Other Income" as Recurring and Non Recurring is based on the current operations and business activity of the group as determined by the management.

2. The details of "other income" disclosed above are stated after adjusting the effect of restatement. The same have been shown gross of restatement in the consolidated summary statement of profits and losses, as restated and the adjustments have been listed separately under the head "Other Adjustments" as therein.

3. The Miscellaneous Income description above includes commission on sale of spares, interest on staff loan, insurance claims and income arising due to regular income.

Restated Capitalization Statement – Consolidated

Annexure - XIX

(INR in millions)

Particulars	Pre-issue as at 30th June 2007	Adjusted for the Public Issue
Borrowings		
Short-Term debt	2561.78	
Long-Term debt (Refer Note 4)	115.62	
Total Debt - (A)	**2677.40**	
Shareholder's Fund		
Share Capital – Equity	108.00	
Reserves & Surplus (Refer Note 2)	886.10	***Refer Note 1***
Less: Miscellaneous Expenditure not written off	0.00	
Total Shareholders' funds - (B)	**994.10**	
Total Capitalization - (A)+(B)	**3671.50**	
Long term debt / Shareholders Funds Ratio	0.12	
Total debt / Shareholders Funds Ratio	2.69	

Note :

1. Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process.
2. Reserves and Surplus include general reserve and accumulated balance of standalone profit and loss account as at 31st March 2007, as restated
3. The above has been computed on the basis of restated consolidated statements.
4. Long Term Debts are represents term loans.

Restated statement of related party transactions

Annexure - XX

INR in Million

Details of Related parties	**For the 12 months period ended 30th September**				**For the 18 months period ended March 2007**	**For the 3 months period ended June 2007**
	2002	**2003**	**2004**	**2005**		
Transactions during the year						
Associates						
Loans & Advances	0.68	-	-	35.61	3.67	-
Joint Ventures						
Sales	-	-	-	-	57.25	-
Purchases	-	-	-	-	-	-
Loans & Advances	-	-	-	-	-	-
Other Companies						
Sales	-	-	-	-	-	-
Purchases	0.58	1.56	1.49	10.01	333.13	16.70
Loans & Advances	6.11	(0.94)	2.03	7.93	8.00	-
Rent	2.40	2.40	2.40	2.40	4.70	0.75
Key Management Personnel						
Remuneration to Directors	7.44	11.78	11.32	15.80	42.22	12.50
Loans & Advances	-	-	-	0.24	(2.36)	-
Relatives						
Salary	-	-	-	-	0.31	-
TOTAL	**17.21**	**14.80**	**17.24**	**71.99**	**446.92**	**29.97**

Restated Tax Statement

Annexure - XXI

INR in millions

Particulars	Ref	As at 30th September				As at 31st March 2007	As at 30th June 2007
		2002	2007	2004	2005		
Profit before current & deferred taxes, as restated		**82.87**	**97.22**	**143.32**	**187.82**	**618.67**	**224.65**
Less : Profits of Indian Subsidiary		1.43	1.53	1.58	2.26	6.50	20.11
Less : Profits of Foreign Subsidiary		(0.09)	(0.72)	(0.14)	0.69	1.28	7.74
		81.53	**96.41**	**141.88**	**184.87**	**610.89**	**252.50**
Income Tax Rate (%)	(A)	36.75	35.90	36.60	33.66	33.66	33.99
MAT Rate (%)		11.33	11.22	8.42	7.84	7.69	10.30
Tax expense (Refer Note 1)	**(B)**	**29.96**	**34.61**	**51.93**	**62.22**	**205.62**	**85.93**
Adjustments on account of:							
a) Permanent differences							
Deduction u/s. 80 HHC		(5.90)	(4.99)	-	-	-	-
Foreign exchange variation		0.08	(0.05)	(0.03)	(0.14)	-	3.82
Donations		-	0.69	0.24	0.82	1.81	0.06
TOTAL	(C)	**(5.82)**	**(4.35)**	**0.21**	**0.68**	**1.81**	**3.88**
b) Timing differences							
Difference between book depreciation and tax depreciation		0.33	(0.20)	(47.65)	(19.45)	24.72	2.29
Set off of loss of subsidiary company		-	-	-	-	-	(27.85)
Royalty disallowed 40(a)(i)		-	-	0.96	1.39	1.49	-
Royalty disallowed in earlier years subsequently paid		-	(6.62)	-	-	(3.22)	-
TDS Disallowance 40a(ia)		-	-	-	-	2.39	(2.39)
Gratuity 43B		-	-	-	-	3.80	4.21
Bonus provision		-	-	-	-	0.20	0.08
Leave encashment		-	0.07	(0.11)	0.36	3.21	0.82
Research & Development Expenditure		(10.10)	(10.74)	(0.44)	(0.11)	(2.17)	-
(Profit)/Loss on sale of Assets		-	1.17	0.22	0.06	0.50	-
TOTAL	(D)	**(9.77)**	**(16.32)**	**(47.02)**	**(17.75)**	**30.92**	**(22.84)**

Particulars	Ref	As at 30th September				As at 31st March 2007	As at 30th June 2007
		2002	2007	2004	2005		
Net Adjustment	(E) = (C+D)	**(15.59)**	**(20.67)**	**(46.81)**	**(17.07)**	**32.73**	**(18.96)**
Tax (saving) thereon	(F) = (E*A)	(5.73)	(7.42)	(17.13)	(5.75)	11.02	(6.44)
Total taxation	(G)= (F+B)	**24.23**	**27.19**	**34.80**	**56.47**	**216.64**	**79.49**
Less : Reversal of provision	(H)	4.90	7.73	-	10.52	-	-
Add: Interest	(I)	-	-	-	-	9.32	-
	(J) = (H)+(I)	**19.33**	**19.46**	**34.80**	**45.95**	**225.96**	**79.49**
Add: Tax liability of foreign subsidiary (Refer Note 2)	(K)	0.01	0.01	0.01	0.02	-	-
Total Tax Expense	(L) = (J)+(K)	**19.34**	**19.47**	**34.81**	**45.97**	**225.96**	**79.49**

Note:

1. The Indian subsidiary, Progen Systems and Technologies limited, is having carry forward losses under the Income Tax Act as per the audited financial statements. Therefore, there is no tax expense in case of Progen Systems and Technologies Limited. However, these losses cannot be adjusted against the profits of the Holding company, i.e., BGR Energy Systems Limited (Formerly Gea Energy System (India) Limited) as the same is not permissible under the existing Indian income Tax Law as on this date. Hence, there will not be any tax benefits arising out of this for the Group as a whole.

2. In case of Foreign Subsidiary, Schmitz Reinigungskugeln GmbH, the income is chargeable to tax in accordance with the tax laws in vogue and applicable to that company in that country. Accordingly, the tax paid/payable by the Schmitz Reinigungskugeln GmbH, is added along with the tax liability of Holding company to ascertain the total tax expense of the Group.

BGR ENERGY

Restated Statement of Major Accounting Ratios – Consolidated

Annexure - XXII

(INR in millions)

Sl. No.	Particulars	As at 30th September				18 months period ended 31st Mar 07	Annualized for the year ending 31st Mar 07	3 months ended June 2007
		2002	2003	2004	2005			
1	Restated Earning per Equity Share (*Note 3*)							
	- Basic (INR)	1.00	1.18	1.72	2.07	6.30	4.20	2.70
	- Diluted (INR)	0.99	1.17	1.70	2.05	6.22	4.15	2.67
2	Return on Net Worth (%)	36%	32%	34%	31%	49%	39%	18%
3	Restated Net Asset Value Per Share - Basic (*Note 3*)	2.75	3.71	5.05	6.73	12.80	12.80	15.34
4	Restated Net Asset Value Per Share – Diluted (Note 3)	2.71	3.67	4.99	6.65	12.64	12.64	15.18
5	Weighted average number of equity shares outstanding during the year (nos)	10.80	10.80	10.80	10.80	10.80	10.80	10.80
6	Total number of shares outstanding at the end of the year (nos)	5.40	5.40	10.80	10.80	10.80	10.80	10.80
7	Restated Weighted average number of equity shares outstanding during the year (nos in Million) – BASIC	64.80	64.80	64.80	64.80	64.80	64.80	64.80
8	Weighted average number of shares outstanding at the end of the year (nos in Million)–DILUTED	65.59	65.59	65.59	65.59	65.59	65.59	65.50

Notes:

1. Earnings per share is calculated in accordance with Accounting Standard 20 ‘ Earnings per share’, issued by the Institute of Chartered Accountants of India.

2. Restated Basic and Diluted Weighted average shares are completed as follows:

Particulars	**Nos in Millions**
No of shares as on 31.03.2007	10.80
Add: Bonus shares	54.00
Restated Weighted No of shares – Basic	**64.80**
Add: ESOP	0.70
	65.50
Add: Share application advance (Refer note 6)	0.09
Restated Weighted No of shares – Diluted	**65.59**

3. The ratios has been computed as below

$$\text{Restated Basic earnings per share} = \frac{\text{Consolidated Net profit attributable to equity shareholders, as restated}}{\text{Restated Weighted average number of equity shares (Basic) outstanding during the year}}$$

$$\text{Restated Diluted earnings per share (Rs)} = \frac{\text{Consolidated Net profit attributable to equity shareholders, as restated}}{\text{Restated Weighted average number of equity shares (Diluted) outstanding during the year}}$$

$$\text{Return on net worth (\%)} = \frac{\text{Consolidated Net Profit after tax, as restated}}{\text{Net worth at the end of the year}}$$

The annualized Return on net worth has been arrived at by dividing the annualizing the restated consolidated profit after Tax by annualizing the consolidated net worth at the end of the year

$$\text{Restated Net Asset Value per Equity Share - Basic (Rs)} = \frac{\text{Consolidated Net worth at the end of the year}}{\text{No. of Equity Shares (Basic) of holding company outstanding at the end of the year}}$$

$$\text{Restated Net Asset Value per Equity Share – Diluted (Rs)} = \frac{\text{Consolidated Net worth at the end of the year}}{\text{Restated Number of outstanding at the end of the year Equity Shares (Diluted)}}$$

4. Consolidated Profit & Loss as restated has been considered for the purpose of computing the above ratios.

5. ESOP issued after the Balance Sheet date has a diluting effect on the capital and has been considered for calculating diluted EPS.

6. Share Application advance received by BGR Energy Systems Limited (formerly GEA Energy System (India) Limited) has been taken for the calculation of the diluted EPS as the same has been utilised for business purposes. The Share Application Advance has been repaid on 31st Mar 2007.

7. The company has adopted 18 months period for the financial ending 31st Mar 2007. Accordingly, the above ratios for the period ending 31st March 2007 are annualized on time basis.

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

The following discussion and analysis of our financial condition and results of operations is based upon, and should be read in conjunction with, our restated consolidated financial statements as of and for the three months ended June 30, 2007, the 18 months ended March 31, 2007 and the years ended September 30, 2005, 2004, 2003 and 2002, including the schedules, annexures and notes thereto and the reports thereon, on page 169. These financial statements are based on our audited consolidated financial statements and are restated in accordance with paragraph B(1) of Part II of Schedule II of the Companies Act and the SEBI Guidelines. Our audited consolidated financial statements are prepared in accordance with Indian GAAP.

Our most recent fiscal year reflects an 18 month period ended March 31, 2007, as a result of change of our fiscal year end from September 30 to March 31. As a result, our results of operations for the 18 months ended March 31, 2007 are not comparable to those of the year ended September 30, 2005.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding such risks and uncertainties, see "Forward-Looking - Statements" and "Risk Factors."

Overview

We supply a range of equipment, systems and services to the power and process industries from our base of operations in India. We execute power generation contracts and construct power generation projects and provide turnkey balance of plant services for the power industry in which we supply, from a single source, everything required to build power plants, with the exception of the boiler, turbine and generator. Having executed a range of BOP contracts, we have begun to focus on engineering, procurement and construction services for power plants, in which we execute the entire project contract, including procuring and constructing the boiler, turbine and generator. We now execute both EPC and BOP contracts, depending on customer requirements. We are active in a number of related businesses which perform functions for, and manufacture products related to, our EPC and BOP operations, and produce products and services for other industries, such as the oil and gas industry, on which we are focused. We also operate an infrastructure business intended to provide advanced technology to services in complex infrastructure projects.

Our Company consists of seven complementary businesses, including:

- our power projects business, which provides turnkey EPC and BOP services for public sector coal-based thermal power plants and gas-based combined cycle power plants typically above 100 megawatts, and which completed its first contract in 2002,
- our captive power projects business, which provides turnkey EPC and BOP services for power plants below 150 MW which are generally designed primarily to service particular commercial facilities, and which began operating in 2006,
- our oil and gas equipment business, which sources, designs and manufactures products related to the oil and gas industry for companies in India and abroad, and which began operating in 2001,

- our air fin coolers business, which manufactures products designed to cool process fluids and gases used in the refining, petrochemical, and oil and gas industries, and which began operating in 1994,
- our environmental engineering business, which manufactures and provides deaerators and other products to treat water used in the operation of various types of power and utility plants and also provides industrial effluent treatment plants, and which began operating in 1996,
- our electrical projects business, which supplies electrical systems and equipment such as gas insulated switchgear substations, optical fiber power ground wires, extra high voltage substations and transmission lines to power stations, refineries and petrochemical plants, and which began operating in 2003, and
- our infrastructure business, which is capable of building roads and industrial buildings, and which began operating in 2004.

We have executed several BOP power projects within India, including power projects in Valuthur in Tamil Nadu, and Chittorgarh and Dholpur in Rajastan and an EPC contract for a power project in Karuppur in Tamil Nadu. We are executing turnkey BOP coal-fired power projects in Vijayawada and Bhoopalapalli in Andhra Pradesh and Khaperkheda in Maharastra, all three with an output capacity of 500 MW. We have commenced basic engineering for a 820 MW gas-based power plant for Konaseema Gas Power Limited in Andhra Pradesh, and we are executing EPC contracts in Valuthur for a gas-based power plant with an output capacity of 92.2 MW and in Mettur for a coal-based captive power project with an output capacity of 25 MW.

We manufacture certain products related to our businesses through the Company's subsidiary Progen Systems and Technologies Limited, which has its own manufacturing facility, and through a second facility controlled by our air fin coolers business. Our manufacturing facilities are located in India and are certified by the American Society of Mechanical Engineers.

We have changed our fiscal year end from September to March, as of March 31, 2007. As such, our most recent results of operations are presented for the 18 month period ending March 31, 2007 and will not be directly comparable to our September 30, 2005 results of operations. We carried out this change to ensure our practices reflect the current common practice. Furthermore, we changed our fiscal year end so that our reporting obligations under the Companies Act could be satisfied at the same time as our reporting obligations under the Income Tax Act.

Our financial results and condition are prepared and presented in two business segments, construction contracts and industrial products. Our various businesses do not divide categorically between construction contracts and industrial products, as our businesses are organized pursuant to commercial, administrative and strategic objectives and criteria, while our financial statements are segmented according to accounting practice. Nevertheless, in general terms our industrial products segment largely reflects the results of operations and financial condition of our oil and gas equipment business, our air fin coolers business, our environmental engineering business, our energy products business which, subsequent to March 31, 2007, we have disposed of, and the Company's Progen subsidiary. Our construction contracts segment reflects the financial condition and results of operations of our power projects business, our captive power business, our infrastructure business and our electrical projects business, to the extent the latter relates to contracts with execution periods exceeding one year. Our electrical projects business and certain aspects of our other businesses are effectively split between the construction contracts and industrial products segments. The following table provides segment-wise income for each of our business segments for the periods indicated:

	For the three Months Ended June 30, 2007		For the 18 Months Ended March 31, 2007		For the Year Ended September 30, 2005		For the Year Ended September 30, 2004		For the Year Ended September 30, 2003	
	(Rs. in Millions)	(% of Total Income[(1)])	(Rs. In Millions)	(% of Total Income[(1)])	(Rs. In Millions)	(% of Total Income[(1)])	(Rs. In Millions)	(% of Total Income[(1)])	(Rs. In Millions)	(% of Total Income[(1)])
Segments:										
Construction contracts	2,204.54	90.16	5,556.17	70.31	1,960.06	65.53	1,669.48	61.96	829.13	50.97
Industrial products	191.71	7.84	2,311.86	29.25	997.53	33.35	1,037.08	38.49	753.74	46.33

(1) Percentages do not add to 100% because table does not include other income (loss) or increase (decrease) in inventory, both of which are included in total income.

Asset Sale

Prior to the Issue, pursuant to an agreement dated August 1, 2007, effective on June 30, 2007, we sold the assets and liabilities of our energy products business to GEA BGR Energy Systems Limited, an affiliate of our Promoter, for Rs. 250.00 million in cash, which represented the net book value of the assets and liabilities. Pursuant to a separate agreement dated August 1, 2007, effective June 30, we also sold our entire 100% equity interest in Schmitz Reinigungskugein GmbH ("Schmitz GmbH") to Schmitz India Private Limited, an affiliate of our Promoter, for Rs. 6.00 million. Schmitz GmbH is principally involved in marketing activities for our former energy products business. See "History and Certain Corporate Matters" on page 115.

Significant Factors Affecting Our Results of Operations

Our results of operations and financial condition are affected by a number of factors, including the following, which are of particular importance:

Growth of the Indian Economy and the Domestic Power, Oil and Gas and Infrastructure Industries

A majority of our income is derived from sale of products and services to customers in India, and a substantial portion of our assets are in India. Our results of operations, financial condition and prospects are therefore affected by economic conditions in India. Further, we believe that the industries to which we sell our products and services are essential to India's industrialization process. See "Industry" on page 63.

We believe that growth in the overall economy in India will continue to propel domestic demand in the power, oil and gas (including exploration and production, refining and processing, logistics, distribution and petrochemicals businesses) and infrastructure industries in the future. We also believe that future demand in these industries will continue to outpace domestic supply for the foreseeable future, causing India policy makers and domestic producers to focus their efforts on growth in these industries, which should have a positive impact on our results.

Indian Regulatory Environment and Industrial Liberalization

Our businesses and results of operations have been favorably affected by the GoI's initiatives to further develop in India the industries to which we sell our goods and services, by government spending in these industries and by certain liberalization policies that have extended the ability of private enterprises to enter these industries. For example, the GoI has expressed a "Power for All by 2012" objective, and has enacted legislation in 1991 and again in 2003 designed to increase private sector participation in the Indian power industry. Further, captive power capacity in India has been increasing, as has GoI focus on the area. For example, the Electricity Act, 2003 exempts captive power generators from license requirements. See "Industry – Investment in Power in India". We believe that the regulatory environment, government spending priorities and increased private enterprise involvement in the industries we supply to and service should be generally positive factors for us for the foreseeable future.

Raw Materials and Equipment Costs

Our profitability is affected by our ability to procure raw materials at commercially reasonable prices. We derive a significant portion of our income from fixed price contracts, pursuant to which we provide goods and services to our clients at all-inclusive fixed prices. We determine our contract prices based on our estimation of raw materials and other costs. The principal raw materials we use in our operations include steel, aluminum, copper, other base metals, cement, tubes and pipes. The prices of certain of these materials are subject to cyclical fluctuations and changes in supply and demand. Because we purchase our raw materials from third party suppliers, we are exposed to fluctuations in market prices resulting from changes in supply and demand and other factors. Unexpected increases in raw materials costs may cause our actual costs to exceed estimated costs. This can also affect our costs in relation to bought out items, where we may not obtain full reimbursement from our clients in the event of significant cost increases. If we are not being able to pass on these additional costs to our clients, our profit margins will be adversely affected. See "Risk Factors" on page xvi.

Technological Advances

Technology is of vital importance in the products we sell and the services we provide, and we believe that our advanced technology and engineering capabilities are important aspects of all of our businesses. Our high standards and versatility may present us with new business opportunities in the future. However, if we are for any reason unable to keep up with technological advances, whether through strategic error, inability to license needed technology from intellectual property owners or any other reason, we could be adversely affected.

Competition

We believe we have a leading position in the market segments in which we operate as there are a limited number of competitors in each segment, particularly those with a competitive level of expertise, range of products and services and cost structure. Most of our present competitors are domestic companies. However, we may face increased competition from international companies that may make strategic investments in, or form partnerships with, domestic competitors. If competition becomes more intense, we may experience more pressure on our growth and profitability.

Indebtedness

In our businesses, we require a significant amount of capital, particularly working capital in connection with our construction contracts segment. As of June 30, 2007, we had total outstanding loans of Rs. 2,677.41 million. We are likely to be dependent on our continued ability to borrow substantial amounts in order to grow our business. Limitations on our ability to borrow, or changes in interest rates that effectively limit our ability to borrow, could have a significant adverse effect on our growth and our profitability.

Taxes

We are subject to income tax on our earnings in India, currently at the effective statutory rate of 34%. Our provision for taxation in the three months ended June 30, 2007, the 18 months ended March 31, 2007 and the years ended September, 30, 2005, 2004 and 2003 was Rs. 77.66 million, Rs. 213.14 million, Rs. 54.38 million, Rs. 31.85 million and Rs. 20.36 million, respectively. Any changes in the tax laws resulting in an increase in our effective tax rate could have an adverse effect on our profit after tax. Conversely, any reduction in our effective tax rate, most likely due to our qualifying for some type of tax holiday or other tax benefit, could have a positive effect on our results.

If we are successful in further growing our business outside India, we may become subject to taxation in other jurisdictions, which could also affect our profitability and net profit margins.

Availability of Labor

We are heavily dependent on highly trained engineers and other skilled labor. We have generally been successful in recruiting the talent we need in India. However, many factors could make it more difficult, or more expensive, for us to recruit and retain the personnel we need, particularly as we grow our business. Any inability to attract and retain suitable skilled personnel could affect both our profitability and our ability to expand our operations.

Overseas Markets

It is a principal part of our strategy to expand our international business and operations. We expect that such growth would prove profitable for us, particularly over the long term. However, unexpected circumstances could adversely affect our international expansion, particularly in the short term. Further, circumstances outside our control (such as, for example, political changes in the jurisdictions where we do business) could also have unanticipated effects on our international expansion, our financial condition and our results of operations.

Recognition of Revenue

We recognize revenue on the basis of several different accounting policies, depending on business segment. Certain of our recognition policies are based on judgments or estimates made by our management, the making of which can pose significant challenges. Our revenue recognition policies are described below.

Revenue is recognized to the extent that it is probable that the economic benefit will flow to us and the revenue can be reliably measured.

Sale of Goods. Sales are recognized when significant risk and rewards of the ownership of the goods have passed to the buyer which coincides with delivery and are recorded net of trade discounts, rebates and excise duties. Sales do not include interdivisional transfers.

Contract Revenue. In respect of construction contracts which are executed over a period of more than one financial year, we follow the percentage of completion method. The recognition of revenue in such construction contracts is based on the ratio of costs incurred to the relevant date to total estimated costs and physical work done as estimated by our technical staff. Revenue on account of contract variation, claims and incentives is recognized at advanced stages when it is probable that they will materialize. If a loss is estimated on a contract, provision is made for the entire loss irrespective of the value of work done.

Revenue from Services. Revenue from services is recognized as and when the service is performed based on agreements/ arrangements with the concerned parties.

Interest Income. Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate of interest applicable.

Dividend Income. The dividend income on investments is accounted for when the right to receive payment is established.

Cost Recognition

Like our revenue recognition policies, our cost recognition policies are based in certain cases on subjective judgments and estimates made by our management. In our construction contracts segment, these judgments and estimates help determine costs incurred, which are then applied as a factor in further judgments and estimates required of our management in order to determine revenue recognized.

Contract Costs

Cost incurred includes direct costs, contract-specific overheads and finance costs. Direct costs are recognized on a project by project basis. We account for these costs on an accrual basis, under the same classification of expenditure as we supply generally.

Product Costs

Product costs include raw material costs valued on weighted average basis, costs of conversion and other costs incurred in bringing inventories to their present location and condition.

Other Costs

Other costs include all general, selling and administration costs incurred during the relevant financial year or period and accounted for on an accrual basis.

Results of Operations

The following table sets forth select financial data from our restated consolidated profit and loss accounts, the components of which are also expressed as a percentage of total income for the periods indicated.

Particulars	For the three Months Ended June 30, 2007		For the 18 Months Ended March 31, 2007		For the Year Ended September 30, 2005		For the Year Ended September 30, 2004		For the Year Ended September 30, 2003	
	(Rs. In Millions)	(% of Total Income)	(Rs. In Millions)	(% of Total Income)	(Rs. In Millions)	(% of Total Income)	(Rs. In Millions)	(% of Total Income)	(Rs. In Millions)	(% of Total Income)
Income:										
Sale of Manufactured Goods	165.81	6.78	1,751.45	22.16	959.69	32.08	1,002.15	37.19	723.82	44.49
Sale of Traded Goods	25.9	1.06	560.41	7.09	37.84	1.26	34.93	1.30	29.93	1.84
Contract Income	2,204.54	90.16	5,556.17	70.31	1,960.06	65.53	1,669.48	61.96	829.13	50.97
Total Income From Sales and Operations	2,396.25	98.00	7,868.03	99.56	2,957.59	98.87	2,706.56	100.45	1,582.88	97.30
Other Income (Loss)	6.2	0.25	2.95	0.04	(1.45)	(0.05)	2.32	0.09	4.06	0.25
Increase (Decrease) in Inventory	42.76	1.75	31.78	0.40	35.17	1.18	(14.42)	(0.54)	39.83	2.45
Total Income	**2,445.21**	100.00	**7,902.76**	100.00	**2,991.31**	100.00	**2,694.46**	100.00	**1,626.77**	100.00
Expenditure:										
Raw Materials, Goods Consumed and Goods Purchased	1,757.9	71.89	5,598.92	70.85	2,082.57	69.62	2,019.97	74.97	1,106.06	67.99
Staff Costs	213.68	8.74	328.23	4.15	145.55	4.87	109.91	4.08	89.89	5.53
Other Manufacturing Expenses	102.92	4.21	713.76	9.03	312.05	10.43	219.49	8.15	158.26	9.73
Selling and Distribution Expenses	4.02	0.16	24.94	0.32	12.58	0.42	7.27	0.27	8.18	0.50
General and Administration Expenses	65.67	2.69	351.66	4.45	151.09	5.05	123.95	4.60	101.77	6.26
Interest	35.37	1.45	179.68	2.27	61.30	2.05	47.34	1.76	47.18	2.90
Depreciation	13.15	0.54	88.80	1.12	32.45	1.08	20.92	0.78	17.69	1.09
Miscellaneous Expenditure Written Off	-	0.00	3.99	0.05	3.85	0.13	1.98	0.07	1.91	0.12
Total Expenditure	**2,192.71**	89.67	**7,289.98**	92.25	**2,801.44**	93.65	**2,550.83**	94.67	**1,530.94**	94.11
Profit Before Tax	**252.5**	10.33	**612.78**	7.75	**189.87**	6.35	**143.63**	5.33	**95.83**	5.89
Provision for Taxation	77.66	3.18	213.14	2.70	54.38	1.82	31.85	1.18	20.36	1.25
Profit After Tax	**174.84**	7.15	**399.64**	5.06	**135.49**	4.53	**111.78**	4.15	**75.47**	4.64
Add: Adjustments for Restatements	NIL	NIL	**8.50**	0.10	**(1.08)**	(0.04)	**(0.12)**	(0.00)	**0.99**	0.06
Profit After Tax, As Restated	**174.84**	7.15	**408.14**	5.16	**134.41**	4.49	**111.66**	4.14	**76.46**	4.70

Income. Our income is derived from (i) sales of manufactured goods, (ii) sales of traded goods, (iii) contract income, (iv) other income and (v) changes in certain inventory, namely finished goods and services not yet included in contract income. Items (i) and (ii) together form our industrial products segment, and item (iii) is our construction contracts segment.

Sales of manufactured goods include product sales to third parties from the Company's subsidiary Progen and our other wholly-owned manufacturing facility. These products have been principally sold by our oil and gas equipment business, our energy products business (which has since been disposed of, and which had its own manufacturing facility), our air fin coolers business and our environmental engineering business. This income category also includes sales by our electrical projects business to the extent made pursuant to contracts of less than one year in duration. Sales of traded goods include bought out items and ancillary items to our principal manufactured goods, and spares. Contract income includes income from our power projects business and captive power business, our infrastructure business and from long term (greater than one year) contracts executed by our electrical projects business. Our contract income has constituted the majority of our total income from sales and operations in recent years, constituting 90.16% of such income for the three months ended June 30, 2007, and 70.31% of such income for the 18 months ended March 31, 2007.

Our other income includes interest on bank deposits, proceeds from sales of fixed assets (principally vehicles), income from foreign exchange variation and dividend income from certain investments. Income from changes in inventory relates to work in progress for which we have incurred costs but for which corresponding income has not yet been recognized.

Our total income was Rs. 2,445.21 million for the three months ended June 30, 2007, Rs. 7,902.76 million for the 18 months ended March 31, 2007, and Rs. 2,991.31 million, Rs. 2,694.46 million and Rs. 1,626.77 million for the years ended September 30, 2005, 2004 and 2003, respectively.

Expenditure. Our total expenditure consists of expenses relating to raw materials, goods consumed and goods purchased, staff costs, other manufacturing expenses, selling and distribution expenses, general and administration expenses, interest, depreciation and other miscellaneous expenditure written off. Our total expenditure as a percentage of our total income was 89.67%, 92.25%, 93.65%, 94.67% and 94.11%, for the three months ended June 30, 2007, the 18 months ended March 31, 2007, and the years ended September 30, 2005, 2004 and 2003, respectively. Although our total expenditure had increased in the past three fiscal periods, it has decreased as a percentage of total income.

Raw Materials, Goods Consumed and Goods Purchased. Our raw materials, goods consumed and goods purchased expenses include costs relating to raw materials consumed, such as base metals, steel, cement, tubes and pipes, other stocks consumed and increase in inventories. It includes goods and materials from both our construction contracts and industrial products segments. These expenses are our most significant expense, and accounted for 71.89%, 70.85%, 69.62%, 74.97% and 67.99% of our total income for the three months ended June 30, 2007, the 18 months ended March 31, 2007, and the years ended September 30, 2005, 2004 and 2003, respectively.

Staff Costs. Our staff costs include salaries, wages bonus and ex-gratia payments to our employees, contributions made to provident funds and other similar costs and welfare expenses. All such costs are included in this category, as we do not divide staff costs into direct and indirect expenditure and allocate them among multiple categories of expenditure.

Other Manufacturing Expenses. Our other manufacturing expenses include power, fuel and subcontracting expenses. Other manufacturing expenses have also included, when incurred, royalty expenses for licensed technology.

Selling and Distribution Expenses. Our selling and distribution expenses relate to selling, travel, communications and marketing expenses, including entertainment expenses.

General and Administration Expenses. Our general and administration expenses include rental expenses, repairs, maintenance, retainer fees, subscriptions, general insurance, travel and communication costs and various other administrative costs.

Interest. Our interest expense consists of interest accrued on both working capital (short term) loans and term loans, from banks and other financial institutions.

Depreciation. The following table provides the depreciation rates for certain categories of our assets. See also Annexure IV – "Significant Accounting Policies – Consolidated – Paragraph (e) – Depreciation and Amortization", to our consolidated restated financial statements.

Assets	**Annual Depreciation Rate**
Plant and machinery	4.75%
Earth moving plant and machinery	11.31%
Buildings	3.34%
Furnitures and fixtures	6.33%
Vehicles	9.50% (private) and 11.31% (commercial)
Intangible assets	25.00%
Office fixtures	20.00%
Electrical installation	4.75%
Computers	16.21%

Miscellaneous Expenditure Written Off. Miscellaneous expenditure written off includes expenses associated with deferred revenues.

Provision for Taxation. We provide for both current taxes and deferred taxes. Tax on income for the current period is determined on the basis of estimated taxable income and tax credit, if any, and computed in accordance with the Income Tax Act, 1961. The effective income tax rate currently applicable to our net profit before tax is 34.78%. Deferred tax arises mainly due to the timing differences between accounting income and the estimated taxable income for the period and is quantified using the tax rates and laws enacted or substantially enacted as on the relevant balance sheet date. Our deferred tax liability is recognized net of deferred tax assets, if any. Our provision for taxation also includes a provision for tax on fringe benefits paid to our employees, at a rate of approximately 7% - 8% of the value of such benefits.

Three months Ended June 30, 2007

For the three months ended June 30, 2007, our total income was Rs. 2,445.21 million. During the same period our income from our construction contracts segment was Rs. 2,204.54 million and our income from our industrial products segment was Rs. 191.71 million.

For the three months ended June 30, 2007, our total expenditure was Rs. 2,192.71 million. During the same period, our expenditure for raw materials, goods consumed and goods purchased was Rs. 1,757.90 million, our staff costs amounted to Rs. 213.68 million, our other manufacturing expenses were Rs. 102.92 million, our selling and distribution expenses were Rs. 4.02 million, our general and administration expenses were Rs. 65.67 million, our interest expense was Rs. 35.37 million and our depreciation expense was Rs. 13.15 million.

18 Months Ended March 31, 2007 and Year Ended September 30, 2005

Income. Our total income was Rs. 7,902.76 million for the 18 months ended March 31, 2007 and Rs. 2,991.31 million for the year ended September 30, 2005. Income from our industrial products and construction contracts segments accounted for 29.25% and 70.31%, respectively, of our total income for the 18 months ended March 31, 2007, and 33.34% and 65.53%, respectively, of our total income for the year ended September 30, 2005.

Our income from the construction contracts segment was Rs. 5,556.17 million for the 18 months ended March 31, 2007 and Rs. 1,960.06 million for the year ended September 30, 2005. Apart from the difference in period length, our income from the construction contracts segment for the 18 months ended March 31, 2007 was significantly influenced by our entry into three new major contracts, namely two BOP contracts, both awarded by APGENCO, for 500MW thermal coal power plants in Vijayawada, Andhra Pradesh and Kakatiya, Andhra Pradesh, and an EPC contract, awarded by the Tamil Nadu Electricity Board, for a 92 MW gas-based combined cycle power plant in Valuthur, Tamil Nadu.

Our income from the industrial products segment was Rs. 2,311.86 million for the 18 months ended March 31, 2007 and Rs. 997.53 million for the year ended September 30, 2005. Unlike our construction contracts segment, the growth in which related primarily to several large contracts, growth in our industrial products segment was more steady across all components. Further, the segment's growth reflected a significant growth in sales of traded goods, related principally to the timing of sales of our manufactured goods, as growth trends in sales of traded goods tend to follow fairly predictably (with a slight time lag) the trends in sales of manufactured goods. The most significant income growth, other than that related to the lengthened period, in this segment was recorded by our environmental engineering and air fin cooler businesses.

Our other income was Rs. 2.95 million for the 18 months ended March 31, 2007 and a loss of Rs. 1.45 million for the year ended September 30, 2005. Our income from increase in inventory was Rs. 31.78 million for the 18 months ended March 31, 2007 and Rs. 35.17 million for the year ended September 30, 2005.

Expenditure. Our total expenditure was Rs. 7,289.98 million for the 18 months ended March 31, 2007, or 92.25% of our total income for the period, and Rs. 2,801.44 million for the year ended September 30, 2005, or 93.65% of our total income for the year.

Raw Materials, Goods Consumed and Goods Purchased. Our expenditure for raw materials, goods consumed and goods purchased was 70.85% of our total income for the 18 months ended March 31, 2007, and 69.62% of our total income for the year ended September 30, 2005. The increase in percentage was generally attributable to general increases in costs of these items, and a shift in our business to projects with higher raw materials, goods consumed and goods purchased costs, principally power projects and captive power projects.

Staff Costs. Our staff costs amounted to 4.15% of our total income for the 18 months ended March 31, 2007, and 4.87% of our total income for the year ended September 30, 2005. We believe that while growth in our construction contracts segment does necessitate growth in our staff (and, as a result, in our staff costs), the increase in staff costs typically lags behind growth in contract income, primarily due to the early stages of our EPC and BOP contracts generally having relatively low staff costs in absolute terms, and as a percentage of income. In the typical case, staff costs tend to increase both absolutely and as a percentage of income in the later stages of a contract. Although our staff costs as a percentage of total income was lower in the 18 months ended March 31, 2007 than in the year ended September 30, 2005, our total headcount increased significantly during this period.

Other Manufacturing Expenses. Other manufacturing expenses were 9.03% of our total income for the 18 months ended March 31, 2007, and 10.43% of our total income for the year ended September 30, 2005.

Selling and Distribution Expenses. Our selling and distribution expenses were 0.32% of our total income for the 18 months ended March 31, 2007, and 0.42% of our total income for the year ended September 30, 2005.

General and Administration Expenses. Our general and administration expenses were 4.45% of our total income for the 18 months ended March 31, 2007, and 5.05% of our total income for the year ended September 30, 2005.

Interest. Interest expense was 2.27% of our total income for the 18 months ended March 31, 2007, and 2.05% of our total income for the year ended September 30, 2005. The increase was attributable both to general interest rate increases and to an increase in our total borrowings relating principally to our power projects and captive power businesses.

Depreciation. Our depreciation expense was 1.12% of our total income for the 18 months ended March 31, 2007, and 1.08% of our total income for the year ended September 30, 2005.

Miscellaneous Expenditure Written Off. Miscellaneous expenditure written off was 0.05% of our total income for the 18 months ended March 31, 2007, and 0.13% of our total income for the year ended September 30, 2005.

Profit Before Tax. Our profit before tax was 7.75% of our total income for the 18 months ended March 31, 2007, and 6.35% of our total income for the year ended September 30, 2005.

Provision for Taxation. Our provision for taxation was 2.70% of our total income for the 18 months ended March 31, 2007, and our effective tax rate was 34.78% of our profit before tax for such period. Our provision for taxation was 1.82% of our total income for the year end September 30, 2005, and our effective tax rate was 28.64% of our profit before tax for the year. The significant difference in effective tax rates related principally to the change in our fiscal year. In prior years, our provision for taxation was based on both a portion of a completed tax year (October through March), and a portion of a tax year still in progress when our fiscal year ended (April through September). In order to determine our provision for taxation, we were required to make an estimate of our ultimate profit before tax for the relevant portion of the tax year then in progress. As a result, our required provision for taxation for the tax year in progress tended to understate the amount of tax that would ultimately prove to be payable by us for the period. Following the change of our fiscal year to the date (March 31) corresponding to the end of the Indian tax year, this understatement will no longer take place.

Profit After Tax, as Restated. Our profit after tax, as restated, was Rs. 408.14 million, or 5.16% of our total income, for the 18 months ended March 31, 2007, and Rs. 134.4 million, or 4.49% of our total income, for the year ended September 30, 2005.

Year Ended September 30, 2005 Compared to Year Ended September 30, 2004

Income. Our total income increased by 11.02% to Rs. 2,991.31 million for the year ended September 30, 2005 from Rs. 2,694.46 million for the year ended September 30, 2004, primarily due to an increase in contract income. Income from our industrial products and construction contracts segments accounted for 33.35% and 65.53%, respectively, of our total income for the year ended September 30, 2005, as compared to 38.49% and 61.96%, respectively, of our total income for the year ended September 30, 2004.

Our income from the construction contracts segment increased by 17.41% to Rs. 1,960.06 million for the year ended September 30, 2005 from Rs. 1,669.48 million for the year ended September 30, 2004, primarily due to our infrastructure business entering into two substantial new contracts with the National Highway Authority of India to build roads in and around Cochin port in Kerala and Tuticorin port in Tamil Nadu.

Our income from the industrial products segment decreased by 3.81% to Rs. 997.53 million for the year ended September 30, 2005 from Rs. 1,037.08 million for the year ended September 30, 2004, primarily due to a decrease in income attributable to our energy products business.

Our other income decreased to a loss of Rs. 1.45 million for the year ended September 30, 2005 from income of Rs. 2.32 million for the year ended September 30, 2004. The increase in inventory was Rs. 35.17 million for the year ended September 30, 2005, as compared to a decrease of Rs. 14.42 million for the year ended September 30, 2004.

Expenditure. Our total expenditure increased by 9.83% to Rs. 2,801.44 million for the year ended September 30, 2005 from Rs. 2,550.83 million for the year ended September 30, 2004.

Raw Materials, Goods Consumed and Goods Purchased. Our raw materials, goods consumed and goods purchased expenses increased by 3.10% to Rs. 2,082.57 million for the year ended September 30, 2005 from Rs. 2,019.98 million for the year ended September 30, 2004. This increase generally followed the growth of our businesses, but was outpaced by our growth in income due largely to a shift in income toward higher margin businesses, such as infrastructure, and the slight decrease in income from our industrial products segment.

Staff Costs. Our staff costs increased by 32.43% to Rs. 145.55 million for the year ended September 30, 2005 from Rs. 109.91 million for the year ended September 30, 2004, primarily as a result of both general salary increases and additional staff hirings by our infrastructure business to service the two new contracts.

Other Manufacturing Expenses. Our other manufacturing expenses increased by 42.17% to Rs. 312.05 million for the year ended September 30, 2005 from Rs. 219.49 million for the year ended September 30, 2004, primarily as a result of relatively high subcontracting costs in our infrastructure business as a result of the two new contracts.

Selling and Distribution Expenses. Our selling and distribution expenses increased by 73.28% to Rs.12.58 million for the year ended September 30, 2005 from Rs. 7.26 million for the year ended September 30, 2004.

General and Administration Expenses. Our general and administration expenses increased by 21.89% to Rs. 151.09 million for the year ended September 30, 2005 from Rs. 123.95 million for the year ended September 30, 2004 due principally to expenses incurred in connection with our infrastructure business, which commenced operations in the year ended September 30, 2004 but had its first full fiscal year in the year ended September 30, 2005.

Interest. Our interest expense increased by 29.49% to Rs. 61.30 million for the year ended September 30, 2005 from Rs. 47.34 million for the year ended September 30, 2004, primarily due to additional borrowings to finance equipment purchases by our infrastructure business.

Depreciation. Our depreciation charge increased by 55.11% to Rs. 32.45 million for the year ended September 30, 2005 from Rs. 20.92 million for the year ended September 30, 2004, primarily due to the additional assets purchased in connection with our infrastructure business.

Miscellaneous Expenditure Written Off. Miscellaneous expenditure written off increased by 94.44% to Rs. 3.85 million for the year ended September 30, 2005 from Rs. 1.98 million for the year ended September 30, 2004.

Profit Before Tax. Our profit before tax increased by 32.19% to Rs. 189.87 million for the year ended September 30, 2005 from Rs. 143.63 million for the year ended September 30, 2004.

Provision for Taxation. Our provision for taxation increased by 70.74% to Rs. 54.38 million for the year ended September 30, 2005 from Rs. 31.85 million for the year ended September 30, 2004. Our effective tax rate for the year ended September 30, 2005 was 28.64% as compared to our effective tax rate for the year ended September 30, 2004 of 22.18%. The increase was attributable primarily to an increase in deferred tax and the introduction of fringe benefit tax.

Profit After Tax, as Restated. Our profit after tax, as restated, increased by 20.37% to Rs. 134.41 million, or 4.49% of our total income, for the year ended September 30, 2005 from Rs. 111.66 million, or 4.14% of our total income, for the year ended September 30, 2004.

Year Ended September 30, 2004 Compared to Year Ended September 30, 2003

Income. Our total income increased by 65.64% to Rs. 2,694.46 million for the year ended September 30, 2004 from Rs. 1,626.77 million for the year ended September 30, 2003, primarily due to our obtaining a substantial new order for a power plant project. Income from our industrial products and the construction contracts segments accounted for 38.49% and 61.96%, respectively, of our total income for the year ended September 30, 2004, as compared to 46.33% and 50.97%, respectively, of our total income for the year ended September 30, 2003.

Our income from the construction contracts segment increased by 101.35% to Rs. 1,669.48 million for the year ended September 30, 2004 from Rs. 829.13 million for the year ended September 30, 2003, primarily due to our entering into a contract with Aban Power Company Limited. to act as EPC contractor in connection with a 120MW gas-fueled combined cycle power plant in Karuppur, Tamil Nadu.

Our income from the industrial products segment increased by 37.59% to Rs. 1,037.08 million for the year ended September 30, 2004 from Rs. 753.75 million for the year ended September 30, 2003, primarily due to growth in our air fin coolers business. In 2005, we obtained ASME “U” stamp certification.

Our other income decreased by 42.86% to Rs. 2.32 million for the year ended September 30, 2004 from Rs. 4.06 million for the year ended September 30, 2003. Our decrease in inventory was Rs. 14.42 million for the year ended September 30, 2004 as compared to an increase of Rs. 39.834 million for the year ended September 30, 2003.

Expenditure. Our total expenditure increased by 66.63% to Rs. 2,550.83 million for the year ended September 30, 2004 from Rs. 1,530.94 million for the year ended September 30, 2003.

Raw Materials, Goods Consumed and Goods Purchased. Our raw materials, goods consumed and goods purchased expenses increased by 82.63% to Rs. 2,019.97 million for the year ended September 30, 2004 from Rs. 1,106.06 million for the year ended September 30, 2003, primarily as a result of the significant increase in our overall business. Raw materials expenses grew substantially in our air fin cooler and power projects businesses.

Staff Costs. Our staff costs increased by 22.27% to Rs. 109.91 million for the year ended September 30, 2004 from Rs. 89.89 million for the year ended September 30, 2003, primarily as a result of salary increases and additional recruiting in our power projects and captive power businesses.

Other Manufacturing Expenses. Our other manufacturing expenses increased by 38.69% to Rs. 219.49 million for the year ended September 30, 2004 from Rs. 158.26 million for the year ended September 30, 2003, primarily as a result of the same factors affecting the growth of raw materials, goods consumed and goods purchased expenses, though such factors had a relatively lesser effect on our other manufacturing expenses.

Selling and Distribution Expenses. Our selling and distribution expenses decreased by 11.127% to Rs. 7.27 million for the year ended September 30, 2004 from Rs. 8.18 million for the year ended September 30, 2003.

General and Administration Expenses. Our general and administration expenses increased by 21.79% to Rs. 123.95 million for the year ended September 30, 2004 from Rs. 101.77 million for the year ended September 30, 2003, primarily as a result of the start-up of our power projects and captive power businesses.

Interest. Our interest expense increased by 0.34% to Rs. 47.34 million for the year ended September 30, 2004 from Rs. 47.18 million for the year ended September 30, 2003.

Depreciation. Our depreciation charge increased by 18.26% to Rs. 20.92 million for the year ended September 30, 2004 from Rs. 17.69 million for the year ended September 30, 2003, primarily due to general additions of depreciable assets across a number of our businesses segments.

Miscellaneous Expenditure Written Off. Miscellaneous expenditure written off increased by 3.66% to Rs. 1.98 million for the year ended September 30, 2004 from Rs. 1.91 million for the year ended September 30, 2003.

Profit Before Tax. Our profit before tax increased by 49.88% to Rs. 143.63 million for the year ended September 30, 2004 from Rs. 95.83 million for the year ended September 30, 2003.

Provision for Taxation. Our provision for taxation increased by 56.43% to Rs. 31.85 million for the year ended September 30, 2004 from Rs. 20.36 million for the year ended September 30, 2003. Our effective tax rate for the year ended September 30, 2004 was 22.18% as compared to our effective tax rate for the year ended September 30, 2003 of 21.25%.

Profit After Tax, as Restated. Our profit after tax, as restated, increased by 46.04% to Rs. 111.66 million, or 4.14% of our total income, for the year ended September 30, 2004 from Rs. 76.46 million, or 4.70% of our total income, for the year ended September 30, 2003.

Financial Condition, 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 capital requirements primarily through funds generated from our operations, financing from banks and other financial institutions in the form of working capital (short term) loans, term loans, letters of credit and bank guarantees. We believe that we will have sufficient capital resources from our operations and financings from banks to meet our recurring capital requirements for at least the next 12 months.

As of June30, 2007, we had cash and bank balances totaling Rs.1,064.57 million. Of this amount, Rs. 955.23 million was held through various fixed-term bank deposits. Generally, these funds constituted security for various financing facilities such as bank guarantees and letters of credit, and therefore the funds were not available for other uses.

Cash Flows

The table below summarizes our cash flows for the three months ended June 30, 2007, the 18 months ended March 31, 2007, and the years ended September 30, 2005 and September 30, 2004:

(Rs. in Millions)

	Three Months Ended June 30, 2007	18 Months Ended March 31, 2007	Year Ended September 30, 2005	Year Ended September 30, 2004
Net cash flow (used in)/from operating activities	(4.12)	(462.50)	(156.88)	264.01
Net cash flow (used in)/from investing activities	(35.74)	(169.71)	(128.66)	(85.29)
Net cash flow (used in)/from financing activities	175.41	1,376.20	241.79	(23.13)
Net increase/ (decrease) in cash and cash equivalents	135.56	743.99	(43.76)	155.59
Cash and cash equivalents at beginning of period/ year	929.02	185.03	228.79	73.20
Cash and cash equivalents at end of period/ year	1,064.58	929.02	185.03	228.79

Our cash and cash equivalents take the form of bank deposits, current account deposits, margin money investments and cash on hand.

Operating Activities. Our net cash flow used in operating activities was Rs. 4.12 million for the three months ended June 30, 2007, consisting of our net profit before tax for the period of Rs. 252.50 million, adjusted for, among other things, increased cash resulting from an increase in sundry liabilities of Rs. 564.72 million, and cash decreases from an increase in sundry debtors of Rs. 521.96 million, an increase in loans and advances of Rs. 342.57 million and a decrease in inventories of Rs. 35.80 million. Sundry liabilities include, among other things, advances from customers in the early stages of our power projects, captive power and infrastructure projects. The increase in loans and advances was largely in connection with the consideration received for the sale of our energy business, and with claims made by us in relation to our project in Cochin. Our net cash flow used in operating activities was Rs. 462.50 million for the 18 months ended March 31, 2007, consisting of our net profit before tax for the period of Rs. 618.67 million, adjusted for, among other things, increased cash resulting from an increase in sundry liabilities of Rs. 1962.89 million, and cash decreases from an increase in sundry debtors of Rs. 2,506.71 million, an increase in loans and advances of Rs. 606.66 million and an increase in inventories of Rs. 106.02 million. Sundry liabilities include, among other things, advances from customers in the early stages of our power projects, captive power and infrastructure projects (principally the first two with respect to the 18 months ended March 31, 2007). Our increase in sundry debtors related principally to unsecured debts less than six months outstanding, which are mainly connected to our power projects and captive power businesses and which we consider to be good debts. Our increase in sundry debtors also related to longer credit periods extended by the Company and to a general increase in turnover during the 18 months ended March 31, 2007. The increase in loans and advances was largely in connection with power projects and captive power projects, as was the increase in inventories, and we consider these increases to be in line with the expanding scope of our business.

Our net cash flow used in operating activities was Rs. 156.88 million for the year ended September 30, 2005, and consisted primarily of our net profit before tax of Rs. 187.82 million, adjusted for cash decreases from an increase in sundry debtors of Rs. 426.71 million, an increase in inventories of Rs. 63.926 million and an increase in loans and advances of Rs. 52.64 million, and Rs. 142.13 million from increases in sundry liabilities, among other things. The principal reasons for most of these changes were similar to those for similar changes in the 18 months ended March 31, 2007, except that rather than being driven principally by the growth of our power projects and captive power businesses, the growth driver for the year ended September 30, 2005 was primarily our infrastructure business.

Our net cash flow used in operating activities was Rs. 264.01 million for the year ended September 30, 2004, consisting principally of our net profit before tax of Rs. 143.33 million, with adjustments including among other things a decrease in cash resulting from an increase in loans and advances of Rs. 115.42 million, and increases in cash resulting from an increase in sundry liabilities of Rs. 195.99 million. The increase in loans and advances related principally to advances to suppliers in connection with our power projects business' project for Aban Power Company Limited.The sundry liabilities increase related primarily to advances from customers following execution of contracts but before recognition of revenue. The increase in working capital loans was in line with the overall growth of our business.

Investing Activities. Our net cash flow used in investing activities was Rs. 35.74 million for the three months ended June 30, 2007, Rs. 169.71 million for the 18 months ended March 31, 2007, and Rs. 128.66 million and Rs. 85.29 million for the years ended September 30, 2005 and 2004, respectively. In all periods, the vast majority of cash was used to make purchases of fixed assets, as our business expanded in scope overall. Fixed assets purchased included, in particular, vehicles, finning machines for our air cooler business and cranes for our power projects and captive power businesses.

Financing Activities. Our net cash flow from financing activities for the three months ended June 30, 2007 was Rs. 175.41 million. We generated net cash of Rs. 1,376.20 million in financing activities for the 18 months ended March 31, 2007, and Rs. 241.79 million for the year ended September 30, 2004. We obtained Rs. 23.13 million from financing activities for the year ended September 30, 2005. These cash flows related principally to an increase in secured working capital loans primarily from our power projects and captive power projects and long term secured loans outstanding at the end of each period/year, principally taking the forms of hire purchase loans taken out to purchase fixed assets, and term loans from banks. We increased our outstanding hire purchase loans in the year ended September 30, 2005, primarily to purchase fixed assets for our infrastructure business, but repaid a substantial portion of such loan balances during the 18 months ended March 31, 2007. We decreased our outstanding term loans through repayments in each of the years ended September 30, 2004 and 2005, but increased the amount outstanding slightly during the 18 months ended March 31, 2007. We paid dividends of Rs. 21.60 million, Rs. 21.60 million and Rs. 10.80 million during the 18 months ended March 31, 2007, the year ended September 30, 2005 and the year ended September 30, 2004, respectively.

Capital Expenditures

For the three months ended June 30, 2007, the 18 months ended March 31, 2007 and the years ended September 30, 2005 and September 30, 2004, we spent Rs. 78.04 million, Rs. 137.28 million, Rs. 110.32 million, and Rs. 83.28 million, respectively, on capital expenditures. During the three months ended June 30, 2007, we added plant and machinery, office equipment and software, and sold our energy business, including fixed assets. Our capital expenditures for the 18 months ended March 31, 2007 were used principally for plant and machinery, office equipment and vehicles. Our capital expenditures for the year ended September 30, 2005 were used principally for plant and machinery. Our capital expenditures for the year ended September 30, 2004 were also used principally for plant and machinery.

We expect our capital expenditure needs for the year ending March 31, 2008 to be approximately Rs. 100. 00 million, to consist principally of purchases of office equipment and vehicles, and to be met from the net proceeds of this Issue and cash generated from operating activities.

Indebtedness

As of June 30, 2007, we had Rs. 2,677.41 million aggregate principal amount of indebtedness outstanding. Our principal lenders are State Bank of India, State Bank of Hyderabad, State Bank of Travancore, State Bank of Patiala, State Bank of Bikaner and Jaipur, UCO Bank Limited, Indian Bank, State Bank of Mysore, IDBI Bank Limited, State Bank of Indore, Indian Overseas Bank, Corporation Bank and ICICI Bank Limited. Our secured loans are secured by hypothecation of inventories, book debts and movable current assets of the respective contracts for which the relevant loans were extended. The participating banks share the security on a pari passu basis. The loans are further secured by guarantees of two Directors, including the Managing Director of the Company. The loan from Indian Overseas Bank is secured by way of a second charge on the fixed assets of Progen. In respect of working capital loans on a pari passu basis from various consortia, the loans are secured by way of a pari passu first charge on all current assets of the project shared with the other lenders participating in the project, a pari passu first charge on the trust and retention account maintained with the lead bank, a power of attorney registered in favor of the lenders, granting them the right to receive payments directly in respect of bills raised by the Company, a counter guarantee of the Company and the personal guarantees of two of our Directors. The loan from Corporation Bank is secured by a hypothecation of machinery imported under a letter of credit and a first charge on our fixed assets. The loan from ICICI Bank Limited is secured by a first charge on all movable and immovable properties of Progen. In respect of fixed asset loans the relevant fixed assets acquired under the loans are held as security. The following table describes our total outstanding indebtedness as at June 30, 2007:

Type of Indebtedness	**Principal Amount (Rs. in millions)**	**Average Interest Rate**
Secured term loans from banks	64.51	11.88%
Secured working capital loans	2,478.99	(1)
Fixed asset loans	74.83	(1)
Interest free sales tax loans	44.13	0%
Others	14.95	0%
Total Indebtedness	2,677.41	

(1) Interest rates are floating rates, based on benchmark prime interest rates less a margin, typically ranging between 1% and 3%

The Corporation Bank loans comprise three term loans in the aggregate amount of Rs. 64.51 million. The first such loan, of Rs. 25.21 million, is repayable in six quarterly installments ending June 2008. The second loan, of Rs. 28.66 million, is repayable in 16 quarterly installments ending December 2011. The Corporation Bank loan of Rs. 10.64 million is repayable in 18 quarterly installments over five years ending October 2011. The loan from ICICI is repayable in 18 quarterly installments over five years ending July 2008.

Project specific secured working capital loans from banks are repayable at the end of the contract period subject to extensions of the contract periods, if any, by our clients.

Fixed assets loans are repaid in equal monthly installments for a specific period of time on the basis of schedules provided by the respective banks.

Interest free sales tax loans are repayable every month based on the amount due for the corresponding month, after the moratorium period is completed.

Debt Service

We expect to service our indebtedness primarily from cash generated from operations before working capital charges. For the three months ended June 30, 2007, the 18 months ended March 31, 2007, and the years ended September 30, 2005 and September 30, 2004, 21.82%, 23.02%, 22.21%, 29.45% respectively, of our cash generated from operations was applied to cover financing costs. The significantly larger percentage in the year ended September 30, 2005 was caused primarily by debt service relating to equipment purchases for our infrastructure business, which did not result in substantial immediate increases to cash generated from operations.

Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations and commercial commitments as of June 30, 2007 and the effect such obligations and commitments are expected to have on our liquidity and cash flows in future periods.

(Rs. in millions)

		Maturity			
Contractual Obligations	**As of June 30, 2007**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Indebtedness	2,662.46	882.54	1,758.58	13.22	8.12
Purchase and other obligations[1]	47.39	25.80	21.59	—	—

(1) Our purchase and other obligations include our capital expenditure obligations and other obligations and commitments, including for rental and finance lease payments. We define a purchase obligation as an arrangement to purchase goods or services that is enforceable and legally binding on us.

Contingent Liabilities

The following table provides our contingent liabilities as of June 30, 2007:

Particulars	**(Rs. in Millions)**
Income tax matters	2.32
Sales tax matters	6.19
Guarantees issued by banks	3,103.08
Corporate guarantees	81.15
Undertaking (issued in favor of The President of India towards provisional duty bond for custom duty, legal undertakings for export obligations and end user undertakings for concessional customs duty)	264.88
Total	**3,457.62**

Related Party Transactions

The Company has engaged in the past, and may engage in the future, in transactions with related parties, including with our subsidiary, affiliates and certain key management members on an arm's length basis. Such transactions could be for provision of services, sale or lease of assets or property, sale or purchase of equity shares or entail incurrence of indebtedness. Generally, such transactions have not been material, individually or in aggregate, in any fiscal year. However, in the three months ended June 30, 2007, we made purchases from related parties in the aggregate amount of Rs.16.70 million. Such purchases comprised primarily purchases made by us from GEA Cooling Tower Technologies (India) Private Limited in connection with power projects..

Seasonality

Although our industrial products segment does not generally exhibit seasonality, our construction contracts segment, which operates almost exclusively in India, is affected by seasonal factors, particularly those relating to India's monsoon season. As a result, our results of operations during any portion of a fiscal year may not be comparable to those of any other portion of such year or any other.

Off Balance Sheet Commitments and Arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate risk, commodity risk, foreign currency exchange risk, inflation risk and credit risk. We are exposed to all of these (to differing degrees) in the normal course of our business.

Risk Management Procedures

The objective of market risk management is to avoid excessive exposure of our income and equity to loss. We generally manage our market risk through our treasury operations.

Interest Rate Risk

We currently have floating rate indebtedness and also maintain deposits of cash and cash equivalents with banks and other financial institutions and thus are exposed to market risk as a result of changes in interest rates. As of June 30, 2007, Rs. 2,405.87 million of our indebtedness consisted of floating rate indebtedness, and Rs. 47.85 million of our deposits bore interest at rates that were tied to floating benchmarks. Our floating rate indebtedness is tied to benchmark prime lending rates, rather than the rates of any particular bank or banks. General changes in prime lending rates typically trigger changes in both the interest rates we pay on our indebtedness and the interest rates we earn on our deposits. We do not currently use any derivative instruments to modify the nature of our exposure to floating rate indebtedness or our deposits so as to manage interest rate risk.

Commodity Risk

Certain of our orders in our environmental engineering business and our electrical projects business contain price escalation clauses based on indices published by entities such as the LME (London Mercantile Exchange) and the IEEMA (Indian Electric Equipment Manufacturer's Association). For these orders any change in input raw material costs will not have any major impact on us. All other orders are fixed price orders. Any change in input raw material costs or availability of such materials will affect our margins. In respect of bought out items, we normally solicit offers from vendors before we bid for projects. While we place firm orders on a fixed price basis once we are awarded a contract, we are exposed to commodity risk between the time we solicit offers and the time we place firm orders with our supplier until such time the order has expired. Through our efforts at project planning, we attempt to minimize this risk by obtaining firm offers remaining valid until we place such firm orders.

Foreign Currency Exchange Rate Risk

During the three months ended June 30, 2007, Rs. 88.08 million, or 3.60% of our total income, constituted export sales. During the same period, Rs. 560.02 million, or 31.85%, of our raw materials, goods consumed and goods purchased were imported. Both our export income and our import inputs expose us to foreign currency exchange rate risks. To limit these risks, we enter into foreign currency forward contracts on a case to case basis, depending on long term outlook and advice we receive from our banks. However, we are not fully protected with respect to these risks.

Inflation Risk

Because our orders are most often fixed price orders, we bear the risk that inflation will affect our expenditure and therefore our profit margins. Under fixed price contracts, we are not generally able to increase income to counter increases in expenses relating to raw materials, labor or overhead. However, this factor has not had a significant effect on our results in recent periods.

Credit Risk

We do not have significant credit risk on payments due from our customers in either our construction contracts or our industrial products segments, owing to the ways in which our payments are structured and secured. We have not made significant provisions or written off any amounts for bad debts during the three months ended June 30, 2007, the 18 months ended March 31, 2007 or the years ended September 30, 2005, 2004 and 2003. See Annexure IX – “Restated Schedule of Sundry Debtors – Consolidated”, on page 239 to our consolidated restated financial statements.

FINANCIAL INDEBTEDNESS

Our aggregate borrowings as of October 26, 2007 are as follows:

(In Rupees million)

S. No.	Nature of Borrowing	Amount
1.	Secured Borrowings	11,697.44
2.	Unsecured Borrowings	37.17

1. Sanction Letter dated September 23, 2006 issued by the Industrial Development Bank of India Limited as amended by September 25, 2006: Cash Credit and Bank Guarantee Facility and Consortium Agreement with State Bank of Mysore and State Bank of Indore dated October 17, 2006[2,3,4,5]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 1,750.00 million including a cash credit limit of Rs. 700.00 million and a Bank Guarantee limit of Rs. 1,050.00 million	Rs. 1,285.70	• Cash credit facility available up to a maximum period of 32 months • Bank guarantee facility available up to a maximum period of 35 months • 1% commission plus applicable taxes payable upfront at the beginning of every year • Interest 1.5% below specified lending rates of 11.5% • Cash margin of 10% of the amount guaranteed to be deposited

2. Sanction Letter dated September 30, 2006 issued by the State Bank of Mysore: Cash Credit and Bank Guarantee facilities including Letter of Credits Sub Limit and Consortium Agreement with State Bank of Indore and Industrial Development Bank of India dated October 17, 2006[1,2,3,4,5,6,7]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs 1,000.00 million including a cash credit limit of Rs. 700.00 million and a bank guarantee limit including a letter of credit sub limit of Rs. 300.00 million	Rs.544.10	• Cash credit facility valid for 36 months from date of sanction • Bank guarantee facility valid for 35 months from date of issue including claim period • Concession is 50% • 1% commission plus applicable taxes payable up front at the beginning of every year • Interest 1.5% below specified lending rates of 11.5% per annum • Margin is 10% • Letter of credit maximum usance 180 days

3. **Sanction Letter dated October 17, 2006 issued by the State Bank of Indore: Bank Guarantee and Consortium Agreement with State Bank of Mysore and the Industrial Development Bank of India dated October 17, 2006[2,3,4,5]**

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Working capital facility of Rs. 400.00 million	Rs. 394.85	● Facility valid for a maximum period of 35 months from the date of issuance including a claim period of 6 months ● Margin rate is 10% ● The commission is at the concessional rate of 1 % per annum plus service tax

4. **Sanction Letter dated February 11, 2006 issued by the State Bank of Patiala as amended by sanction letter dated June 2, 2006: Cash Credit Hypothecation and Bank Guarantee and Consortium Agreement with State Bank of Hyderabad and State Bank of Indore dated February 21, 2007 [2,3,5,6]**

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 1,450.00 million including a cash credit limit of Rs. 600.00 million and a bank guarantee limit of is Rs. 850.00 million	Rs.1,230.00	● Interest payable at 1.25% below specified bank lending rate of 11% payable monthly ● Facility of cash credit valid up to 26 months ● Facility of bank guarantee valid up to 38 months ● 1% commission per annum on bank guarantees

5. **Sanction Letter dated June 20, 2006 issued by the State Bank of Hyderabad : Cash Credit and Bank Guarantee including Letter of Credit sub Limit and Consortium agreement with State Bank of Patiala and State Bank of Indore dated February 21, 2007[3,4,5,6]**

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 660.00 million including a cash credit limit of Rs. 190.00 million and a bank guarantee limit including a letter of credit sub-limit of Rs. 470.00 million	Rs.613.50	• Interest payable at 1.25% below specified bank lending rate calculated at monthly rates • Cash credit facility valid up to 26 months • Bank guarantee facility valid up to 30 months • Letter of credit up to 26 months • Margin rate is 10% • 1 % commission on bank guarantee • Letter of credit charges at the rate of 1.75%

6. **Sanction Letter dated October 8, 2005 State Bank of Patiala: Cash Credit Hypothecation and Bank Guarantee as renewed on February 26, 2007 [3,4,5,6]**

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs.799.00 million including a cash credit limit of Rs. 547.50 million and of bank guarantee Limit of Rs. 251.50 million	Rs.332.20	• Cash credit facility valid up to 18 months • Bank guarantee facility valid up to 18 months plus defect liability of 12 months • Interest payable at 1.75% below specified bank lending rate • Margin rate 10%

7. **Sanction Letter dated April 9, 2007 from State Bank of India, Settipalle: Cash Credit facility and Bank Guarantee and Letter of Credit and a Consortium agreement with State Bank of Hyderabad dated April 27, 2007[10,11,12,13,14,15]**

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 1,455.20 million including a cash credit limit of Rs. 467.80 million and a bank guarantee limit including a letter of credit sub limit of Rs. 987.40 million	Rs.1,314.70	● Repayable on demand ● Rate of interest at State Bank Advance Rate of 12.5% per annum ● Minimum interest rate of 12.5% per annum ● Margin for non-fund based limit is 12.5% per annum

8. **Sanction Letter dated June 2, 2006 from State Bank of Bikaner & Jaipur Sale and amended by letter dated June 8, 2006: Line of Credit and Non Fund Based Letter of Credit and Bank Guarantee and Consortium Agreement dated July 7, 2006 [2,3,8,15,16]**

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 1,200.00 million including a line of credit limit of Rs. 350.00 million, a bank guarantee limit of Rs. 350.00 million and letter of credit limit of Rs. 500.00 million	Rs.992.30	● Interest payable at 2% below prescribed lending rate ● Concession rate on bank guarantee a is 75% ● Fund based facility valid up to 12 months ● Bank guarantee facility valid up to 36 months ● Letter of credit valid up to September 2007 ● Letter of credit usance up to 90 days

9. Sanction Letter dated July 3, 2006 issued by UCO Bank: Fund based Cash Credit and Non-Fund based Bank Guarantee and Letter of Credit and consortium agreement dated July 7, 2006 [2,3,8,15,16]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 1,200.00 million including a cash credit limit of Rs. 350.00 million, a bank guarantee limit of Rs. 350.00 million and a letter of credit limit of Rs. 500.00 million	Rs. 1,022.80	● Interest payable at 1.75% below the prescribed lending rate ● Cash credit facility valid for 12 months ● Letter of credit facility valid up to September 2007 ● Bank guarantee valid up to 12 months ● Rate of concession for letter of credit is 75%

10. Sanction Letter dated February 28, 2007 issued by Indian Bank: Packing Credit and Bank Guarantee and Letter of Credit[2,13]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 2,000.00 million including packing credit limit of Rs. 720.00 million, bank guarantee limit of Rs. 350.00 million, letter of credit limit of Rs. 750.00 million and export performance limit guarantee of Rs.180.00 million	Rs.235.30	● Interest payable at 3% below the prescribed lending rate ● Commission at 1% per annum ● Packing credit facility valid up to one year ● Bank guarantee valid up to 20 months· Letter of credit valid up to 20 months

11. Sanction Letter dated September 20, 2006 issued by State Bank of Indore: Cash Credit Hypothecation and Bank Guarantee[2, 3, 4,8]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 163.80 million including cash credit facility of Rs. 122.80 million and a bank guarantee limit of Rs. 41.00 million	Rs.144.50	● Interest payable at 1.5% below the prescribed lending rate ● Bank guarantee commission 1% per annum ● Cash credit facility valid for a period of 12 months ● Bank guarantee valid up to 22 months

12. Sanction Letter dated December 6, 2006 issued by State Bank of Indore: Cash Credit and Bank Guarantee and Consortium Agreement with State Bank of Hyderabad and State Bank of Patiala dated February 21, 2007 [2,3,4,8]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 540.00 million including a cash credit limit of Rs. 410.00 million and a bank guarantee limit of Rs. 130.00 million	Rs.439.30	● Interest payable at 1.5% below the prescribed lending rate ● Bank guarantee commission is 1% per annum ● Cash credit facility valid for a period of 26 months ● Bank guarantee valid up to 44 months

13. Term Loan Agreement dated June 13, 2006 issued by Corporation Bank [18,19,20]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Term loan of Rs. 37.5 million	Rs.187.50	● Interest payable at 1.75% below the specified bank lending rates ● Repayment in six quarterly installments of Rs. 6.25 million each ● Interest to be paid as and when due

14. Sanction Letter dated June 27, 2006 by Corporation Bank: Corporate Loan[18, 19,20]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Term loan of Rs. 30.00 million	Rs.28.65	● Interest payable at 1.25% below specified bank lending rates ● Repayable within 5 year in 16 quarterly installments of Rs. 1.87 million each. ● Upfront fees is 1%

15. Sanction dated September 14, 2005 by Corporati+on Bank: Term Loan/ Foreign Currency Term Loan including a Letter of Credit Sub- Limit and Foreign Exchange Forward Sale Contract Limit[2,3,4]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Foreign currency term loan Rs. 13.8 million	Rs.10.64	• Rupee term loan converted into foreign currency term loan • Interest payable at specified prime lending rate plus 2.7% compounded at monthly rests • Repayment in 18 quarterly installments of Rs. 0.768 million

16. Agreement dated July 30, 2005 with ABN AMRO Bank: Facility cum Hypothecation Agreement.[22]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Vehicle equipment loan of Rs. 1.89 million	Rs.0.48	• Interest payable at 6.88% per annum • Repayment in 35 equal installments of Rs. 59,530 each • Facility valid up to June 16, 2008

17. Agreement with ABN AMRO Bank dated April 30, 2005: Facility cum Hypothecation Agreement[23]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs. 9.7 million	Rs.1.85	• Interest payable at 6.5% per annum • Loan repayable in 35 equal monthly installments of Rs. 308,056 each

18. Agreement with ABN AMRO Bank dated September 1, 2004: Facility cum Hypothecation Agreement[26]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs. 0. 865 million	Rs.0.20	• Interest payable at 3.30% per annum • Loan repayable in 47 equal monthly installments of Rs. 20,834 each

19. Agreement with ABN AMRO Bank dated September 1, 2004: Facility cum Hypothecation Agreement[27]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs. 1.01 million	Rs.0.25	• Interest payable at 3.30% per annum • Loan repayable in 47 equal monthly installments of Rs. 24,326 each

20. Agreement with ABN AMRO Bank dated September 1, 2004: Facility cum Hypothecation Agreement[28]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs. 1.67 million	Rs.0.53	• Interest payable at 3.30% per annum • Loan repayable in 47 equal monthly installments of Rs. 40,343 each

21. Agreement with HDFC Bank dated May 28, 2004: Equipment loan and guarantee Agreement[29]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs. 3.69 million	Rs.0.51	• Interest payable at 4.47% per annum • Loan repayable in 47 equal monthly installments of Rs. 85,760 each

22. Agreement with HDFC Bank dated May 28, 2004: Equipment Loan and Guarantee Agreement[30]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs. 8.92 million	Rs.1.29	• Interest payable at 6.2% per annum • Loan repayable in equal monthly installments of 214,359 each

23. Agreement with ICICI Bank dated April 23, 2004: Vehicle Loan and Hypothecation Agreement[31]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs.1.93 million	Rs. 0.28	• Interest payable at 3.45 % per annum • Loan repayable in 47 equal monthly installments of Rs. 45,827 each

24. Agreement with ICICI Bank dated April 23, 2004: Vehicle Loan and Hypothecation Agreement[32]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs. 3.36 million	Rs.0.50	• Interest payable at 3.45 % per annum • Loan repayable in 47 equal monthly installments of Rs. 82,937 each

25. Agreement between our Company and ICICI Bank dated April 23, 2004: Vehicle Loan and Hypothecation Agreement[33]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs. 4.89 million	Rs. 0.59	• Interest payable at 3.45 % per month • Loan repayable in 47 equal monthly installments of Rs. 118,546 each

26. Sanction letter dated September 22, 2005 from State Bank of Hyderabad: Fund Based Cash Credit and Non Fund based Bank Guarantee and Letter of Credit[3, 34, 35]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 430.00 million including a cash credit limit of Rs. 170.00 million, bank guarantee limit of Rs. 190.00 million and a letter of credit limit of Rs. 70.00 million	Rs. 331.20	● Interest payable at 9.75% per annum ● Letter of credit usance 30 to 180 days ● 50% concession in Bank charges

27. Sanction Letter dated January 29, 2004 by State Bank of Travancore and amended by letter dated October 26, 2005: Cash Credit Hypothecation and Bank Guarantee and Letter of credit [1, 5]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit Rs. 400.00 million including cash credit limit of Rs. 150.00 million, bank guarantee is limit of Rs. 200.00 million and of letter of credit is Rs. 50.00 million	Rs. 202.00	● Interest payable at 1% below State Bank of Travancore prescribed lending rate ● Cash credit loan repayable in 32 installments subject to annual review ● Bank guarantee repayable in 32 months ● Margin rate is 25%

28. Hire Purchase Agreement with SREI Infrastructure Finance Limited dated February 1, 2005[38, 39]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 2.40 million	Rs.1.15	● Agreement valid for a period of 48 months ● Security deposit of Rs. 600,000 ● Interest payable at specified Benchmark rate 9% per annum

29. Hire Purchase Agreement with SREI Infrastructure Limited dated January 27, 2005[38, 39]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 11.01 million	Rs.0.90	• Tenure of the agreement valid for 47 months • Security deposit of Rs. 2,376,000 • Interest payable at 9% per annum

30. Hire Purchase Agreement with SREI Infrastructure Limited dated May 2, 2005[38, 39]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 20.00 million	Rs.9.20	• Tenure of the agreement valid for 47 months • Interest payable at 9% per annum

31. Hire Purchase agreement with SREI Infrastructure Limited dated June 17, 2005[38, 39]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 40.00 million	Rs.18.99	• Tenure of the agreement valid for 47 months • Interest payable at 10% per annum

32. Corporate Rupee Loan Facility Agreement with ICICI Limited dated March 27, 2001[5,40,41]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 20.00 million	Rs.3.4	• Interest payable quarterly· Maximum rate of interest 2% per annum • over specified long term prime lending rate • Minimum security cover of 1.25%

33. Sanction letter dated September 22, 2005 from State Bank of Hyderabad: Fund Based Cash Credit and Non Fund based Bank Guarantee and Letter of Credit[3, 36, 37]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 120.00 million including a cash credit limit of Rs. 40.00 million and a bank guarantee limit of Rs. 80.00 million	Rs. 24.40	• Interest payable at 12.75% per annum • Letter of Credit Usance 30 to 180 days

34. Agreement with ABN AMRO Bank dated September 1, 2004: Facility cum Hypothecation Agreement[26]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs. 0.865 million	Rs.0.20	• Interest payable at 3.30% per annum • Loan repayable in 47 equal monthly installments of Rs. 20,834 each

35. Agreement with ABN AMRO Bank dated September 1, 2004: Facility cum Hypothecation Agreement[27]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Facility of Rs. 1.01 million	Rs.0.25	• Interest payable at 3.30% per annum • Loan repayable in 47 months in equal monthly installments of Rs. 24,326 each

36. Sanction letter dated October 10, 2005 from State Bank of Hyderabad: Fund Based Cash Credit and Non Fund based Bank Guarantee [1, 4]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 290.00 million including a cash credit limit of Rs.100.00 million and a bank guarantee limit of Rs. 190.00 million	240.40	• Interest payable at 1.25% below bank primary lending rate. • Margin for letter of credit 10% • Margin for bank guarantee 10%

37. Sanction letter dated August 23, 2007 from State Bank of India: Fund Based Working Capital Limits and Non Fund Based Limits[43]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 2,000 million including a cash credit limit of Rs. 1,000 million, a letter of credit sub limit of Rs. 150 million (sub limit) and a bank guarantee limit limit of Rs. 1,000 million	1,000	● Repayable on demand. The facility is available for 36 months i.e. valid upto July 31, 2010 subject to review every six months. ● Rate of interest at specified advance rate of 12.75% per annum ● Enhanced rate of interest at 1% cumulatively subject to a maximum of 2% to be charged for the period of delay ● Margin for cash credit limit is 10% per annum on deficit ● Margin for letters of credit is 10% ● Margin for bank guarantee is 10%

38. Sanction letter dated August 27, 2007 from Punjab National Bank: Fund Based and Non Fund Based Limits [2, 5]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 2,000 million including a cash credit limit of Rs. 1,000 million and specific inland letter of guarantees limit of Rs. 1,000 million	1,000	● Period of sanction is 32 months from the date of draw down to be renewed after every 12 months from the date of sanction ● Rate at specific prime lending rate less 0.75% currently at 12.75% per annum ● Margin for fund based and non-fund based limit is 10% per annum

39. Modification of Sanction letter dated July 12, 2007 and loan agreement dated August 14, 2007 with Corporation Bank[2,3,]

Sanctioned Amount	Amount Outstanding (In Rupees million)	Tenure of Individual Facility/Repayment Dates and Interest Rates
Total limit of Rs. 500 million including a fund based limit of Rs. 150 million and a non fund based limit of Rs. 350 million.	120	● Interest payable at 12.5% annum to be revised from time to time ● Repayment on demand. To be closed out within 18 months

References:

1. Demand promissory note.
2. Loans secured by first charge on all chargeable current assets of the project on parri-passu charge with other lenders.
3. Power of attorney acknowledging the lender's right to receive the payments directly in respect of bills raised by our Company.
4. Personal guarantee of our Promoter and Director and Ms Sasikala Raghupathy.
5. Counter guarantee or counter indemnity by our Company.
6. Loan secured by LC application cum indemnity
7. Bills/Railway receipt /Bills of Lading/ Airway bills evidencing shipment of goods.
8. Letter of credit for capital goods not permitted.
9. Loan secured by extension of charge on the current assets as available for cash credit account.
10. Loan secured by charge on the fixed asset – counter mortgage to an extent of 4.98 cents land in Sino. 255/4,255/6, 255/9 situated at No.100 Mevalur Kuppam (village) Sriperambdur Tamil Nadu belonging to Sri B.G. Raghupathy.
11. Loan secured by charge on the fixed asset – EM of Delhi flat measuring 900 Sqft. at Block III, Sector II, Dwarka, New Delhi belonging to Sri B.G. Raghupathy.
12. Loan secured by pari-passu charge on all chargeable current assets of product division and the current assets of the project of our Company.
13. Hypothecation of all chargeable current assets of our Company.
14. Pari passu charge on the fixed assets of our Company.
15. Loan secured by omnibus counter guarantee of our Company.
16. Loan secured by application cum indemnity letter.
17. Loan secured by first charge on the Trust and Retention Account.
18. Equitable mortgages created over various agricultural lands in Panjetti village within the limits of Ponneri Taluk and Sub- Registration District of Redhills.
19. Mortgage of Survey No 111 of Pannamgadu Industrial Estate, Sullurpet Village, Panchayat Limits Ramapuram Panchayat, Mandal TADA, measuring an extent of 18,805 square yards comprising of Plot Nos A4, A5, A6 and E7 at Pannamgadu.
20. Loan secured by first charge on fixed assets of our Company.

21. Loan secured by hypothecation of all construction equipment along with any and all additions, attachments, accessories and and all substitutions, replacements or exchanges thereof. The lender has an exclusive charge over the construction equipment: No 500 KVA genset.

22. Loan secured by hypothecation of all construction equipment along with any and all additions, attachments, accessories and accessions and all substitutions, replacements or exchanges thereof. The lender has an exclusive charge over the construction equipment- IR Vibratory Aspalt Compactor DD 90, PTR 250, 3 Nos of 380 KVA diesel generator set with acoustic arrangement and 1 No of 500 KVA Diesel generator with Kiroskar Diesel engine.

23. Loan secured by hypothecation of construction equipment- 1No of SCHWING STETTER Concrete Pump.

24. Loan secured by hypothecation of construction equipment- 1 No of Wet Mix Plant.

25. Loan secured by hypothecation of construction equipment- Transit Mixer, SCHWING STETTER.

26. Loan secured by hypothecation of construction equipment- Transit Mixer, SCHWING STETTER.

27. Loan secured by hypothecation of construction equipment- Tata LPK 2516 Chasis, MFG- TATA.

28. Loan secured by hypothecation of construction equipment- Tata LPK 2516 Chasis, MFG- TATA.

29. Loan secured by hypothecation of construction equipment- JCB 3D BACKHOE loader,MFG- JCB India Limited

30. Loan secured by hypothecation of construction – Ingersoil Rand.

31. Loan secured by hypothecation of construction equipment- 2 Nos of Larsen & Toubro Komatsu motor graders.

32. Loan secured by hypothecation of vehicle equipment- IR Soil Compactor.

33. Loan secured by hypothecation of vehicle equipment SCHWING STETTER INDIA BATCHING PLANT.

34. Loan secured by hypothecation of vehicle equipment- Komatsu Make Motor Grader Model: GD 511A- 1 From L&T.

35. Loan secured by pari passu first charge on agricultural land along with SBI, Settipalle branch, Tirupathi to the extent of 4.98 acres in Sy No 255/4, 255/6, 255/9 situated at No. 100, Mevalur Kkuppam village, Sriperambdur Taluq, Tamil Nadu belonging to B.G.Raghupathy.

36. parri passu first charge along with SBI Settipalle Tirupathi on flat admeasuring 900 Sq ft, block III, sector II, Dwarka, New Delhi in the name of Sri B.G. Raghupathy.

37. Loan secured by 2^{nd} charge on the fixed assets of our Company.

38. Loan secured by all current assets, fixed assets in all forms such as raw material and finished goods stored in Panchetty factory and whenever shifted.

39. Loan secured by the equipment detailed in the schedule.

40. Loan secured by a first mortgage/ charge/security on all immovable and movable properties of Progen Systems and Technologies Limited includes all those pieces and parcels of land situate in the village of Panjetty, Ponnerri Taluk, Tiruvellore District, Tamil Nadu.

41. Loan may be secured by additional security as may be acceptable to the lender.

42. Loan secured by the leased equipment.

43. Loan secured by first charge over profits of the Company, after provision for taxation or dividend wherever applicable.

Other critical covenants in our loan agreements include

- Company to open a Trust & Retention Account with the lender, whereby the cash flow mechanism will be regulated from the construction period till the repayment of the entire amount.
- Bank guarantee usage permitted once to the extent of the Fund based limit and the limit would be immobilized to the extent of the bank guarantee issued.
- Utilization of working capital for long term purposes/ capital investments is not permitted.
- Drawl of funds permitted from the Trust etention Account against submission of monthly cash budget.
- The Company should not invest in the equity of group companies/ others without the lender's consent.
- The Company to submit periodical progress report of the implementation of the project along with the costs incurred.
- In case of future cost over-runs, the promoters shall finance the same by way of additional equity/ unsecured loans from their own sources.
- Dividends cannot be paid without the prior permission of the lender.
- In case of default from the borrower, the lender will have the right to disclose/ publish their names.
- The guarantors cannot claim any consideration by way of fees, commission or any other form of payment for extending their personal guarantee to the lender.
- The promoters cannot disinvest their equity in our Company without the prior consent of the lender.
- Company cannot induct a person who is a director on the board of a company whose name has been identified as a wilful defaulter.
- The lender s will be entitled at any time during the currency of the guarantee to demand and recover any margin of payment up to the full extent of 100% and in case of a default the lender reserves its right to debit the borrower's account with the said amount.
- Undertakings related to CIBIL (Credit Information Bureau of India Limited) be obtained from the borrowers/guarantors in terms of C&I circular dated February 4, 2004.

- If the accounts of the borrowing company are irregular and there is a frequent /invocation of bank guarantees, prior permission to be obtained before issuance of Bank guarantee.
- The lender has the right to change the rate of interest applicable to various limits from time to time as per the lender's credit rating methodology.
- The lender has the right of returning the cheque issued by our Company, irrespective of availability if in its view, the payment is going towards any other purpose than those envisaged in the sanctioned facility.
- Company has to obtain prior consent of lender in writing before opening any other current account or availing of any facilities either fund or non- fund based.
- A penal interest at the rate of 2% shall be charged on the overdue amount.
- An additional penal interest of 2 % will be charged in case the overdrawal permitted is not regularised within the stipulated period.
- A 1% penalty shall be charged on the entire outstanding amount in case of any default/ delay in submission of any one or more of the prescribed QIS statements/ specified operating statements.
- An additional 1% penalty is charged for non-submission of stock for the month the statement is either not submitted or delayed.
- In case of devolvement of the facility, the devolved amount shall be deemed to be demand loans to our Company and such loans shall carry the maximum interest rate.
- A penalty of 1 % will be charged in case of check any net working capital.
- The lender has a right to withhold disbursement and withdraw disbursed facilities without any prior notice and reason.
- Company cannot without the lender's permission effect any change in the capital structure, formulate any scheme of amalgamation or, reconstruction, implement any schemes of expansion or acquired fixed assets, invest by way of share capital in or lend or advance funds or to place deposits with any other concerns, enter into borrowing arrangements either secured or unsecured, declare dividends for any year except out of profits.
- Company will keep the lender informed of the happening of any event likely to have substantial effect on the profit or business.
- The lender will have the right to examine at all times our Company's books and to have the finances inspected by officers of the Lender's choice.
- The lender will have a first charge on the profits of our Company after taxation and payment of dividend for the repayment of any obligation executed by our Company.
- The lender shall have the right to securtise the secured assets of our Company.
- Company cannot sell, assign, mortgage or otherwise dispose of any of the fixed assets charged to the lender.

- Company cannot change the remuneration of the directors.
- Statements of stocks/receivables hypothecate/pledges to the lender are to be submitted regularly at monthly intervals.
- The lender's officials are to be permitted to inspect the stocks/books and equipment.
- Financial follow up should be submitted at quarterly intervals within six weeks from the close of the relative quarter.
- The money raised by way of deposits should not be withdrawn during the pendency of the loan.
- In case of disputed liabilities, the guarantee will be issued at 100% cash margin.
- Goods to be received under letter of credit should be hypothecated to the Lender.
- The lender has the right to have exclusive possession and control of the secured assets.
- The lender will charge a 2% interest over the contracted interest rate in case of interest being overdue.
- The lender reserves the right to foreclose the foreign currency loan and crystallise the liability into Indian Rupees.
- The lender shall have a lien over all the assets of our company in the lender's control or charged in favour of the lender.
- The lender shall be entitled to take possession of the construction equipment, irrespective of whether the loan has been recalled or not, if there is an apprehension of any money not being paid.
- The lender may increase the interest in its sole discretion if unforeseen and exceptional or extraordinary changes occur in the market.
- The lender can at any time at its discretion cancel the said facilities without prior notice.
- Our Company to maintain a specified current ratio.
- In case the hirer/ lessee close the agreement before the stipulated tenure, a prepayment premium of 2% will be collected on the outstanding amount.
- The hirer shall bear the entire risk of loss and damage to the equipment.
- The lender shall have the right to accelerate the repayment schedule in case the profitability of company so warrants.
- The drawls from the facility shall be kept in special accounts in the name of the Lender or such other scheduled lender as may be approved by the lender.
- In case of default the lender shall have the right to enter upon and take possession of the assets of our Company.

- In case of default in payment or repayment of two consecutive installments of principal amounts or interest or both, then the lender shall have the right to convert the whole or part of the outstanding amount into fully paid up equity shares of our Company, at par from the stipulated date.

As of June 30, 2007, the Company had availed of a total amount of Rs. 75.02 million from the following lenders for the purchase of vehicles provided below:

S. No.	Name of lender	Number of vehicles	Amount outstanding (In Rs. Million)
1.	Kotak Mahindra Bank	26	7.11
2.	ICICI Bank	30	12.33
3.	Indian Overseas Bank	10	7.94
4.	HDFC Bank	8	4.96
5.	ABN AMRO Bank	4	5.29
6.	SREI Infrastructure Finance	4	35.70
7.	Tamil Nadu Mercantile Bank	5	1.69

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, Directors, Subsidiaries, Joint Ventures, Promoter and Promoter Group and there are no material defaults, non payment of statutory dues, over-dues to banks and financial institutions, defaults against banks and financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issued by the Company, defaults in creation of full security as per terms of issue or other liabilities, proceedings initiated for economic or civil or any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act, 1956) other than unclaimed liabilities of the Company (the subsidiaries of the Company have no material litigation pending against them) and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiary, its Promoter, Directors and Promoter Group.

Cases filed against our Company

Penal proceedings against our Company and our Chairman and Managing Director

1. A criminal complaint bearing C.C. No. 136 of 1998 has been filed by the Delhi Development Authority against our Company and our Chairman & Managing Director before the Metropolitan Magistrate, New Delhi. The complaint is filed under S. 29(2) of the Delhi Development Act, 1957 on grounds of our Company allegedly using residential premises for commercial purposes. The penalty for the aforementioned offence prescribed under S. 29 (2) of the Act is in the nature of fine which may extend to five thousand rupees and in the case of a continuing offence, a further fine which may extend to two hundred and fifty rupees for every day during which such offence continues after conviction for the first commission of the offence. The matter has been listed for hearing on December 18, 2007.

2. A criminal complaint bearing S.T.C No. 11 of 2005 has been filed by the Labour Enforcement Officer, Rajahmundry against our Company, our Chairman and Managing Director and others under S. 22A of the Minimum Wages Act, 1948 before the Additional Judicial First Class Magistrate at Razole on grounds of our allegedly not maintaining registers and records as required under the Act and contravening various provisions of the Minimum Wages (Central) Rules, 1950. The penalty prescribed for the alleged offence under the Minimum Wages Act, 1948 is in the nature of fine which may extend to five hundred rupees. The matter is listed for hearing on December 13, 2007.

Civil proceedings against the Company

1. An application bearing O.A No. 68 of 1999 has been filed before the Debts Recovery Tribunal, Kolkata, by Karnataka Bank Limited against Platinum Finance Limited, our Company and others. The application seeks to recover certain amounts due to Karnataka Bank Limited from Platinum Finance Limited. Under the application, the Applicant has *inter alia* alleged that our Company owes Platinum Finance Limited a sum of approximately Rs. 7.72 million under a hire purchase agreement allegedly entered into by us with them. The application has been decreed as prayed for and submitted to the Debt Recovery Officer for recovery. We have made an application before the Recovery Officer seeking the removal of our name from the list of certified debtors on grounds of our signature on the said hire purchase agreement being

forged and our not having executedany such agreement. The application is pending before the Recovery Officer and the matter is yet to be listed for disposal.

2. A petition under S. 2A (2) of the Industrial Disputes Act, 1947 bearing I.D No 195 of 2005 has been filed by Mr. G. Perumal, against our company before the second Additional Labour Court, Chennai, raising an industrial dispute against his allegedly unfair dismissal and claiming reinstatement with full back wages from the date of dismissal, continuity of service, consequential benefits and compensatory cost and interest on back wages. The matter is yet to be listed for hearing.

3. A summary suit No. 582 of 2002 has been filed by M/s. Vividh Hi Fab against our Company before the City Civil Court (S.D), Vadodara claiming an amount of approximately Rs. 0.76 million and interest due thereupon. An ex-parte order was issued against us by the court favouring the plaintiff to recover the claimed amount from us. We have filed an application for condonation of delay, setting aside the ex-parte order and interim relief. The matter is yet to be listed for hearing.

4. M/s Vividh Hi Fab sought to execute the ex parte order of the City Civil Court, Vadodara in Chennai by means of an execution petition bearing E.P No. 757/2003 filed before the City Civil Court, Chennai and an order was passed in favour of M/s Vividh Hi Fab. We contested the execution order by way of E.A. No. 4714 of 2003 and the appeal was decided in our favor in this petition. Consequently, M/s Vividh Hi Fab has filed a revision petition bearing CRP 229 of 2004, before the High Court of Judicature at Madras seeking to overrule the decision made in E.A 4714 of 2003. Our Company deposited a sum of Rs.300,000 pursuant to the interim order dated February 12, 2004 passed by the High Court in CMP No.1974 of 2004 in CRP 229 of 2004. The matter is yet to be listed.

5. An application bearing O.A. No. 704 of 2005 has been filed by Shanghai Jiannshe Luqiao Machinery Company Limited, before the High court of Judicature at Madras, involving a dispute relating to the payment in respect of a stone crushing plant provided by the plaintiff to us and praying for an interim order of injunction pending arbitration prohibiting us from using the stone crushing plant. Subsequently, Shanghai Jiannshe Luqiao Machinery Company Limited filed various applications seeking interim relief, including furnishing security, pending arbitration. Pursuant to the order of the court, we furnished a bank guarantee of USD 250,000 and a letter of credit for the same amount. Subsequently, we also filed an application seeking the return of the bank guarantee as a letter of credit was already provided against the claim. However, the letter of credit expired in the meantime and hence we were ordered to furnish the bank guarantee. We filed an appeal by way of four applications against the aforesaid decision. Three of the applications were dismissed by the Court and the application bearing O.A 3119 of 2005 relating to furnishing security by Shanghai Jiannshe Luqiao Machinery Company Limited has been referred back to the Single Judge for determination on merit. The matter is yet to be listed for final disposal.

6. A civil suit bearing SPCS. No. 1073/07 has been filed by M/s Kirloskar Pneumatic Company Limited against our Company before the Court of the Civil Judge Senior Division, Pune for recovery of money. The matter relates to the recovery of an outstanding amount of Rs. 173,788.40 towards the purchase of two air compressors and special tools and tackles required for the maintenance of the compressors, supplied to M/s CSEB, Korba, a client of our Company. The total amount claimed by the plaintiff is Rs. 261,013.65 including interest and notice charges. The Court has issued summons dated July 3, 2007, directing our Company to appear before the Court on August 10, 2007 The plaintiff has, through its letter dated September 17, 2007 proposed to settle the claim upon the payment of Rs. 173,789. M/s Kirloskar Pneumatic has agreed to withdraw the proceeding upon receiving the said amount. Accordingly, the Company has made the payment of the amount in favour of the plaintiff on September 19, 2007.

Cases filed by our Company

Civil cases

1. A civil suit bearing C.S No. 146 of 2004 has been filed by our Company against Mr. Rajeev Dua and M/s Gas Tech Engineering Company, New Delhi at the High Court of Judicature at Madras for permanent injunction restraining Mr. Rajeev Dua from entering into any work, business arrangement, agreement or contract or any correspondence of any nature with the second defendant and for damages and compensation for the loss incurred by us. The matter relates to the violation of a non-compete clause by the first defendant. Our Company also filed an application before the High Court (O.A No. 139 of 2004) seeking an interim injunction to restrain the first defendant from joining the second defendant company. The interim injunction was granted in our favour by order dated February 23, 2004. Thereafter, a contempt petition bearing No. 403 of 2004 was filed by us seeking action against the defendants for willful disobedience of the above interim injunction. The contempt petition was dismissed by an order dated December 21, 2004. The matter is pending and is yet to be listed for final disposal.

2. Our infrastructure business is engaged in providing road laying services for connectivity at Cochin for widening and strengthening the existing carriageway of National Highway 47 from Vytilla to Aroor junction in the state of Kerala. This project is being carried out through an unincorporated joint venture entity M/s Mecon-GEA Energy System (India) Limited. A civil suit bearing O.M.P No. 288 of 2007 was filed by M/s Mecon-GEA Energy System (India) Limited against the Cochin Port Road Company Limited before the High Court of Judicature at Delhi seeking the nomination of members of the dispute resolution body envisaged under the project contract, the extension of time for completion of the project, release of payment in relation thereto and restraint on the invocation and encashment of bank guarantees which have been supplied by Mecon-GEA Energy System (India) Limited. Thereafter, the Cochin Port Road Company Limited issued a termination notice bearing number 11011/5/2004-CPRCL dated May 28, 2007, in relation to the above project. Pursuant to such termination Mecon-GEA Energy System (India) Limited has further filed a petition bearing O.M.P No. 310 of 2007 against the Cochin Port Road Company Limited and others at the High Court of Judicature at Delhi for injunction against the invocation of bank guarantee and injunction against the termination letter. Both petitions are pending before the High Court. However, in the meanwhile, the NHAI has invoked the bank guarantees, the dispute review board has been constituted and the matter has been referred to the board for resolution.

3. An application bearing O.A No. 1013/06 was filed by our Company against Germanischer Lloyd Aktiengesell Schaft and Germanischer Lloyd Offshore and Industrial Services GmbH before the High Court of Judicature at Madras praying for an injunction under S. 9 of the Arbitration and Conciliation Act, 1996 to restrain the respondents from establishing any firm or company in India alleging illegal termination of the joint venture agreement by the respondents. The injunction was granted as prayed for. An appeal bearing O.S.A 88/2007 was filed by Germanischer Lloyd Aktiengesell Schaft and Germanischer Lloyd Offshore and Industrial Services GmbH in the High Court of Judicature at Madras as appeal against the interim injunction granted in O.A No.1013 of 2006. The Court stayed the order of injunction in O.A 1013/06 pending the disposal of O.S.A 88/07. A special leave petition bearing S.L.P No.8917/2007 was filed by our Company before the Supreme Court against Germanischer Lloyd Aktiengesell Schaft and Germanischer Lloyd Offshore and Industrial Services GmbH against the interim order passed by the High Court of Judicature at Madras pending in O.S.A 88 of 2007. However, the special leave petition was dismissed and the O.S.A 88/07 has yet to be listed before the High Court.

4. A civil suit bearing C.S No. 904 of 2004 had been filed by our Company against Litostroj at the High Court of Judicature at Madras for a declaration that the termination of the contract by the respondent was void, to restrain the respondent from invoking the arbitration clause in the agreement and directing the respondents to accept the stay rings manufactured by us. The suit is pending before the High Court. A special leave petition bearing S.L.P No.11031 of 2005 was preferred by our Company against Litostroj before the Supreme Court to set aside the order passed in O.S.A No.70 of 2005. The special leave petition was dismissed. Litostroj has issued a claim notice dated September 21, 2005 against us seeking the recovery of dues of Euros 750,562.90 on grounds of non performance of contractual obligations.

Taxation Related Cases filed against our Company

Income tax cases against our Company

1. A notice of demand dated March 22, 2004 relating to assessment year 2001-2002 under S. 156 of the Income Tax Act, 1961 for the assessment year 2001-2002 for a sum of Rs. 2,276,200 have been issued under S. 231(1) of the Income tax Act, 1961 by the Assistant Commissioner of Income tax, Circle 1, Nellore to our Company. The said notice has been issued on grounds of incorrect assessment of deduction claimed by our company under S. 80HHC and expenditure towards research and development. Pursuant to the demand notice, an appeal bearing No.0065/04-05 dated April 20, 2004 was filed by us before the Commissioner of Income Tax (Appeals), Guntur against the disallowance of deduction under S. 80HHC and disallowance of the claim for deduction towards research and development. The Commissioner of Income Tax (Appeals) in its order dated August 27, 2004, partly allowed the appeal in our favour. Against this order, the Assistant Commissioner of Income Tax preferred an appeal bearing ITA No.637/Hyd/2004 before the Income Tax Appellate Tribunal, Hyderabad. However, consequent on giving effect to the order of the tribunal, the Deputy Commissioner of Income Tax revised the total tax liability allowing disallowance towards research and development and reassessed the liability as Rs. 1,167,140 and has granted us a period of 90 days to appeal such decision.

2. The Company has filed two appeals bearing AP No. 59/2007/08/NLR and AP No. 60/2007/08/NLR against the order of the Assistant Commissioner, Nellore before the Appellate Deputy Commissioner (CT), Guntur. The matters relates to a dispute of input tax credit claim by our Company for the months of March, 2007 and April, 2007 under Andhra Pradesh Value Added Tax Act, 2005. The amount of disputed tax liability on the Company is Rs. 259,089 and Rs. 92,830 including penalty for the months of March, 2007 and April 2007 respectively. The matter is yet to be listed for hearing.

3. Two notices dated September 28, 2007 and September 30, 2007 were issued to our Company under Section 47 of the Kerala Value Added Tax Act, 2003, relating to the detention of two vehicles containing parts of the machinery, on the ground of procedural lapses in relation to permission for interstate sale of the goods, details of purchase order, form of delivery and evasion of tax and an amount of Rs. 2,875,000 was imposed on our Company as security deposit in lieu of release of goods. Subsequently, the Company filed a writ petition bearing W.P(C) No. 31185 of 2007 before the High Court of Kerala and the court passed an interim order dated October 23, 2007 directing us to provide bank guarantee for Rs. 500,000 in respect of each notice, and the balance amount demanded, to be furnished by way of security bond without sureties. The Company complied with the said order and has furnished a bank guarantee and security bond accordingly. Another writ petition bearing W.P (C) No. 32079 of 2007 dated October 29, 2007 was filed before the High Court of Kerala against the detention of the third vehicle which was part of the same consignment as above. The Court in its interim order dated October 29, 2007 has directed the

release of the said vehicle, subject to furnishing a security of 212,500 by us in favour of Commercial Tax Inspector, Commercial Tax Check Post, Feroke. Both the petitions are pending for final disposal.

Excise cases against our Company

1. A show cause notice bearing No. C. No. V(84)/15/34/2005 dated May 2, 2005 was issued by the office of the Commissioner of Customs and Central Excise, Guntur to our Company regarding irregular availment of the benefit of exemption under Notification No. 6/2002 dated March 1, 2002 by us. The alleged tax liability claimed by way of the said show cause notice was Rs.3,760,000 along with interest and penalty thereupon. Pursuant to the above notice, the Additional Commissioner, Customs and Central Excise, Guntur by his order No.CE-20/2005 dated November 30, 2005 confirmed the duty demand of Rs. 3,760,000 and also imposed a penalty of Rs. 500,000 on our Company under Rule 25 of the Central Excise Rules, 2002. We filed an appeal bearing A.No.66/2006 (T) CE before the Commissioner of Customs and Central Excise (Appeals), Guntur. The appellate authority by its order in Appeal No.66/2006(T) CE dated April 12, 2006 allowed the appeal and set aside the order No.CE-20/2005. Subsequently, the Commissioner of Central Excise, Guntur filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal to set aside the order of the appellate authority. We have filed a cross objection in the matter and the appeal is yet to be listed for hearing.

2. A Reference Application under S. 35 H (1) of the Central Excise Act, 1944 bearing Reference Case Petition No. 16 of 2003 has been initiated by the Commissioner of Central Excise, Chennai before the High Court of Judicature at Madras, against the final order passed by the Customs, Excise and Gold (control) Appellate Tribunal holding that a penalty imposed against our company under S. 11AC and Rule 173Q of the Central Excise Act, 1944, as amended, may not be imposed if duty has been paid before issuance of show cause notice. The matter is pending before the High Court for disposal and is yet to be listed.

Sales tax cases against our Company

1. A tax revision case arising out of the order of the Sales Tax Appellate Tribunal in T.A No.1561 of 2001 has been preferred by our Company before the High Court of Judicature of Andhra Pradesh at Hyderabad. The matter relates to assessment of tax for the assessment year 1997-1998. The State of Andhra Pradesh has also initiated a revision case bearing TRC No.43/05 before the High Court of Judicature of Andhra Pradesh at Hyderabad against the order. The matter relates to the disputed assessment of tax on a turnover of Rs.39,229,511 relating to a works contract. The disputed tax liability in this matter is Rs.3,922,951. The matter is yet to be listed for hearing.

2. Our Company has filed an appeal before the Sales Tax Appellate Tribunal, Hyderabad, Andhra Pradesh in relation to assessment of tax for the assessment year 2001-2002.The appeals seeks setting aside the order passed by the Appellate Deputy Commissioner (CT), Guntur in appeal No.125/2003-04 dated May 25, 2004 and to direct the assessing officer to grant concessional rate of tax at 4% on a turnover of Rs.3,59,670 The amount of tax disputed is Rs. 14, 378. The matter is yet to be listed for hearing.

3. Our Company filed an appeal before the Sales Tax Appellate Tribunal, Hyderabad to set aside the order passed by the Appellate Deputy Commissioner CT), Guntur in appeal No.126/2003-04 dated May 25, 2004 and to direct the assessing officer to grant concessional rate of tax at 6% on a turnover of Rs. 49,47,229. The matter relates to the assessment of tax for assessment year 2001-2002. The amount of tax disputed is Rs. 296,834. The matter is yet to be listed for hearing.

4. Our Company has filed an appeal dated June 8, 2007 and an application for revision before the Appellate Deputy Commissioner (CT), Guntur towards disputed turnover not covered by 'C' Forms, export sales of machinery not supported by bills of lading, transit sales not supported by 'E1' Forms and transit sales not covered by 'C' and 'E1' Forms. The matter relates to assessment of tax for the assessment year 2003-2004. The claim made by revised demand notice bearing Assessment No.12903/2003-04 and Registration No. NRE/08/3/1170 is Rs.1,511,178. Our Company has made a payment of Rs.457,429 against the total tax liability, and the disputed tax liability is Rs.1,053,749. The appeal has been heard and the order is awaited.

5. Our Company has preferred an appeal bearing T.A No.135/03 before the Tamil Nadu Sales Tax Appellate Tribunal (Main branch), Chennai against the order of the Appellate Assistant Commissioner (CT) Kancheepuram in appeal No.34/01 CST dated November 19, 2002. The matter relates to assessment of tax for the assessment year 1998-1999 The appeal is on the ground of disputed turnover relating to stock transfer of manufactured items from the State of Tamil Nadu to Gujarat. The disputed amount of tax is Rs.3,34,810. The Tribunal extended the ad-interim stay for collection of disputed amount of tax pending disposal of the appeal until July 5, 2005 by an order dated June 13, 2005 in T.P No.17/05 in T.A No.135/03. Further, the Tribunal by its order dated September 6, 2005 directed our Company to deposit 50% of the disputed tax amount before the Assessing Officer and balance 50% as security before the Assessing Officer until the disposal of the appeal. Pursuant to the order, we have furnished a bank guarantee of Rs.167,405 and paid the remaining amount against the disputed claim of Rs.334,810. Hence, the remaining tax liability is Rs. 167,405. The appeal was dismissed on August 1, 2007.

6. A notice of demand bearing Register No.23280570 dated February 28, 2003 was issued to our Company by the Agricultural Income Tax and Sales Tax Department under the Kerala General Sales Tax Rules to pay a sum of Rs.119,985 for the business of supply, erection and commissioning of air coolers heat exchangers. The matter relates to assessment of tax for the assessment year 2001-2002. The Company has filed an appeal dated April 9, 2003 before the Appellate Assistant Commissioner, Ernakulum on grounds of disputed assessment relating to works contracts. The disputed tax liability is Rs. 27,585. The appeal is yet to be listed for hearing.

Other actions against our Company

A show cause notice bearing number T700C271 dated July 23, 2005 was issued by Bharat Heavy Electricals Limited (BHEL) to our Company to explain as to why BHEL should not take action against the Company, including black-listing, for entering into a written Memorandum of Understanding with M/s Techno Electric and Engineering Company Limited to form a cartel to bag the order and quote higher prices. Our Company through a letter bearing number GI/PPD/P.II/2005 dated August 17, 2005, contested the allegations made against us. However, BHEL by its letter dated March 1, 2006, issued proceedings banning our Company and allied/sister companies from business dealings with BHEL for a period of three years. We made a representation against the ban order by our letter bearing number GI/PPD/P.II/06 dated March 29, 2006 requesting BHEL to rescind such order. Subsequently, our Company sent letters dated August 3, 2006 and January 3, 2007, to consider the representation made by the Company and issue appropriate orders rescinding the banning of business between the Company and BHEL.

Litigation by our Company

1. Our Company has filed an appeal before the Appellate Deputy Commissioner (CT), Guntur dated May 9, 2006 seeking the refund of tax already paid towards the turnover allegedly not covered by certain forms. The matter relates to assessment of tax for the assessment year 2002-2003. The amount of tax of which the refund is sought is Rs. 2,984,921. The matter is yet to be listed for hearing.

Cases by or against our Subsidiary

Progen Systems and Technologies Limited

Writ Petition filed by Progen Systems and Technologies Limited

1. A writ petition bearing W.P. No. 18947 of 2003 has been initiated before the High Court of Judicature at Madras by Progen Systems and Technologies Limited against the Secretary to the Government of Tamil Nadu and CTO, Ponneri and others, seeking to stay and quash the letter issued by the Secretary of Tamil Nadu (Industries) in Government Order No.500 dated May 14, 1990 relating to the interest free sales tax deferral scheme. The Court by its order dated October 8, 2003 in W.P M P.23719 of 2003 in W.P No.18947 granted an interim injunction and directed the petitioner company to pay 40% of the demanded amount as per the repayment schedule. Against this order, the company preferred a writ appeal bearing W.A 3794 of 2003 and miscellaneous petition bearing W.A.M.P 6194 in W.A 3794 of 2003. The Writ Appeal No.3794 of 2003 filed against the above interim order is admitted and an interim stay against the injunction order was granted in W.A.M.P 6194. The matter in W.A 3794 and W.P 18947 is pending and yet to be listed. In the meanwhile, the company has commenced repayment of sales tax under the interest free sales tax deferral scheme.

Cases by or against our Promoter Group Companies'

GEA Cooling Tower Technologies(India) Private Limited

Criminal case against GEA Cooling Tower Technologies (India) Private Limited

1. Two criminal complaints bearing S.T.C 672 and S.T.C 673 of 2005 haves been filed under S. 23 and S. 24 of the Contract Labour (Regulation and Abolition) Act, 1970 by the Labour Enforcement Officer, Trichy against GEA Cooling Tower Technologies (India) Private Limited before the Judicial Magistrate, Lalgudi on grounds of alleged offences committed under the Act in relation to our Dalmia project. The complaints relate to an alleged breach of S. 12(1) of the Act for failure to obtain license under the Contract Labour (Regulation and Abolition) Central Rules, 1971. The matters are listed for hearing on November 23, 2007.

Civil Suit

1. A civil suit bearing O.S No.65 of 2006 has been filed by Laxmi Cranes and Trailers Private Limited against GEA Cooling Tower Technologies (India) Private Limited before the Additional Sub-Court, Ernakulam seeking the recovery of a sum of Rs. 669,230 with future interest at the rate of 18% allegedly due towards hiring cranes and trailers. The Company has filed a written statement in this matter and the matter has been posted for filing of evidence by way of affidavit by the plaintiff. The matter is pending and yet to be listed for hearing. The plaintiff in this case has, through its letter dated August 24, 2007 has agreed to settle its claim in the aforesaid suit upon the payment of the disputed amount. The company has made the payment of the said amount on September 11, 2007.

Germanischer Lloyd Industrial Services India Private Limited

Civil suits filed by Germanischer Lloyd Industrial Services India Private Limited

1. A civil suit bearing O.S 48/2007 has been filed by Germanischer Lloyd Industrial Services India Private Limited against GVC Energy Services Limited and Germanischer Lloyd Industrial Services GmbH before the Court of Principal District Munsif, Pondicherry seeking for an permanent injunction restraining the respondents from establishing any firm or company in India. The application seeking an interim injunction in this matter has been rejected. The matter in O.S 48/2007 is posted hearing on November 29,2007.

2. A civil appeal bearing CMA 7/2007 has been fied before the Additional Sessions Judge, Pondichery by Germanischer Lloyd Industrial Services India Private Limited against GVC Energy Service Private Limited and Germanischer Lloyd Industrial Services GmbH seeking to set aside the order passed in an interim application in O.S 48 of 2007. The appeal is listed for hearing on November 29, 2007.

ANI Constructions Private Limited

Cases filed by or against ANI Constructions Private Limited

Nil

Contingent Liability as of March 31, 2007

ANI Constructions Private Limited has no contingent liabilities as of March 31, 2007.

BGR Aquaatech India Limited

Cases filed by or against BGR Aquaatech India Limited

Nil

Contingent Liability as of March 31, 2007

BGR Aquaatech India Limited has no contingent liabilities as of March 31, 2007.

Schmitz India Private Limited

Cases filed by or against Schmitz India Private Limited

Nil

Contingent Liability as of March 31, 2007

Schmitz India Private Limited has no contingent liabilities as of March 31, 2007.

Swarna Leasing Private Limited

Cases filed by or against Swarna Leasing Private Limited

Swarna Leasing Private Limited filed an application dated July 7, 1997 with the RBI for grant of certificate of registration for carrying on business of a non-banking financial institution, under S. 45 IA of the Reserve Bank of India Act, 1934. The RBI rejected the said application through a letter bearing number DNBS (CH)/5490/

13.10.01(C-61)/2002-2003 dated January 8, 2003 on the ground that the Company did not meet the minimum net owned fund requirements. The RBI also directed the company to ensure that its financial assets are disposed of within a period of three years from the date of the letter and the company is converted to a non-banking non-financial company or is wound up. The company filed an appeal dated February 6, 2003 before the appellate authority under S. 45-1A (7) of the RBI Act, 1934, against the dismissal of the application for registration and the appeal has not been heard.

On July 23, 2007, after expiration of the three year period given by the RBI for compliance with its directions, the Company filed a compliance report with the RBI, informing the RBI that the Company has passed a resolution at a Board Meeting held on July 20, 2007 not to carry on the business of non-banking financial institutions. The company also informed the RBI that since its incorporation, it has not accepted any deposits from the public or from any source, the entire capital of the company have been contributed by its promoters and that the company never carried out any business of hire purchase, leasing, insurance or any other business of a financial institution except investment in group companies, investment of surplus funds in the initial public offerings of various listed companies and that the investment made in the group companies as well as initial public offerings of listed companies have not been traded or sold since the date of investment. The company also informed the RBI that it has since disposed off the shares acquired through initial public offerings and the short term loans and advances have also been settled.

In its response dated August 28, 2007 the RBI, *inter alia,* informed the company that it continues to invest in group companies without having a certificate of registration or an exemption from the RBI to carry on investment business and the company is thereby in violation of Section 45 IA of the RBI Act, 1934 which attracts penal provisions under Section 58 B(4A) of the RBI Act. The RBI required clarifications and explanations in relation to the unsecured loans in the balance sheet, discrepancies between the board resolution passed on July 20, 2007 and balance sheet as on March 31, 2007 and the auditor's certificate attached to the balance sheet and sought the submission of audited balance sheets as on March 31, 2006. The RBI also required the company to update it as to the present status of the appeal filed against the rejection order dated January 8, 2003.

Pursuant to the above, the company filed a response with the RBI through its letter dated September 13, 2007. Subsequently, the RBI has through its reply dated October 11, 2007 informed the company that the reply submitted by it is not satisfactory and advised the company to submit specific/point wise clarification as sought in its letter. In its reply dated October 24, 2007, the company further informed the RBI that it shall submit its audited balance sheet as on September 30, 2007 and clarified that the unsecured loans received from directors, associates, shareholders and group companies have been fully repaid and that all the investments subsequent to March 31, 2007 made in companies other than group companies have been disposed off. The company stated that in light of the board resolution, director's declaration and auditor's certificate, already submitted to the RBI, it will not be considered as an NBFC and will therefore not require a certificate of registration or exemption under Section 45 IA of the RBI Act, 1934.

Contingent Liability as of March 31, 2007

Swarna Leasing Private Limited has no contingent liabilities as of March 31, 2007.

Priya Securities Private Limited

Cases filed by or against Priya Securities Private Limited

Nil

Contingent Liability as of March 31, 2007

Priya Securities Private Limited has no contingent liabilities as of March 31, 2007

Vani Securities Private Limited

Cases filed by or against Vani Securities Private Limited

Nil

Contingent Liability as of March 31, 2007

Vani Securities Private Limited has no contingent liabilities as of March 31, 2007.

Arjun Securities Private Limited

Cases filed by or against Arjun Securities Private Limited

Arjun Securities Private Limited filed an application dated July 7, 1997 with the RBI for grant of a certificate of registration for carrying on business of a non-banking financial institution, under S. 45 IA of the Reserve Bank of India Act, 1934.. The RBI later rejected the said application through its letter bearing number DNBS (CH)/ C.5/13.10.01/2002-03 dated January 9, 2003 on the ground that the Company did not meet the minimum net owned fund requirements and directed the company to pass a specific resolution not to carry on the business of a non-banking financial institution. Moreover, the RBI also directed the company to ensure that within a period of three years, the financial assets of the company are disposed of and the company is converted to a non-banking financial company or is wound up. The company filed an appeal dated February 6, 2003 before the appellate authority under S. 45-1A(7) of the RBI Act, 1934, against the dismissal of the application for registration and the appeal has not been heard.

On July 23, 2007, after expiration of the three year period given by the RBI for compliance with its directions, the company filed a compliance report with the RBI, informing the RBI that the company has passed a resolution at a board meeting held on July 20, 2007, not to carry on the business of a non-banking financial institution. The company also informed the RBI that since its incorporation, it has not accepted any deposits from the public or from any source, the entire capital of the company have been contributed by its promoters and that the company never carried on any business of hire purchase, leasing, insurance or any other business of a financial institution except investment in group companies, investment of surplus funds in the initial public offerings of various listed companies and that the investment made in the group companies as well as initial public offerings of listed companies have not been traded or sold since the date of investment. The company also informed the RBI that it has since disposed off the shares acquired through initial public offerings and the short term loans and advances have also been settled.

In its response dated August 23, 2007 the RBI, *inter alia,* informed the company that it continues to invest in group companies without having a certificate of registration or an exemption from the RBI to carry on investment business and the company is thereby in violation of Section 45 IA of the RBI Act, 1934 which attracts penal provisions under Section 58 B(4A) of the RBI Act. The RBI has required clarifications and explanations on entries in relation to the unsecured loans in the balance sheet, discrepancies between the board resolution passed on July 20, 2007 and balance sheet as on March 31, 2007 and the auditor’s certificate attached to the balance sheet and sought the submission of audited balance sheets as on March 31, 2006. The RBI also required the company to update it as to the present status of the appeal filed against the rejection order dated January 8, 2003.

Pursuant to the above, the company filed a response with the RBI through its letter dated September 13, 2007. Subsequently, the RBI has through its reply dated October 11, 2007 informed the company that the reply submitted by it is not satisfactory and advised to submit specific/point wise clarification as sought in the previous letter. In its reply dated October 24, 2007, the company further informed the RBI that it shall submit audited Balance Sheet as on September 30, 2007 and clarified that the unsecured loans were received from directors, associates, shareholders and group companies have been fully repaid and that all the investments subsequent to March 31, 2007 made in companies other than group companies have been disposed off. The company stated that in light of the board resolution, director's declaration and auditor's certificate submitted to the RBI, it will not be considered as an NBFC and accordingly will not require a certificate of registration or exemption under Section 45 IA of the RBI Act, 1934.

Contingent Liability as of March 31, 2007

Arjun Securities Private Limited has no contingent liabilities as of March 31, 2007.

Mega Funds India Limited

Cases filed by or against Mega Funds India Limited

Nil

Contingent Liability as of March 31, 2007

Mega Funds India Limited has no contingent liabilities as of March 31, 2007.

Sasikala Estate Private Limited

Cases filed by or against Sasikala Estate Private Limited

Nil

Contingent Liability as of March 31, 2007

Sasikala Estate Private Limited has no contingent liabilities as of March 31, 2007.

BGR Power Limited

Cases filed by or against BGR Power Limited

Nil

Contingent Liability as of March 31, 2007

BGR Power Limited has no contingent liabilities as of March 31, 2007.

Cuddalore Power Company Limited

Cases filed by or against Cuddalore Power Company Limited

Cases filed by Cuddalore Power Company Limited

A civil suit bearing O.S. No. 37 of 2007 has been filed by Cuddalore Power Company Limited against Chemplast Sanmar Limited before the court of the Subordinate Judge, Cuddalore. The matter relates to the title of the disputed land situated at new survey no. 166/9 measuring 39,180.23 square feet, Thiyagagavalli Village, Cuddalore, within the sub registration district of Cuddalore. The plaintiff has alleged that the defendant is encroaching upon the suit property over which the plaintiff has absolute ownership and possession. Moreover, the plaintiff has also filed an interim application bearing I.A. No. 421 of 2007 before the Subordinate Judge, Cuddalore for restraining the defendants from disturbing the peaceful possession and enjoyment of the said property by the plaintiff. The matter is posted for hearing on November 22, 2007.

Contingent Liability as of March 31, 2007

Cuddalore Power Limited has no contingent liabilities as of March 31, 2007.

II. Amounts owed to Small Scale Undertakings

As of March 31, 2007 an amount of of Rs. 16.71 million is owed by the Company to small scale undertakings.

IV. Details of past penalties imposed on our Company or any of our Directors

Nil

V. Details of pending proceedings initiated for economic offences against our Company or any of our Directors

There are no pending proceedings initiated for economic offences against our Company or any of our Directors.

VI. Cases filed by or against our Promoter

Except as disclosed above, there are no cases involving any of our Promoter which involve a violation of any statutory regulations, criminal offence or in which penalties have been imposed by the relevant authorities.

Further, there are no pending proceedings initiated for economic offences against the Promoter.

VII. Details of past penalties imposed on our Promoter

There have been no instances in the past of any penalties that has been imposed on our Promoter by any statutory authorities.

VIII. Details of violations of securities laws or willful defaults by our Company, Directors and Promoter

Our Company, Promoter and Directors have further confirmed that they have not been declared as willful defaulters by the Reserve Bank of India or any other Governmental authority and, as disclosed above in this section, there are no violations of securities laws committed by them in the past or are pending against them.

Material Developments

There have been no material developments, since the date of the last balance sheet otherwise than as disclosed in the section 'Management's Discussion and Analysis of Financial Condition and Results of Operations' on page 258.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

Approvals related to the Issue

1. Approval from the National Stock Exchange dated August 29, 2007.
2. Approval from the Bombay Stock Exchange dated September 6, 2007.
3. Letter from the Reserve Bank of India dated August 21, 2007 bearing reference number FE.CO.FID 3948/10.21.076/2007-08 granting its approval for the Offer for Sale.

Approvals for the Business

A. Approvals from the Reserve Bank of India and the Department of Industrial Policy and Promotion

1. Letter bearing Ref No- FC:120(84)- Comp/SCS dated October 17, 1984 approving the terms of collaboration between our Company and GEA Energiesystemtechnic GmbH & Co for the manufacture and sale of (i) on- line tube cleaning systems, debris separators and cleaning balls, (ii) engineering designs of other allied products, (iii) erection of the systems, commissioning of the plants and equipments (iv) after sales services and (v) exports, etc from the Government of India, Ministry of Industry, Department of Industrial Development, Secretariat for Industrial Approvals (special cases section).
2. Letter bearing Ref No 18(23)/84-HEP-I dated February 11, 1986 from the Government of India, Ministry of Industry, Department of Industrial Development, Secretariat for Industrial Approvals (special cases section) extending the validity of the letter of approval up to June 30, 1986.
3. Letter bearing Ref No 120 (84) Comp SCS dated December 12, 1986 from the Government of India, Ministry of Industry, Department of Industrial Development, Secretariat for Industrial Approvals (special cases section) approving the transfer of approval of collaboration in favour of our Company.
4. Letter bearing Ref No FC 120 (84)/ Comp/SCS dated January 27, 1987 from the Government of India, Ministry of Industry, Department of Industrial Development, Secretariat for Industrial Approvals (special cases section) approving the terms of collaboration of our Company with M/s GEA Energiesystemtechnic GmBH & Co with a validity of six months in supersession of the earlier foreign collaboration approvals.
5. Letter No FTT 326/G-61/93/94 dated December 18, 1993 from the Deputy Controller, Reserve Bank of India granting approval under the Foreign Exchange Regulation Act, 1973 for the technical collaboration with GEA Btt France for manufacture of air cooled heat exchangers. The registration number allotted was FT 93 MAR- 065.
6. Letter No 36(2002)/35(2002)/PAB- IL dated March 5, 2002 from the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Secretariat for Industrial

Assistance extending the RBI approval No FTT 326/G-61/93/94 dated December 18, 1994 from October 1, 2000 to September 30, 2003.

7. Letter No EC/FID/16500 dated June 20, 2003 from the General Manager Reserve Bank of India acknowledging taking on record the letter No 36(2002)/35(2002)/PAB- IL dated March 5, 2002 from the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Secretariat for Industrial Assistance.

8. Letter No FID/126 FT (G4)/2000-2001 dated November 2, 2000 from the General Manager, Reserve Bank of India approving the technical collaboration of our company with Crane Environmental Inc incorporation for manufacture of deaerator, and reverse osmosis (including ultra filtration, micro filtration and nano filtration equipment.

9. Letter bearing Ref No EC CO FITT/154/12.51.00/P-121/94/95 dated September 15**,** 1994 by the Reserve Bank of India approving the technical collaboration between M/s Petrodyne Process Technologies Limited, Madras **(**Progen Systems and Technologies Limited) and M/s GEA Spirogills Limited UK for the manufacture of High Frequency Resistance Welded Finned Tubes. The registration number allotted was FT 94 MAR 0463.

10. Letter No EC CO FITT/619/12.51.00(G-127)/95/96 dated April 11, 1996 by the Reserve Bank of India approving the technical collaboration of GEA Cooling Tower Technologies (India) Private Limited with GEA Energietechnik GmBH for designing, manufacturing, selling, installing and commissioning products in the field of air cooled condensers, indirect dry cooling systems and dry/wet (hybrid) cooling systems for the power station industry (including captive power stations), waste to energy plants (incinerators) and compressor driving steam turbines, natural draft and mechanical draft wet cooling systems for the power station industry with an unit rating up to 100 MWe, waste to energy plants (incinerators) compressor driving steam turbines and such for cooling processes in the chemical, petrochemical and other industries.

11. Letter bearing Ref No CHE EC FID/7091/26.07.0005/2003-2004 dated January 10, 2004 by the Reserve Bank of India approving the technical collaboration of GEA Cooling Tower Technologies (India) Private Limited with GEA Energietechnik GmBH for designing, manufacturing, selling, installing and commissioning products in the field of air cooled condensers, Indirect dry cooling systems and dry/wet (hybrid) cooling systems for the power station industry (including captive power stations), waste to energy plants (incinerators) and compressor driving steam turbines, natural draft and mechanical draft wet cooling systems for the power station industry with an unit rating up to 100 MWe and above. The Registration no is FT:2004: MAR:001.

12. Letter bearing Ref No EC. CO. FITT. 637/12.51.00/A-319/96-97 dated June 2, 1997 by the Reserve Bank of India allowing the issue of equity shares of face value of Rs. 1,250,000 i.e. 50% of the total issue of Rs. 25,00,000 for cash at par to M/s Germanischer Lloyd Aktiengesellschaft. The approval is subject to the shares being issued only after final approval from the Chennai regional office by submission of the Foreign Inward Remittance Certificate evidencing receipt of subscription of foreign equity. The equity participation of Germanischer Lloyd Aktiengesellschaft should not at any stage exceed 50% of the total paid up capital of the joint venture company. The registration number FC 97 MAR 0318. Approval was also accorded by the Chennai regional office vide letter bearing Ref No MA.EC.FID/1236/125 (G-21)/97-98 dated November 12, 1997.

13. Letter bearing Ref No Proj/499/19(115)93/94 dated January 29, 1994 by the Reserve Bank of India granting approval for a joint venture between our Company and M/s Brigitte Scmitz & Frank James GL in the field of manufacture and sale of cleaning balls. The approval was subject to the prior approval of the RBI for any change in the capital structure.

14. Letter bearing Ref No FID 15026/25.07.0007/2001-2002 dated April 20, 2002 from Reserve Bank of India granting approval to our company to provide counter guarantee to M/s GEA Energietechnik GmbH, Germany, subject to the condition that in case of invocation of guarantee the amount will be remitted by our Company by debiting our EEFC account.

B. Company Specific Approvals

1. Certificate of incorporation for our Company, issued by the Registrar of Companies, Andhra Pradesh at Hyderabad, bearing certificate number 5318 of 1984-85, certifying that GEA Energie Systems India Private Limited was incorporated under the Companies Act, 1956 as a private limited company on February 18, 1985.

2. Letter issued by the Department of Company Affairs, office of the Registrar of Companies, Andhra Pradesh, Hyderabad bearing letter No. 5318/STA/87 dated April 3, 1987 permitting the change of name of our Company to GEA Energy System (India) Private Limited.

3. Fresh certificate of incorporation dated April 3, 1987 consequent upon change of name issued by the Registrar of Companies, Andhra Pradesh at Hyderabad, certifying that name of GEA Energie Systems India Private Limited has been changed to GEA Energy System (India) Private Limited under the provisions of the Companies Act, 1956.

4. Fresh certificate of incorporation consequent upon conversion to public limited company dated March 3, 1993, issued by Registrar of Companies, Andhra Pradesh at Hyderabad, certifying that GEA Energy System (India) Private Limited has been changed to GEA Energy Systems (India) Limited under the provisions of the Companies Act, 1956.

5. Fresh certificate of incorporation consequent upon change of name dated June 28, 2007, issued by the Registrar of Companies, Andhra Pradesh at Hyderabad, certifying that the name of GEA Energy Systems (India) Private Limited has been changed to BGR Energy Systems Limited under the provisions of the Companies Act, 1956.

6. Letter (No. 21/Trading/CERC) dated December 7, 2006 from the Central Electricity Regulatory Commission ("CERC") received by our Company granting us license as a category 'F' trader to trade in electricity in the whole of India. The license has been granted in exercise of the powers conferred under S. 14 of the Electricity Act, 2003. The license commenced on the date of the issue and unless revoked earlier shall continue to be in force for a period of 25 (twenty five) years from the date of its issue. It is specified that the licensee may with prior intimation to the CERC, engage in any business for optimum utilisation of its assets.

C. Labour, Taxation and other Related Approvals

1. Letter dated July 13, 2000 from Income Tax Department, Government of India to our Company allotting us the Permanent Account Number AABCG2202J.

2. Letter dated April 17, 2007 from the office of the Commissioner of Service Tax to our Company issuing the Service Tax Code Number AABCG2202JST001.

3. Certificate of registration dated April 4, 2007 under S. 69 of the Finance Act, 1994 granted by the Office of the Commissioner of Service Tax that subject to our Company having undertaken to comply with Chapter V of the Finance Act, 1994 read with the Service Tax Rules, 1994, it is certified to have been registered with the Central Excise Department.

4. Certificate of Importer- Exporter Code dated December 20, 1989, and re-issued on February 17, 2003, by the Director General of Foreign Trade. The Importer- Exporter code is 0489018611.

5. Letter bearing Ref No EEPC ROC:TPC REGN(R)07/027 dated April 02, 2007 from the Engineering Export Promotion Council. The certificate no is EPC/REG(R)/ CEN/MER-SIA/159/2007-08.

6. Letter dated bearing Ref No 51-51156-101 August 14, 1989, issued by the Employees State Insurance Corporation registering our company under the Employees State Insurance Act, 1948.

7. Letter bearing No. AP19918ENFNLR1(4)569 dated June 26, 1990 from the Regional Provident Fund Commissioner, Hyderabad, Andhra Pradesh to our Company through the Managing Director informing that our establishment has been brought within the coverage of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and the schemes framed there under with effect from June 1, 1990. The Code Number allotted to us is AP19918.

8. Central excise registration certificate dated February 2, 2005 granted under Rule 9 of the Central Excise Rules, 2002 certifying, subject to specified conditions, that our Company is registered for manufacturing of excisable goods at No.9, G.N.T Road, Panjetty village, Ponneri, Thiruvallur, Tamil Nadu 601204. The registration certificate shall remain valid until the registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended. The Registration No is AABCG2202JXM002.

9. Certificate of registration dated January 12, 2007 issued by the Commercial Tax Officer, Commercial Taxes Department, Government of Tamil Nadu certifying that our Company is registered as a dealer under the Tamil Nadu Value Added Tax Act, 2006 with TIN 33171700893 with effect from January 1, 2007.

10. ESA Grade Contractor License bearing License No.ESA 277 dated October 11, 2007 granted by the Electrical Licensing Board, Government of Tamil Nadu granted to our Company authorizing us to carry out all type of electrical works with no limitations in voltage or capacity in the State of Tamil Nadu. The license is issued under the regulations issued by the Government of Tamil Nadu in the Government Orders under Rule 45(1) of the Indian Electricity Rules, 1956 and valid till April 29, 2009.

11. Certificate dated November 3, 2006 evidencing grant of Taxpayer Identification Number 28180214138 to our Company under the Andhra Pradesh Value Added Tax Act, 2005.

12. Certificate dated November 20, 2006 granting us the Value Added Tax Registration Certificate for our project at BEML Layout, NH4, Gajaladinne Turning, Kolar Taluk.

13. Certificate of Registration dated January 30, 2002 issued under S.7(1) and S. 7(2) of the Central Sales Tax Act, 1956 for civil and construction work mechanical and erection, electricals, fabrication and structure work. The Registration Number is CST /0913/03297.

14. Letter dated July 27, 2000 issued under the Kerala General Sales Tax Rules, 1963 granting the certificate of registration. The Certificate No being 23280570/452000.

15. Certificate dated September 7, 2006 granting workmen's compensation insurance coverage under the Workmen's Compensation Act, 1923 to the workers of the Power Project Division. The Policy no is 4010/0004779.

16. Certificate dated March 31, 2007 granting workmen's compensation insurance under the Workmen's Compensation Act, 1923 for the skilled and semi- skilled employees of the Dholpur Power Project Division. The Policy no is 710300/36/06/01/00000001.

17. License dated June 2, 2004 issued by the Office of the Regional Labour Commissioner (Central) Cochin under S. 12(1) of the Contract Labour (Regulation and Abolition) Act for the four lane project at Cochin. The license is renewed till June 1, 2008. The License no is CL/L-10/04/ALC/EKM/B5.

18. Letter dated June 27, 2001 from the Directorate General of Inspection, Customs and Central Excise, New Delhi allotting us Excise Control Code Number AABCG2226JXM001.

19. License bearing number 1/07 dated February 15, 2007 issued by the Inspector of Labour, Office of the Licensing Officer, Government of Tamil Nadu under S. 12 of the Labour (Regulation and Abolition) Act, 1970, to the our Company for doing the work of engineering, construction and procurement for our TNEB Valuthur project. The shall remain in force till December 31, 2007.

20. Registration certificate of establishment bearing number 760014207 dated July 11, 2007 granted by the office of the Inspector under the Bombay Shops and Establishment Act, 1948 to our Company for liaison office in relation to manufacturing and supply of equipment.

D. Premises Specific Approvals

<u>Premises in Tamil Nadu</u>

1. Certificate of Building Stability under Rule 12B (3) of Tamil Nadu Factories Rules, 1950 bearing Approval No.H1/26729/2004 and TC No. VS/GESIL/11/2004 dated November 26, 2004 certifying that the building in which our Company is housed carrying air fin coolers manufacturing process was inspected and that the construction has been completed in accordance with the approved plan. The certificate is valid for three years from the date of issue subject to maintaining the building as per the accepted standards. The next inspection is due on November 25, 2007.

2. Fire Service License bearing license No.14267/2/2006 dated January 19, 2007 granted to our Company under S. 13 of the Tamil Nadu Fire Services Act, 1965 for maintenance of fin tubes and assembly of tube bundles.

3. Certificate of Registration bearing Ref No. 22/03 dated September 10, 2003 issued by the Department of Inspectorate of Factories, Government of Tamil Nadu granted under S. 7(2) of the Contract Labour (Regulation and Abolition) Act, 1970 to our air fin cooler division, Panjetty.

4. License bearing No. 1850 dated August 31, 1995 issued by the Deputy Chief Inspector of Factories, I Division, for the for the factory situated at Panjetty. The license is valid till December 31, 2007.

5. License bearing No. 1/07 dated March 22, 2007 granted by the Government of Tamil Nadu under S. 12(1) of the Contract Labour (Regulation and Abolition) Act, 1970 subject to the specified conditions and valid up to December 31, 2007.

6. License bearing No. A&E/7372-M/2006 dated September 30, 2006 granted by the Public Works Department, Tamil Nadu to Progen System and Technologies Limited under the Indian Boiler Regulations, 1950 renewing the registration to manufacture fin welded tubes. The license has been renewed till September 30, 2008 by the Director of Boilers, Public Works Department, Tamil Nadu through its letter bearing number A2/8302-M/2007 dated September 26, 2007.

7. License granted by the Chief Controller of Explosives, Department of Explosives dated May 13, 1999 to Progen Systems and Technologies Limited under Rule 4 of the Static & Mobile Pressure Vessels (unfired) Rules (Amendment) Act, 1993.

8. License bearing No. KPM/79 EIKPMX/2002 dated February 17, 2003 granted by the Electricity Inspectorate, Government of Tamil Nadu under Rule 63 of Indian Electricity Rules, 1956 read with Indian Electricity Act, 1910 according approval for installation of electrical equipments.

9. License bearing No. SE/CEDC/N/AEE/DEV.AED/D2/F.Ht.A/C. No.1667/PR.174-1 dated May 10, 2001 granted by the Tamil Nadu Electricity Board to Progen System and Technologies Limited sanctioning the load of 250 KVA.

10. Consent Order bearing No. 12365 dated December 14, 2005 granted by the Tamil Nadu Pollution Control Board under S. 25 of the Water (Prevention and Control of Pollution) Act, 1974 authorising us to discharge the effluents from a specified outlet.

<u>Premises in Andhra Pradesh</u>

1. License dated February 2, 2007 granted by the office of the Licensing officer and Deputy Commissioner of Warangal, Andhra Pradesh under S. 12(1) of the Contract Labour (Regulation and Abolition Act) 1970 for construction and erection works at the APGENCO Kakatiya Thermal Power Plant. The License is in force until January 1, 2008. The License no is E-860.

2. License bearing number G-1749 dated December 7, 2006 granted by the office of the Licensing Officer, Government of Andhra Pradesh under S. 12 (1) of the Contract Labour (Regulation and Abolition Act),1970 to the establishment at V.T.P.S, Ibrahimpatnam. The license was valid till July 4, 2007 and has been renewed till July 4, 2008.

3. No Objection Certificate dated June 26, 2007 granted by Joint Collector and Additional District Magistrate, Warangal granting us permission to engage the stipulated Explosive License holders in Form 22, 25 and 30 under the Explosives Rules, 1983 to utilize their services to carry out blasting operations at plant area, Chelpur village, Ghanpur Mandal, Warrangal district for our Kakatiya thermal power project.

Product Specific Approvals

1. Letter bearing No. 1916/SIA/IMO/2002 dated August 13, 2002 issued by the Secretariat for Industrial Assistance, Ministry of Industry, Government of India granting us approval for the manufacture of heat recovery steam generators; high frequency resistance welded finned tubes; pressure vessels, columns and reactors and cooling towers/systems.

2. Letter bearing No. 1916/SIA/IMO/2002 dated August 13, 2002 issued by the Secretariat for Industrial Assistance, Ministry of Industry, Government of India granting us approval for the manufacture of tank farm system; fuel/lube oil treatment system; condensate polishing unit and brine concentrator and crystalisers.

3. Letter bearing No. 1916/SIA/IMO/2002 dated August 13, 2002 issued by the Secretariat for Industrial Assistance, Ministry of Industry, Government of India granting us approval for the manufacture of demineralization plant; filtering and purifying machinery for liquids and gases; thermal desalination plant; pig launching/receiving traps and pig handling devices.

4. Letter bearing No. 1916/SIA/IMO/2002 dated August 13, 2002 issued by the Secretariat for Industrial Assistance, Ministry of Industry, Government of India granting us approval for the manufacture of filter, tilter separators, dry gas filters, coalescers; phase separator systems/skids; knock out drums/ scrubber equipment and packages; indirect water bath heaters, heater separator and emulsion.

5. Letter bearing No. 1916/SIA/IMO/2002 dated August 13, 2002 issued by the Secretariat for Industrial Assistance, Ministry of Industry, Government of India granting us approval for the manufacture of gas conditioning, regulating and metering systems; gas collecting, gathering, dehydration and sweetening; desalters/stabilizers slug catchers.

6. Letter bearing No. 2471/SIA/IMO/2000 dated October 13, 2000 issued by the Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India granting us approval for the manufacture of reverse osmosis system and components thereof.

7. Letter bearing No. 3/SIA/IMO/2007 dated January 02, 2007 issued by the Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India granting us approval for the manufacture of skid mounted compressor package.

8. Letter bearing No. 2586/SIA/IMO/96 dated July 01, 1996 issued by the Secretariat for Industrial Assistance, Ministry of Industry, Government of India granting us approval for the manufacture of auxiliary plant for use with boilers.

9. Letter bearing No. 1864/SIA/IMO/94 dated June 14, 1994 issued by the Secretariat for Industrial Approvals, Ministry of Industry, Department of Industrial Development, Government of India granting us approval for the manufacture of air cooled heat exchangers.

10. License bearing No. A&E/2653-M/2007 dated March 21, 2007 issued by the Public Works Department, Tamil Nadu under the Indian Boiler Regulations, 1950 renewing the registration to manufacture steam condensers and finned tube steam air- pre-heaters. The registration is valid up to March 31, 2008.

Pending Approvals

1. We have received consent letters bearing Consent Order No 9059 Proceeding No. DEE/TNPCB/7/A/05 dated December 14, 2005 issued by the Pollution Control Board, Tamil Nadu granting consent under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and the rules and orders made thereunder to our Company. The consent is subject to the provisions of the Act, Rules and Orders made there under and other terms and conditions specified in the letter and was valid for the period ending September 30, 2006. We have filed an application for the renewal of the same on February 24, 2007. No renewal has been received as of date.

2. Our Company has applied for registration through an application under the Delhi Shops and Establishment Act, 1954 dated July 10, 2007.

3. Application bearing BGR/EPD/MISC/2699/07-08 dated September 4, 2007 to the Secretary, Office of Electrical Licensing Board, Government of Maharashtra, Mumbai for grant of electrical contractor license in Maharashtra state.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Authority from the Company

The Issue has been authorized by a resolution of our Board dated July 7, 2007 and by a special resolution of our shareholders passed pursuant to S. 81(1A) of the Companies Act, at the EGM of our Company held on July 11, 2007.

The Reserve Bank of India has, through its letter dated August 21, 2007 bearing reference number FE.CO.FID 3948/10.21.076/2007-08 granted its approval for the for sale of Equity Shares by the Selling Shareholders and their consequent sale to persons resident outside India.

Authority from the Selling Shareholders

The Selling Shareholders have authorized the Issue as follows

S. No.	Selling Shareholder	No. of Shares Offered	Date of Consent
1.	Mr. B.G. Raghupathy	2,502,000	July 2, 2007
2.	Ms. Sasikala Raghupathy	2,314,000	July 2, 2007
	Total	**4,816,000**	

Prohibition by SEBI

Our Company, the Selling Shareholders, our Directors, our Promoter and Promoter Group and companies with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

None of the Company, the Subsidiary, the Directors, the directors of the Subsidiary, the Promoter, the Promoter Group and the companies in which the Directors are associated as directors, have been declared as willful defaulters by the RBI or any other governmental authority and there has been no violation of any securities law committed by any them in the past and no such proceedings are pending against any of them.

Certain of our our Promoter Group Entities, have had letters issued against them by the RBI, for further information, refer to "Risk Factors" on page xvi, "Our Promoters" on page 139 and "Oustanding Litigation and other Material Developments" on page 297.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.2 of the SEBI Guidelines. Clause 2.2.2 of the SEBI Guidelines states as follows:

"*2.2.2 An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:*

(a) (i) The issue is made through the book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(a) (ii) The "project" has at least 15% participation by Financial Institutions/ Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded

AND

(b) (i) The minimum post-issue face value capital of the company shall be Rs. 10 crores.

OR

(b) (ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares subject to the following:

(a) Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

(b) Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;

(c) The inventory of the market makers on each of such stock exchanges, as of the date of allotment of securities, shall be at least 5% of the proposed issue of the company."

We are an unlisted company not complying with the conditions specified in Clause 2.2.1 of the SEBI Guidelines and are therefore required to meet both the conditions detailed in clause 2.2.2(a) and clause 2.2.2(b) of the SEBI Guidelines.

- We are complying with Clause 2.2.2(a)(i) of the SEBI Guidelines and at least 60% of the Net Issue is proposed to be Allotted to QIBs (in order to comply with the requirements of Rule 19(2)(b) of the SCRR) and in the event we fail to do so, the full subscription monies shall be refunded to the Bidders.
- We are complying with the second proviso to Clause 11.3.5(i) of the SEBI Guidelines and Non-Institutional Bidders and Retail Individual Bidders will be allocated, not less than 10% and 30% of the Net Issue respectively.
- We are also complying with Clause 2.2.2(b)(i) of the SEBI Guidelines and the post-issue face value capital of the Company shall be Rs.720 million, which is more than the minimum requirement of Rs. 10 crore (Rs. 100 million).

Hence, we are eligible for the Issue under Clause 2.2.2 of the SEBI Guidelines.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom the Equity Shares will be Allotted will be not less than 1,000.

Further the Issue is subject to the fulfillment of the following provisions of the SCRR

- A minimum of 2,000,000 equity shares (excluding reservations, firm allotments and promoter contribution) are offered to the public.
- The Net Issue size is a minimum of Rs. 1,000 Million, and
- The issue is made through the Book Building Method with the allocation of 60% of the Net Issue size to QIB's.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, UBS SECURITIES INDIA PRIVATE LIMITED AND CLSA INDIA LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 2, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

"(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS, MORE PARTICULARLY REFERRED TO IN THE ANNEXURE, IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN

CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

(III) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

(IV) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

(V) WE CERTIFY THAT WRITTEN CONSENT FOR THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF HIS SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'SCONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

The filing of the Red Herring Prospectus with the RoC does not, however, absolve the company from any liabilities under S. 63 or S. 68 of the Companies Act or from the requirement of obtaining such statutory and/or other clearances as may be required for the purpose of the proposed issue. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Managers, any irregularities or lapses in the Red Herring Prospectus."

The Book Running Lead Managers, the Selling Shareholders and us accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisement or any other material issued by or at our instance and anyone placing reliance on any other source of information would be doing so at his/her own risk.

All legal requirements pertaining to the Issue will be compiled with at the time of registration of the Red Herring Prospectus and Prospectus with the Registrar of Companies in terms of S. 56, S. 60 and S. 60B of the Companies Act.

Disclaimer from the Company, the Selling Shareholders and the BRLMs

Investors who bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Selling Shareholders and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not issue, sell, pledge or transfer the Equity Shares of the

Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Selling Shareholders, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Caution

Our Company, the Selling Shareholders, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www.bgrcorp.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the MOU entered into between the BRLMs and our Company dated August 1, 2007, and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Neither our Company, nor the Selling Shareholders, nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are not minors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, Public financial institutions as specified in S. 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, and to non-residents including FVCIs, multilateral and bilateral developmental financial institutions, FIIs registered with SEBI and eligible NRIs provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of competent court(s) in Hyderabad, Andhra Pradesh only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to SEBI for its observations Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer clause of the BSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to the BSE. Bombay Stock Exchange Limited ("the Exchange") has through its letter dated September 6, 2007, given permission to our Company to use the Exchange's name in this Offer Document as one of the stock exchanges on which our securities are proposed to be listed. The Exchange has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. The Exchange does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of the offer document; or

2. Warrant that our Company's securities will be listed or will continue to be listed on the BSE; or

3. Take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company; and it should not for any reason be deemed or construed to mean that the offer document has been cleared or approved by the BSE.

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 BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as the "**NSE**"). NSE has through its letter ref : NSE/LIST/54589-6 dated August 29, 2007, given permission to us to use NSE's name in the offer document as one of the stock exchanges on which our securities are proposed to be listed. The NSE has scrutinised the draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the offer document; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of our Company, its promoters, its management or any scheme or project of our Company.

Every person who desires to apply for or otherwise acquire any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to, or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy ofthis Red Herring Prospectus, along with the other documents required to be filed under S. 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under S. 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, Second Floor, CPWD Building, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad 500 195.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Share being issued and sold in this Issue. NSE will be the Designated Stock Exchange with which the basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges, our Company and the Selling Shareholders will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/ Issue Closing Date, whichever is earlier, then the Company, the Selling Shareholders and every Director of the Company who is an officer in default shall, on and from such expiry of Eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under S. 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization of the basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of S. 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) Otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the auditors, the legal advisors, the Bankers to the Company, the Bankers to the Issue; IPO Grading Agency, Monitoring Agency (b) the Selling Shareholders; and (c) the Book Running Lead Managers, the Syndicate Members, the Escrow Collection Banks and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of this Red Herring Prospectus with the RoC as required under S. 60 and S. 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI Guidelines, Manohar Chowdhary and Associates, Chartered Accountants, Chartered Accountants, the Company's Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

As the offered Equity shares have not been and will not be registered under the US Securities Act of 1933, Manohar Chowdhary and Associates, Chartered Accountants have not issued and the Company has not filed consent under the US Securities Act of 1933.

Expert Opinion

Except the report of ICRA Limited in respect of the IPO grading of this Issue annexed herewith and except as stated in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees.

The estimated Issue expenses are as under:

(Rupees in million)

Activity	**Expenses * (Rupees in million)**	**% of Issue size**	**% of Issue Expense**
Lead management fee and underwriting commissions	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and stationery	[•]	[•]	[•]
Others (Monitoring agency fees, IPO Grading Fees,	[•]	[•]	[•]
Registrars fee, legal fee, etc.)			
TOTAL	[•]	[•]	[•]

* *Will be incorporated after finalisation of the Issue Price*

The Issue expenses, except the listing fee, shall be shared between the Company and the Selling Shareholders in the proportion to the number of shares sold to the public as part of the Issue. The listing fees will be paid by us.

Fees Payable to the Book Running Lead Managers and Syndicate Members

The total fees payable to the Book Running Lead Managers and the Syndicate Member (including underwriting commission and selling commission) will be as stated in the engagement letter with the BRLMs dated August 1, 2007, a copy of which is available for inspection at our Registered Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding dated August 1, 2007 signed with our Company, a copy of which is available for inspection at our Registered Office.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding public or rights Issues during the Last Five Years

We have not made any public or rights issues during the last five years.

Previous issues of shares otherwise than for cash

Except as stated in "Capital Structure" on page 25 and "History and Corporate Matters" on page 115, our Company has not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage paid on previous issues of the Equity Shares

There has been no public issue in the past of our Company's Equity Shares. Thus, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company's inception.

Companies under the Same Management

We do not have any companies under the same management within the meaning of S. 370(1)(B) of the Companies Act.

Promise v/s performance

Neither our Company nor any Promoter Group or entities have made any previous public or rights issues.

Outstanding Debentures or Bonds

Our Company does not have any outstanding debentures or bonds as of the date of filing of this Red Herring Prospectus.

Outstanding Preference Shares

Our Company does not have any outstanding preference shares as of the date of filing of this Red Herring Prospectus.

Stock Market Data of our Equity Shares

This being an initial public issue of the Company, the Equity Shares are not listed on any stock exchange.

Purchase of Property

Except as stated in "Objects of the Issue" on page 37, there is no property which has been purchased or acquired or is proposed to be purchased or acquired which is to be paid for wholly or partly from the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property, in respect of which:

- The contract for the purchase or acquisition was entered into in the ordinary course of business, nor was the contract entered into in contemplation of the Issue, nor is the issue contemplated in consequence of the contract; or
- The amount of the purchase money is not material.

Except as stated in this Red Herring Prospectus, the Company has not purchased any property in which any of its Promoter and/or Directors, have any direct or indirect interest in any payment made thereunder.

Mechanism for Redressal of Investor Grievances

The Memorandum of Understanding between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders, or, where made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances by the Company

We estimate that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be ten working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. R. Ramesh Kumar, our Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. R. Ramesh Kumar
443, Anna Salai, Teynampet
Chennai 600 018, Tamil Nadu
India
Tel: (91 44) 2432 6171
Fax: (91 44) 2436 0576,
Email: investors@bgrenergy.com

Changes in Auditors

There have been no changes of the auditors in the last three years.

Capitalisation of Reserves or Profits

Our Company has not capitalized our reserves or profits during the last five years, except as stated in "Capital Structure" on page 25.

Revaluation of Assets

The Company has not revalued its assets in the last five years.

Payment or benefit to officers of our Company

Except as stated otherwise in this Red Herring Prospectus, no amount or benefits has been paid, or is intended to be paid or given, to any of the Company's officers except normal remuneration rendered as Directors, officers or employees. None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

Other Disclosures

Except as disclosed in this Red Herring Prospectus, the Promoter Group, the directors of the Promoters, any member of the Promoter Group or the directors of the Company and its Subsidiaries have not purchased or sold any securities of the Company during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued and offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, this Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the GoI, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

Authority from the Company

The Issue has been authorized by a resolution of our Board dated July 7, 2007 and by special resolution passed pursuant to S. 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on July 11, 2007

The Reserve Bank of India has, through its letter dated August 21, 2007 bearing reference number FE.CO.FID 3948/10.21.076/2007-08 granted its approval for the for sale of Equity Shares by the Selling Shareholders and their consequent sale to persons resident outside India.

Authority from the Selling Shareholders

The Selling Shareholders have authorized the Issue as follows:

S. No.	Selling Shareholder	No. of Shares Offered	Date of Consent
1.	Mr. B.G. Raghupathy	2,502,000	July 2, 2007
2.	Ms. Sasikala Raghupathy	2,314,000	July 2, 2007
	Total	**4,816,000**	

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allottees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment.

Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each, the Floor Price is Rs. 425 per Equity Share and the Cap

Price is Rs. 480 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The Floor Price is 42.5 times of the face value and the Cap Price is 48 times of the face value.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to receive notice of Annual General Meeting & Extraordinary General Meeting.
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and other preferential claims being satisfied,
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges, and our Company's Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, refer to "Main Provisions of Our Articles of Association" on page 373.

Market Lot and Trading Lot

In terms of S. 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of 14 Equity Share subject to a minimum Allotment of 14 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Hyderabad, Andhra Pradesh, India.

Nomination Facility to Investor

In accordance with S. 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with S. 109A of the Companies Act, be entitled to the same advantages to such person would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar.

In accordance with S. 109B of the Companies Act, any Person who becomes a nominee by virtue of S. 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Fresh Issue, including devolvement of underwriters, within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under S. 73 of the Companies Act.

The requirement for minimum subscription is not applicable to the Offer for Sale.

In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

Further, in terms of Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom Equity Shares will be Allotted will not be less than 1,000.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A promulgated under the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S promulgated under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. See "Main Provisions of our Articles of Association" on page 373.

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLMs, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason therof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply only for after Allotment, and (ii) the final ROC approval of the Prospectus after it is filed with the Stock Exchanges.

ISSUE STRUCTURE

The present Issue of 9,136,000 Equity Shares, at a price of Rs. [●] for cash aggregating Rs. [●] million, is being made through the 100% Book Building Process.

Public issue of 9,136,000 Equity Shares of Rs. 10 each the Company or the "Issuer" for cash at a price of Rs. [●] per Equity Share consisting of a Fresh Issue of 4,320,000 Equity Shares and an Offer for Sale of 4,816,000 Equity Shares by Mr B.G. Raghupathy and Ms. Sasikala Raghupathy aggregating Rs. [●] million. comprises a Net Issue to the public of 8,636,000 Equity Shares and a reservation of up to 500,000 Equity Shares for the permanent employees of the company (the "Employee Reservation Portion").

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
Number of Equity Shares*	At least 5,181,600 Equity Shares	Not less than 863,600Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 2,590,800 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Not less than 500,000 Equity Shares
Percentage of Issue size available for allotment/ allocation	At least 60% of Net Issue being allocated.However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Not less than 10% of Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 30% than of Net Issue or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 5.47 % of the Issue size.
Basis of Allotment/ Allocation if respective category is oversubscribed	Proportionate as follows:(a) 259,080 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and(b) Equity Shares shall be Allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 14 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of 14 Equity Share	14 Equity Shares and in multiples of 14 Equity Share thereafter.	14 Equity Shares and in multiples of 14 Equity Share thereafter.
Maximum Bid	Such number of Equity Shares not exceeding the size of the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the size of the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid/Allotment Lot	14 Equity Shares in multiples of 14 Equity Shares	14 Equity Shares in multiples of 14 Equity Shares	14 Equity Shares in multiples of 14 Equity Shares	14 Equity Shares in multiples of 14 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions as specified in S. 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors	Eligible NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals, including resident Indian individuals, HUF (in the name of Karta), Eligible NRIs applying for Equity Shares such that the Bid Amount per individual Bidder does not exceed Rs. 100,000 in value.	Permanent employees and directors of the Company who are Indian nationals based in India and are present in India on the date of submission of the Bid cum Application Form.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
	registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.			
Terms of Payment	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	At least 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price. In terms of Rule 19 (2)(b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a

proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholders and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs and the Designated Stock Exchange.

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

Undersubscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the company, the selling shareholders and the BRLMs. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLMs, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason therof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply only for after Allotment, and (ii) the final ROC approval of the Prospectus after it is filed with the Stock Exchanges.

Bidding/ Issue Programme

BID/ISSUE OPENS ON	**WEDNESDAY, DECEMBER 05, 2007**
BID/ISSUE CLOSES ON	**WEDNESDAY, DECEMBER 12, 2007**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/ Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid/ Issue Closing Date.

Bids and any revision in Bids will only be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned in the Bid cum Application Form **except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded until (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders; and (ii) until such time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on Business Days.

The Company, in consultation with the Selling Shareholders, reserves the right to revise the Price Band during the Bidding /Issue Period in accordance with SEBI Guidelines. The cap on the Price Band shall not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

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

ISSUE PROCEDURE

Book Building Procedure

In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital of the Company, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 500,000 Equity Shares shall be available for allocation on a proportional basis to Eligible Employees, subject to valid bids being received at or above the Issue Price, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the BRLM's and/or their affiliates. Further, QIB Bids can be submitted only through BRLMs. In case of QIB Bidders, the Company and the Selling Shareholders in consultation with the BRLMs, as the case may be, may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees our Company and the Selling Shareholders would only have the right to reject the Bids only on technical grounds.

Investors should note that Allotment to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company and the Selling Shareholder to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public, Eligible NRIs applying on a non-repatriation basis	White
Non-Residents, Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue
Eligible Employees	Pink

Who can Bid?

- Persons eligible to invest;
- Indian nationals resident in India who are not minors, or in the names of their minor children as natural/ legal guardians in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non-repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this Issue;
- Indian Financial Institutions, commercial banks, excluding foreign banks regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- FIIs registered with SEBI;
- Venture Capital Funds and Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- Subject to the applicable law, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Eligible Employees;
- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Note: The BRLMs shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the Book Running Lead Managers, and Syndicate Members may subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

The information below is given for the benefit of the Bidders. The Company, the Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 259,080 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per 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 the 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 share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Under the SEBI Guidelines 5% of the QIB portion i.e. 259,080 Equity Shares has been specifically reserved for Mutual Funds.

Bids by NRIs

1. Bid cum application forms have been made available for NRIs at our registered /corporate office, members of the Syndicate of the Registrar to the Issue.

2. NRI applicants shall note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the Eligible NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of

72,000,000 Equity Shares of Rs. 10 each). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

In accordance with the foreign exchange limits applicable, the aggregate FII holding in us cannot exceed 24% of our total issued capital. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company. However, as of this date, no such resolution has been recommended to the shareholders of the Company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals, including in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, and pursuant to SEBI'spress release number 286 of 2007 dated October 25, 2007, an FII may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity. Associates and affiliate of the Underwriters, including the BRLMs and Syndicate, that are FIIs may issue off shore derivative instrments against Equity Shares allocated to them in the Issue.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds:

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, whilst the holding by any venture capital fund registered with SEBI in one Venture Capital Undertaking should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

Pursuant to the SEBI Guidelines, the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering are exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the Red Herring Prospectus with SEBI.

Information for the Bidders:

(a) The Company and the Selling Shareholders will file the Draft Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in two national newspapers, one each in English, Hindi, and in a widely circulated Telugu newspaper. This advertisement, subject to the provisions of S. 66 of the Companies Act shall be in the format prescribed in Schedule XX – A of the SEBI DIP guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/17/

2005/11/11 date November 11, 2005 This advertisement shall contain the salient features of the Red Herring Prospectus in the nature of the specifications under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs, and the Syndicate Members and their bidding centers. The BRLMs and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(d) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate and should approach any of the BRLMs or Syndicate Members or their authorized agent(s) to register their Bids.

(e) The Members of the Syndicate shall accept Bids from the Bidder during the Issue Period in accordance with the terms of the Syndicate Agreement.

(f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate will be rejected.

(g) The Bidding/Issue Period shall be for a minimum of three working days and not exceeding seven working days. In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one widely circulated Telugu newspaper, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate Members.

(h) The Price Band has been fixed at Rs. 425 to Rs. 480 per Equity Share of Rs. 10 each, Rs. 425 being the lower end of the Price Band and Rs. 480 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Rs. 1.

(i) The Company and the Selling Shareholders, in consultation with the BRLMs reserves the right to revise the Price Band, during the Bidding/Issue Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

(j) The Company and the Selling Shareholders, in consultation with the BRLMs can finalise the Issue Price within the Price Band, without the prior approval of, or intimation, to the Bidders.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 14 Equity Shares and in multiples of 14 Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the

Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 14 Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

(c) **For Employee Reservation Portion**: The Bid must be for a minimum of 14 Equity Shares and in multiples of 14 Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed the size of the Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Refund amounts following a permitted withdrawal of a bid shall be paid in the manner described under " Payment of Refunds"

Method and Process of Bidding

(a) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page 343) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(b) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Bids at Different Price Levels and Revision of Bids" on page 343.

(c) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate

Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(d) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(e) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" on page 352.

Bids at Different Price Levels and Revision of Bids

(a) The Price Band has been fixed at Rs. 425 to Rs. 480 per Equity Share of Rs. 10 each, Rs. 425 being the Floor Price and Rs. 480 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1.

(b) In accordance with SEBI Guidelines, the Company and the Selling Shareholders, in consultation with he BRLMs, reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The Company and the Selling Shareholders, in consultation with the BRLMs, can finalise the Issue Price without prior approval of, or intimation to, the Bidders. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

(c) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB, Non-Institutional Bidders, and Eligible Employees bidding in excess of Rs. 100,000 and such Bids shall be rejected.

(d) Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees under the Employee Reservation Portion bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders, Eligible Employees bidding in the Employee Reservation Portion who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(e) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, Eligible Employees bidding in the Employee Reservation Portion who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment, does not exceed Rs. 100,000 for Retail Individual Bidders, Eligible Employees bidding in the Employee Reservation Portion, if such Bidder wants to continue to bid at Cut-off Price), with the Syndicate Members to whom the original Bid was submitted.

In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders, Eligible Employees bidding in the Employee Reservation Portion the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.

(f) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, Eligible Employees bidding in the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(g) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 14 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

(h) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(i) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(j) The Bidder can make this revision any number of times during the Bidding/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(k) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(l) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the BRLMs and/or their affiliates shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(m) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRIs and FIIs applying on a repatriation basis and pink colour for Bidders under Employee Reservation portion.

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 14 Equity Shares and in multiples of 14 Equity Shares, thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 14 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) Eligible NRIs bidding up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and bidding of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 14 Equity Shares thereafter that the Bid Price exceeds Rs. 100,000.

(f) Bids by Non Residents, Eligible NRIs, FVCIs, FIIs etc. on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

(g) For Eligible Employees bidding in the Employee Reservation Portion, the Bid must be for a minimum of 14 Equity Shares in multiple of thereafter subject to a maximum of up to the Issue size.

(h) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(i) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Eligible Employees

The Bid must be for a minimum of 14 Equity Shares and in multiples of 14 Equity Shares thereafter. Bidders under the Employee Reservation Portion can apply for a maximum of the size of the Issue. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of an oversubscription in the Employee Reservation Portion, allotment will be on a proportionate basis subject to a minimum allotment of 14 Equity Shares. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut off Price.

For the purpose of the Employee Reservation Portion, Eligible Employee means all or any of the following:

(a) a permanent employee of the Company as of the date of filing the RHP with the RoC and based, and present in India as on the date of submission of the Bid cum Application Form.

(b) a Director of the Company, being a whole time Director, part time Director, or otherwise except our Promoter or members of the Promoter Group, as of the date of filing the RHP with the RoC and based, working and present in India as on the date of submission of the Bid cum Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. green colour form).
- Only Eligible Employees would be eligible to apply in this "Issue" under the "Employee Reservation Portion".
- Eligible Employees, as defined above, should mention the "Employee Number" at the relevant place in the Bid cum Application Form.
- The sole/ First Bidder shall be the Eligible Employee as defined above.
- Bids by Eligible Employees will have to bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- The Bids must be for a minimum of 14 Equity Shares and in multiples of 14 Equity Shares thereafter. The allotment in the Employee Reservation portion will be on a proportional basis.
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Eligible Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
- The maximum bid under Employee Reservation Portion by an Employee cannot exceed the Issue size.
- Bid/ Application by Eligible Employees can also be made in the Net Issue portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 500,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. If the aggregate demand in this category is greater than 500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, see "Basis of Allotment" on page 360.
- Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling shareholders and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
- **This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.**

Electronic Registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid/ Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding /Issue Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor: Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depositary Account is held. In case the Bid cum Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.
- Investor Category: Individual, Corporate, FVCI, FII, NRI, Mutual Fund, QIBs, Eligible Employees etc.
- Numbers of Equity Shares bid for.
- Bid price.
- Bid cum Application Form number.
- Whether Margin Amount has been paid upon submission of Bid cum Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotment either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, the BRLMs and/or their affiliates have the right to accept the bid or reject the

Bids. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, Eligible Employees bidding in the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed on page 356.

(h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

(j) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the NSE or the NSE and the members of the Syndicate, the decision of the BRLMs based on the physical records of Bid Application Forms shall be final and binding on all concerned.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply having regard to all applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;

b) Ensure that your Bid is within the Price Band;

c) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) or the Eligible Employee Bid cum application Form (pink in colour) as the case may be;

d) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;

e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

f) Ensure that you have been given a TRS for all your Bid options;

g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

h) Where bid is for Rs. 50,000 or more, each of the Bidders should mention their PAN allotted under the IT Act. In case the PAN has not been allotted, mention " Applied for" or " Not Applicable" in the appropriate places and submit Form 60 or Form 61 as the case may together with permissible documents as proof of address;

i) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects; and

j) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not bid for lower than the minimum Bid size;

(b) Do not bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders and Eligible Employees bidding in the Employee Reservation Portion for bid amount in excess of Rs. 100,000);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground;

(i) Do not bid at Bid Amount exceeding Rs 100,000, in case of Bid by a Retail Individual Bidder; and

(j) Do not submit the Bid without the QIB margin, in case of Bids by a QIB.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to

the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company or the Selling Shareholders or the registrar or the Escrow Collection Banks nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/ allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, nor the Selling Shareholders, nor the Registrar, Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes, Bidders may note that refunds may get delayed if bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity ("DP ID") and the beneficiary's identity, then such Bids are liable to be rejected.

The Company and the Selling Shareholders in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts

purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the RBI regulations, OCBs are not permitted to participate in the Issue.

All applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

a. In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

b. In case of Bids made pursuant to a power of attorney by FIIs or FVCIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

c. In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

d. In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

e. In the case of Bids made by Megutual Funds, Venture Capital Funds registered with the SEBI and FVCIs registered with the SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case e, without assigning any reason therefor.

f. Our Company and the Selling Shareholders in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, the Selling Shareholders and the BRLMs may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism

The Company, the Selling Shareholders and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/ Allotment as per the following terms:

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders, Eligible Employees shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form, draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph titled "Terms of Payment and Payments into the Escrow Account" on page 352) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The Margin Amount payable by each category of Bidders is mentioned under "Issue Structure" on page 332 . The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

2. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

- In case of resident QIB Bidders: **"Escrow Account– BGR ENERGY Public Issue – QIB – R"**
- In case of Non Resident QIB Bidders: **"Escrow Account– BGR ENERGY Public Issue – QIB – NR"**
- In case of Resident Retail Bidders: **"Escrow Account– BGR ENERGY Public Issue – Retail - R"**
- In case of Non Resident Retail Bidders: **"Escrow Account– BGR ENERGY Public Issue – Retail- NR"**
- In case of Eligible Employees: **"Escrow Account– BGR ENERGY Public Issue - Employees"**

4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

5. In the case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made by Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application, remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payments by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or a FCNR or an NRO Account.

6. In case of Bids by FIIs or FVCIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

7 Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated\ will be refunded to the Bidder from the Refund Account.

8. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

9. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

10 Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

11. Incase clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Forms or Revision Forms. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Submission of Bid cum Application Form

1. All applications are electronically strung on first name, address and applicants status. These applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/husbands name to determine if they are multiple applications.

2. Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/beneficiary ID. Applications with common DP ID/ beneficiary ID are manually checked to eliminate possibility of data entry error to determine if they are multiple applications.

3. Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked.

Multiple Bids

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bid/ application by Eligible Employees can be made also in the Net Issue and such bids shall not be treated as multiple bids.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

In cases where there are more than 20 valid applicants having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of KYC norms by the depositories.

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Offer to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple masters.

2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.

3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A printout of the addresses will be taken to check for common names.

4, The applications will be scanned for similar DP ID, PAN or Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.

5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

For Bids in excess of Rs. 50,000, Bidders or, in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a PAN and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended through a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61, as the case may be.**

Unique Identification Number ("UIN")

SEBI has through its circulars dated July 25, 2007 and September 7, 2007, discontinued the use of UIN.

GROUNDS FOR REJECTIONS

In case of QIB Bidders, the Company and the Selling Shareholders, in consultation with the BRLMs, have the right to reject the Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, and Retail Individual Bidders who bid and bids by Eligible Employees bidding in the Employee Reservation Portion the Company has a right to reject Bids based on technical grounds.

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Bank account details for refund not given;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- For bids in excess of Rs. 50,000 PAN Number or Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;

- Bids at Cut Off Price by Non-Institutional and QIB Bidders and Bidders in the Employee Reservation Portion bidding in excess of Rs. 100,000;
- Bids for number of Equity Shares which are not in multiples of 14;
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by stock invest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLMs or Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect where the Bid cum Application form do not reach the Registrar prior to the finalisation of the basis of allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by OCBs;
- Bids by US persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act or other than in reliance of Regulation S under the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority; and
- Bids in the Eligible Employee Portion by employees who are not Eligible Employees.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with the Company and the Selling Shareholders.

(b) The Company and the Selling Shareholders in consultation with the BRLMs shall finalise the "Issue Price".

(c) The allocation to QIBs will be atleast 60% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be not less than 10% and 30% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price.

(d) Under-subscription, if any, in the Non-Institutional Employee category and the Retail Individual category would be met with spill over from any other category at the sole discretion of our Company and the Selling Shareholders in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 259,080 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs, and the Designated Stock Exchange.

(e) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholders and the BRLMs. In case of under-subscription in the Net Issue to the Public e, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

(f) Allocation to Eligible NRIs, FVCIs, FIIs etc. applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the RBI, while granting permission for allotment of Equity Shares to them in this Issue.

(g) The Company reserves the right to cancel the Fresh Issue any time after the Bid/Issue Opening Date but before Allotment without assigning any reasons whatsoever. The Selling Shareholders reserves the right to cancel the Offer for Sale any time after the Bid/Issue Opening Date but before Allotment without assigning any reasons whatsoever.

(h) The allotment details shall be put on the website of the Registrar to the Issue.

(i) The Company and the Selling Shareholders, in consultation with the BRLMs, reserve the right to reject any Bid procured from QIB Bidders by any member of the Syndicate. Rejection of Bids by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting such Bid shall be provided to such Bidding in writing.

(j) Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the Selling Shareholders, the BRLMs, and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/ Allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

(c) The Company will file a copy of the Prospectus with the RoC in terms of S. 56, S. 60 and S. 60B of the Companies Act.

(d) The Company will issue an advertisement after the filing of the Prospectus with the RoC in two national newspapers (one each in English and Hindi) and one widely circulated Telugu newspaper. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLMs, or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/ allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders and Bids from Eligible Employees bidding in the Employee Reservation Portion. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLMs and/or their affiliates would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is subject to "Allotment Reconciliation and Revised CANs" as set forth herein.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid Applications received. Based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. It is not necessary that a revised CAN will be sent. QIBs should note that they may be required to pay additional amounts, if any, by the

Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and allotment of Equity Shares

(a) The Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares and in multiples of 14 Equity Shares thereafter that may be allocated/allotted to them pursuant to this Issue.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,590,800 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 2,590,800 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to a minimum of 14 Equity Shares. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to 863,600 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 863,600 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis subject to a minimum of 14 Equity Shares. For the method of proportionate basis of Allotment refer below.

C. For Employee Reservation Portion

- The Bid must be for a minimum of 14 Equity Shares and in multiples of 14 Equity Shares thereafter. However, in case of an oversubscription in the Employee Reservation Portion, the allotment in the Employee Reservation Portion will be on a proportionate basis subject to a minimum allotment of 14 Equity Shares. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid-at Cut off Price.
- The maximum Bid under the Employee Reservation Portion cannot exceed the Issue size.
- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 500,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 14 Equity Shares and in multiple of 14 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.
- Only Eligible Employees are eligible to apply under Employee Reservation Portion.

D. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

(ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, and not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

(b) In the second instance Allotment to all QIBs shall be determined as follows:

(i) In the event of over subscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than 5,181,600 Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

S. No.	Particulars	Issue details
1	Issue size	200 million equity shares
2	Allocation to QIB (60%) Of which:	120 million equity shares
	a. Allocation to MF (5%)	6 million equity shares
	b. Balance for all QIBs including MFs	114 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 6 millionEquity Shares to MF proportionately (see note 2 below)	Allocation of balance 114 million Equity Shares to QIBs proportionately (see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	11.40	0
A2	20	0	4.56	0
A3	130	0	29.64	0
A4	50	0	11.40	0
A5	50	0	11.40	0
MF1	40	1.2	9.12	10.32
MF2	40	1.2	9.12	10.32
MF3	80	2.4	18.24	20.64
MF4	20	0.6	4.56	5.16
MF5	20	0.6	4.56	5.16
	500	**6**	**114**	**51.64**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in "Issue Structure" on page 332.
2. Out of 120 million equity shares allocated to QIBs, 6million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million shares in QIB category.
3. The balance 114 million equity shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million equity shares (including five MF applicants who applied for 200 million Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 114 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
   - For QIBs other than Mutual Funds (A1 to A5)= No. of equity shares bid for (i.e. in column II) X 114 / 494
   - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less equity shares allotted (i.e., column III of the table above)] X 114/494
   - The numerator and denominator for arriving at allocation of 114 million equity shares to the 10 QIBs are reduced by six million equity shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Company shall finalize the basis of Allotment in consultation with the Designated Stock Exchange. The executive director or managing director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than 14 Equity Shares per Bidder, the Allotment shall be made as follows:

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (c) above; and
- Each successful Bidder shall be allotted a minimum of 14 Equity Shares.

e) If the proportionate Allotment to a Bidder is a number that is more than 14 but is not a multiple of 1 (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

PAYMENT OF REFUNDS

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refunds would be mandatorily done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds through ECS is mandatory for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds, if any through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Letters of Allotment or Refund Orders

The Company and the Selling Shareholders shall give credit to the beneficiary account with depository participants within two working days from the date of the finalization of basis of allocations. Applicants residing at fifteen centers where clearing houses are managed by the RBI, will get refunds through ECS only except (subject to availability of all information for crediting the refund through ECS) where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/ Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within fifteen days of closure of Bid / Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, the Company and the Selling Shareholders further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund order shall be done within 15 days from the Bid/Issue Closing Date; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company and the Selling Shareholders will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic modes, i.e. ECS, NEFT, direct credit or RTGS refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Disposal of applications and application moneys and interest in case of delay

The Company and the Selling Shareholders shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

The Company and the Selling Shareholders shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company and the Selling Shareholders further undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 (fifteen) days of the Bid/ Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- The Company and the Selling Shareholders shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

UNDERTAKINGS BY OUR COMPANY AND THE SELLING SHAREHOLDERS

We undertake the following:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time;
- no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc; and
- that the Selling Shareholders shall not have recourse to the proceed of the Issue until approval for trading of the Equity Shares from all Stock Exchanges where listing is sought has been received.

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Selling Shareholders undertake that:

- the Equity Shares being sold pursuant to the offer to the public, have been held by us for a period of more than one year and the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;
- the funds required for despatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Company;
- that the complaints received in respect of this Issue shall be attended to by the Selling Shareholders expeditiously and satisfactorily. The Selling Shareholders has authorized the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;
- that the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time; and
- That the Selling Shareholders shall not have recourse to the proceed of the Issue until approval for trading of the Equity Shares from all Stock Exchanges where listing is sought has been received.

The Company shall transfer to the Selling Shareholders, the proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

Utilisation of Fresh Issue Proceeds

The Board of Directors of the Company certifies that:

- all monies received out of the Fresh Issue to the public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of the Fresh Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised;
- details of all monies utilised out of the funds received from Reservation Portion shall be disclosed under an appropriate head in the balance sheet of the Company, indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Fresh Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested; and
- details of all unutilized monies out of the funds received from the Reservation Portion shall be disclosed under a separate head in the balance sheet of the Company, indicating the form in which such unutlilised monies have been kept.

Withdrawal of the Issue

The Company and the Selling Shareholders in consultation with the BRLMs, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for only after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the SEBI.

In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

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

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated September 19, 2007 with NSDL, the Company and the Registrar to the Issue; and

b) Agreement dated September 7, 2007 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc. Our Compliance officer can be contacted at the following address:

Mr. R. Ramesh Kumar

443, Anna Salai, Teynampet

Chennai 600 018, Tamil Nadu

India

Tel: (91 44) 2432 6171

Fax: (91 44) 2436 0576,

Email: investors@bgrenergy.com

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Under the current foreign investment policy applicable foreign investment upto 100% is permitted in the Company under the automatic route.

Subscription by foreign investors (NRIs/FIIs)

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the shares is not less than the price at which the shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, by a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended, (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Representation from the Bidders

No person shall make a Bid in Issue, unless such person is eligible to acquire Equity Shares of the Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters, the Selling Shareholders and their respective directors, officers, agents, affiliates and representatives, as applicable, that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters, the Selling Shareholders and their respective directors, officers, agents, affiliates and representatives, as applicable, accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

There is no reservation for Non Residents, NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

As per existing regulations, OCBs cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S promulgated under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A promulgated under the Securities Act in reliance on Rule 144A,and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. The Company, the Selling Shareholders and the BRLMs are not liable for any amendments, modification, or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

The Reserve Bank of India has, through its letter dated August 21, 2007 bearing reference number FE.CO.FID 3948/10.21.076/2007-08 granted its approval for the for sale of Equity Shares by the Selling Shareholders and their consequent sale to persons resident outside India.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company

CAPITAL

3.

(1) The authorized share capital of the Company shall be as specified from time to time in the Memorandum of Association of the Company. The share capital of the Company shall comprise equity Shares and/or preference Shares of such amount as may be determined by the Company, from time to time, with power to increase, reduce, sub-divide or to repay the same or divide the same into several classes and to attach thereto any rights and to consolidate or re organize the Shares, and subject to Section 106 of the Act, to vary such rights as may be determined in accordance with the regulations of the Company.

(2) Except in so far as otherwise provided as existing capital by the conditions of issue or by these Articles, any capital raised by the creation of new Shares, shall be considered as part of the existing share capital and shall be subject to the provisions herein contained with reference to the payment of calls and forfeiture, installment, lien, surrender, transfer and transmission, voting and otherwise.

(3) Any decision or action of Mr. B.G. Raghupathy on behalf of the Raghupathy Group shall be binding on the members of the Raghupathy Group and shall be deemed to be the decision or action of the Raghupathy Group.

(4) To the extent that the Company is permitted by Applicable Law to issue non-voting Shares or Shares which have rights attached thereto different from the rights attached to equity Shares or any other kind, class or type of Shares, the Company may, if so authorised by the resolution of the Members under Section 81(1A) of the Act, and other relevant provisions of the Act, issue such Shares upon such terms and conditions and with such rights and privileges attached thereto as thought fit and as may be permitted by Applicable Law.

(5) All the equity shares shall form one class of shares and shall rank *pari passu* with one another in all respects.

(6) Power to Increase and reduce capital

Subject to these Articles, the Company may by an ordinary resolution passed at a General Meeting:

(a) increase the share capital by such sum to be divided into Shares of such amount as the resolution may prescribe. The new Shares shall be issued on such terms and conditions and with such rights and privileges annexed thereto, as the resolution shall prescribe, and in particular, such Shares may be issued subject to the Articles, with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right to vote at a General Meeting in conformity with Section 87 of the Act. Unless otherwise stated, all new Shares of the same class shall rank pari passu with existing Shares of the same class. Whenever the capital of the Company is increased under the provisions of this Article, the Board shall comply with the provisions of Section 97 of the Act;

(b) subject to the provisions of the Act, to issue or re-issue preference Shares in one or more series which are, at the option of the Company, liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such redemption;

(c) consolidate and divide its share capital into Shares of larger amounts than its existing Shares;

(d) sub-divide its Shares, or any of them, into Shares of a smaller amount than its existing Shares, such that the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; or

(e) cancel any Shares which at the date of passing of the resolution have not been taken or agreed to be taken by any person,, and diminish the amount of its share capital by the amount of Shares so cancelled. A cancellation of Shares pursuant to this Article shall not be deemed to be a reduction of the share capital within the meaning of the Act.

(7) Whenever the Company shall do any one or more of the things provided for in Article 3(6), the Company shall, within thirty (30) days thereafter give notice thereof to the Registrar of Companies specifying, as the case may be, the Shares consolidated, divided, sub-divided or cancelled.

(8) Subject to these Articles, the provisions of the Act or any other Applicable Law, the Company may, by special resolution, reduce its share capital, any capital redemption reserve account or share premium account in any manner.

4. Modification of Rights

(1) Whenever the share capital, by reason of the issue of preference Shares or otherwise is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Section 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourths of the issued capital of that class or with sanction of a special resolution passed at a General Meeting of the holders of the Shares of that class, and all the provisions hereafter contained as to a General Meeting shall mutatis mutandis apply to every such meeting. This Article shall not derogate from any power the Company would have if this Article was omitted.

(2) The rights conferred upon the holders of the Shares (including preference Shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, abrogated, dealt with or varied by the creation or issue of further Shares ranking pari passu therewith.

5. Buy-back of Shares

The Company may buy back any number of its issued and outstanding Shares and any other securities, subject to such limits, upon such terms and conditions and subject to such approvals as may be required by Applicable Law.

6. Commission on Issue of Shares

(1) Subject to the terms of Section 76 of the Act, the Company may exercise the powers of paying commissions on issue of Shares.

(2) The commission may be satisfied by the payment of cash or the allotment of fully or partly paid Shares or partly in the one way and partly in the other.

(3) The Company may also, on any issue of Shares, pay such brokerage as may be lawful.

SHARES AND CERTIFICATES

7. Further Issue of Shares

(1) Where at any time after the expiration of two years from the formation of the Company or at any time after the expiration of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares, then:

(a) Such further Shares shall be offered to the persons who, at the date of the offer, are holders of the Shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid-up on those Shares at that date;

(b) The offer aforesaid shall be made by a notice specifying the number of Shares offered and limiting a time not being less than thirty days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right; and

(d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the Shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company.

(2) Notwithstanding anything contained in sub-clause (1),, the further Shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever:

(a) If a special resolution to that effect is passed by the Company in General Meeting; or

(b) Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the chairman) by Members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (c) of Article 7(1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.

(4) Nothing in this Article 7 shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to any debentures issued or loans raised by the Company:

(a) To convert such debentures or loans into Shares in the Company; or

(b) To subscribe for Shares in the Company.

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(i) Either has been approved by the Central Government before the issue of debentures or the raising of the loans or is in conformity with rules, if any, made by that government in this behalf; and

(ii) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the company in General Meeting before the issue of the loans.

8. *Inequality in Number of New Shares*

If, owing to any inequality in the number of new shares to be issued, and the number of Shares held by Members entitled to have the offer of such new shares, any difficulty arises in apportionment of such new shares or any of them, among the Members, such difficulty shall, in the absence of any direction in the resolution creating or issuing the shares of the Company in the General Meeting, be determined by the Board.

9. *Shares at the Disposal of the Directors*

Subject to the provisions of Section 81 of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call of Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

10. *Issue of certificates; Register of Members*

(1) Every Member shall be entitled, without payment, to one or more certificates in marketable lots, for all the Shares of each class or denomination registered in his name, or if the Board so approves (upon paying such fee as the Board may from time to time determine), to several certificates, each for one or more of such Shares and the Company shall complete and have ready for delivery such

certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide or unless prohibited by Applicable Law, or within two months from the receipt of an application for registration of a transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case may be. Every certificate of Shares shall be under the seal of the Company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the Board may prescribe and approve, provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares to one of several joint holders shall be sufficient delivery to all such holders.

(2) Notwithstanding anything contained herein, the Company shall be entitled to dematerialise, pursuant to the provisions of the Depositories Act, 1996, as amended, its Shares, debentures and other securities, and offer securities for subscription in dematerialised form.

(3) The Company shall maintain a register of members (the "Register of Members") with the details of Members holding Shares in physical form or in any media as permitted by Applicable Law including any form of electronic media. The Register of Beneficial Owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register of Members.

(4) Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of Shares or whose name appears as the beneficial owner of Shares in the records of the depository as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as may be required by Applicable Law) be bound to recognize any benami trust or equity or equitable, contingent or other claim or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

(5) The Company shall be entitled to maintain in any State or country outside India a branch register of Members or debenture holders resident in that State or country.

11. Issue of new certificates

(1) If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender of the relevant share certificates to the Company, new certificates may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deems adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under this Article shall be issued without payment of fees if the Board so decides, or on payment of such fees (not exceeding Rs. Two (2) for each certificate) as the Board shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

(2) Provided that notwithstanding Article 11(1), the Board shall comply with Applicable Law including the rules or regulations or requirements of any stock exchange, the rules made under the Act and the rules made under the Securities Contracts (Regulation) Act, 1956, or any statutory modification or re-enactment thereof, for the time being in force.

(3) The provisions of this Article shall *mutatis mutandis* apply to any debentures of the Company.

LIEN ON SHARES

12. The Company shall have a first and paramount lien upon all the securities of the Company (other than fully paid-up securities) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such securities, and no equitable interest in any security of the Company shall be created except upon the basis and condition that this Article will have full effect. Such lien shall extend to all dividends and bonuses from time to time declared in respect of such securities. Unless otherwise agreed, the registration of a transfer of securities of the Company shall operate as a waiver of the Company's lien, if any, on such securities. The Board may at any time declare any securities wholly or in part to be exempt from the provisions of this Article.

SHARE WARRANTS

13. The Company may issue Share warrants subject to, and in accordance with, the provisions of Sections 114 and 115 of the Act. The Board may in its discretion, with respect to any Share which is fully paid-up, on application in writing signed by the person registered as holder of the Share, and authenticated by such evidence (if any) as the Board may from time to time, require as to the identity of the person signing the application, and on receiving the certificate (if any) with respect to the Share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a Share warrant.

14.

(1) The bearer of a Share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending, and voting and exercising the other privileges of a Member at any meeting held after the expiry of two (2) clear days from the time of deposit, as if the depositor's name were inserted in the Register of Members as the holder of the Shares included in the deposited warrant.

(2) Not more than one (1) person shall be recognized as the depositor of the Share warrant.

(3) The Company shall, on two (2) days' written notice, return the deposited Share warrant to the depositor.

15.

(1) Subject as herein otherwise expressly provided, no person shall, as bearer of a Share warrant, sign a requisition for calling a meeting of the Members of the Company, or attend, or vote or exercise any other privilege of a Member at a meeting of the Members of the Company, or be entitled to receive any notices from the Company.

(2) The bearer of a Share warrant shall be entitled in all other respects to the same privileges and advantages as if such person were named in the Register of Members as the holder of the Shares included in the warrant, and such person shall be a Member of the Company.

16. The Board may, from time to time, make rules as to the terms on which (if it deems fit) a new Share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

TERMS OF ISSUE OF DEBENTURES

17. Any debentures, debenture-stock or other securities may be issued by the Company at a discount, premium or otherwise and may be issued by the Company on condition that they may be covertible into Shares of any denomination and with any privileges and conditions with respect to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at General Meetings and appointment of Directors and otherwise. Securities with the right of conversion into or allotment of Shares shall be issued only with the consent of the Company in a General Meeting by a special resolution.

INTEREST OUT OF CAPITAL

18. Where any Shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provisions of any plant which cannot be made profitable for a lengthy period, the Company may pay interest on such of that share capital as is for the time being paid-up for the period at the rate and subject to the conditions and restrictions imposed by Section 208 of the Act and may charge the same to capital as part of the costs of the construction of the work or building or provisions of the plant.

TRANSFER OF SHARES;

FORM OF TRANSFER

19. The instrument of transfer shall be in writing and the provisions of Section 108 of the Act in respect of transfer of Shares and registration thereof shall be duly complied with.

20. In the case of transfer of Shares or other marketable securities where the Company has not issued any certificates and where such Shares or securities are being held in an electronic form, the provisions of the Depositories Act, 1996, as amended, shall apply.

21. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or other similar document.

GENERAL MEETINGS

22.

(1) The Company shall in each year hold in addition to any other meeting, a General Meeting as its annual general meeting. Every annual general meeting shall be called for at a time during business hours, on a day that is not a public holiday and shall be held either at the registered office of the Company or at some other place with in the city, town or village in which the registered office of the Company is situated, as the Directors may determine, and the notice calling the meeting shall specify it as the annual general meeting. Not more than fifteen months shall elapse between the date of an annual general meeting and the next provided that the Company may, with the sanction of the Registrar of Companies, extend the date of its holding the annual general meeting by a period not exceeding three (3) months. The chairman of the Board shall act as the chairman of the General Meetings. If at any General Meeting of the Members, the chairman is not present within fifteen (15) minutes of the time appointed for holding such meeting, or is unwilling to act as the chairman of such meeting, the Directors present shall choose another Director to act as chairman, and if no Director is also present at the meeting, or if none of the Directors present at the meeting is willing to act as

the chairman, the Members present shall choose one of their members to act as the chairman of such meeting.

(2) Notwithstanding anything to the contrary contained in these Articles, the quorum for a General Meeting shall include at least one member of the Raghupathy Group so long as the Raghupathy Group holds in aggregate at least 25% of the issued and outstanding equity share capital of the Company.

23. *Voting at General Meetings*

(1) At any General Meeting, a resolution put to vote shall be decided on a show of hands, unless a poll (before or on the declaration of the result of the show of hands) is demanded in accordance with the provisions of the Act. Unless a poll is so demanded, a declaration by the chairman that such resolution has, on a show of hands, been carried unanimously, or by a particular majority, or lost, and an entry to that effect in the books containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without the requirement of any proof of the number or proportion of the votes cast in favour of or against that resolution.

(2) If a poll is duly demanded, it shall be taken in such manner as the chairman directs and the results of the poll shall be deemed to be the decision of the meeting on the resolution in respect of which the poll was demanded. Any business other than that upon which a poll has been demanded may proceed, pending the taking of the poll.

24. *Vote of Members*

(1) On a show of hands, every Member holding equity Shares and present in person shall have one vote.

(2) On a poll, each Member shall have voting rights in proportion to its share of the paid up equity share capital.

(3) On a poll, a Member having more than one vote, or its proxy or other person entitled to vote for such Member need not vote all its votes in the same way.

(4) Notwithstanding the foregoing, no Member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by such Member in respect of Shares held by such Member have been paid.

25. *Postal Ballot*

Subject to, and in accordance with, the provisions of the Act, the Company may, and in case of resolutions relating to such matters as the Central Government may, by notification, require to be conducted only by Postal Ballot, shall, get such resolutions passed by means of a Postal Ballot, instead of transacting the business in a General Meeting.

26. *Voting by Joint Holders*

In the case of joint holders the vote of the first named of such joint holder who tenders a vote whether in person or proxy shall be accepted to the exclusion of the votes of other joint holders.

27. *Proxy*

(1) On a poll, votes may be given either personally or by proxy.

(2) The instrument appointing a proxy shall be in writing under the hand of the appointer or of the appointer's attorney duly authorised in writing or, if the appointer is a company, either under its common seal or under the hand of its attorney duly authorised in writing. Any person, whether or not such person is a Member of the Company, may be appointed as a proxy.

(3) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, shall be deposited at the registered office of the Company not less than forty eight (48) hours prior to the time fixed for the meeting in question, failing which the instrument of proxy shall be invalid.

(4) The form of proxy shall be a two way proxy, as given in Schedule IX of the Act, enabling the Members to vote for/against any resolution.

(5) A vote given under the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal, or the revocation of the proxy, or of the authority under which the proxy was executed, or a transfer of the Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its registered office before the commencement of the meeting, or adjourned meeting, at which the proxy is used.

(6) Any corporation which is a Member of the Company may, by resolution of its Directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the Company, or at any meeting of any class of Members of the Company and the said person so authorised shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the corporation which such person represents as those which the corporation could have exercised if it were an individual Member of the Company.

EXTRAORDINARY GENERAL MEETING

28. All General Meetings that are not annual general meetings shall be called "extraordinary general meetings."

NOTICE OF MEETING

29. Any General Meeting of the Company, whether annual general meeting or extraordinary general meeting, may be called by giving not less than twenty one (21) days notice in writing or a notice shorter than twenty one (21) days if consent thereto is given by the Members in accordance with the provisions of Section 171 of the Act.

DIRECTORS MAY REFUSE TO REGISTER TRANSFER

30. Subject to the provisions of Section 111A of the Act, these Articles, any listing agreement entered into with recognized stock exchanges and other Applicable Law, the Board may refuse, at its absolute discretion and by giving reasons, decline, whether in pursuance of any power of the Company under these Articles or otherwise, to register the transfer of or transmission by operation of Applicable Law of the right to any Shares or interest of a Member in, or debentures of, the Company. The right of refusal shall not be

affected by the circumstances that the proposed transferee is already a Member of the Company. In case of refusal to register the transfer of Shares, the Company shall within one months from the date on which the instrument of transfer or the intimation of such transmission, as the case may be, was delivered to the Company, send to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, notice of the refusal to register such transfer. Provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person(s) indebted to the Company on any account whatsoever except when the Company has a lien on the Shares. Transfer of Shares or debentures shall not be refused solely for the reason that the relevant Shares are not in marketable lots.

Provided however, that the Board may decline to register or acknowledge any transfer of Shares, whether fully paid or not, if the transfer results in, or is perceived to or may result in, a contravention or violation of any restriction under law as applicable to the Company.

Provided further, that the decision of the Board or any person(s) designated by the Board with respect to whether the transfer results in, or is perceived to or may result in, a contravention or violation of any restriction under Applicable Law as applicable to the Company shall be final and binding in all respects.

NOTICE OF APPLICATION WHEN TO BE GIVEN

31. Where, in the case of partly paid-up Shares, an application for registration of transfer is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of the Act.

32. Calls on Shares

(1) The Board may, from time to time, make calls upon the Members in respect of any moneys unpaid on the Shares held by them.

(2) Each Member shall, subject to receiving at least fourteen (14) days' notice specifying the time or times and place of payment, pay to the Company, at the time or times and place so specified, the amount called on such Member's Shares.

(3) A call may be revoked or postponed at the discretion of the Board.

(4) A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be required to be paid by installments.

(5) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

(6) If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at five per cent (5%) per annum or at such lower rate, if any, as the Board may determine.

(7) The Board shall be at liberty to waive payment of any such interest wholly or in part.

(8) Any sum which by the terms of issue of a Share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the Share or by way of premium, shall, for the purposes of these Articles, be deemed to be a call duly made and payable on the date on which by the terms

of issue such sum becomes payable. In case of non-payment of such sum, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

33. *Payment in Anticipation of Call may Carry Interest*

(1) The Board may, if it deems fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the whole or any part of the moneys due upon the Shares held by him beyond the sums actually called for. Upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the Shares in respect of which such advance has been made, the Company may pay interest at such rate, not exceeding, unless the Company in a General Meeting shall otherwise direct, six per cent (6%) per annum, as may be agreed upon between the Member paying such sum in advance and the Board, provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Board may at any time repay the amount so advanced.

(2) The concerned Member shall not be entitled to any voting rights in respect of the moneys so paid by such Member until the same would but for such payment, become presently payable.

(3) The provisions of this Article shall *mutatis mutandis* apply to the calls on any security of the Company.

34. *Forfeiture of Shares*

(1) If a Member fails to pay any call, or installment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on such Member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

(2) The notice in Article 34(1) shall:

(i) name a further day (not being earlier than the expiry of fourteen (14) days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

(ii) state that, in the event of non-payment on or before the day so named, the Shares in respect of which the call was made will be liable to be forfeited.

(3) If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

(4) A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

(5) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

(6) A person whose Shares have been forfeited shall cease to be a Member in respect of the forfeited Shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the

Shares. The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the Shares.

(7) A duly verified declaration in writing that the declarant is a Director, the manager or the Secretary, of the Company, and that a Share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to such Share.

(8) The Company may receive the consideration, if any, given for the Share on any sale or disposal thereof and may execute an instrument of transfer of the Share in favour of the person to whom the Share is sold or disposed of. The transferee shall thereupon be registered as the holder of the Share in the Register of Members. The transferee shall not be bound to see to the application of the purchase money, if any, nor shall such transferee's title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.

(9) The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the nominal value of the Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

CALLS TO BE ON UNIFORM BASIS

35. Any call for share capital shall be made on a uniform basis on all Shares falling under the same class. For the purpose of these Articles Shares of the same nominal value, on which different amounts have been paid up, shall not be deemed to fall under the same class.

DIRECTORS

36.

(1) Subject to Sections 252, 255 and 257 of the Act the number of Directors of the Company shall not be less than four until otherwise determined by a General Meeting and not more than twelve (excluding any special or debenture Directors).

(2) (a) Subject to Section 260 of the Act, the Board of Directors shall have power at any time, and from time to time, to appoint one or more persons as additional Directors ("Additional Director") provided that the total number of Directors including such Additional Directors shall not at any time exceed the maximum number of Directors fixed by these Articles. Any Additional Director so appointed shall hold office only up to the next following annual general meeting of the Company and shall be eligible for re-election by the Company at that meeting.

(b) Notwithstanding any other provisions of the Articles of Association of the Company, and subject to S. 255 or any other provision of the Act, so long as the Raghupathy Group holds in aggregate at least 25% of the issued and outstanding equity share capital of the Company, the Raghupathy Group shall be entitled to nominate and appoint one-third (1/3rd) of the total number of Directors on the Board as its nominee directors ("BGR Group Nominee Directors"). Mr. B.G. Raghupathy shall be one of the BGR Group Nominee Directors at all times and shall be a non-retiring director ("Permanent Director"). The BGR Group Nominee Directors (other than Mr. B.G. Raghupathy) shall hold office during the pleasure of the Raghupathy Group. The

Raghupathy Group shall also at any time have the right to withdraw its nomination of a BGR Group Nominee Director (other than Mr. B.G. Raghupathy) and nominate another in his or her place. The shareholders of the Company shall exercise their voting rights in a manner that enables the Raghupathy Group to achieve the removal, replacement or appointment to the Board of the BGR Group Nominee Directors in accordance with this Article 36(2)(b).

(3) The first Directors of the Company are:

(i) Mr. B.G. Raghupathy

(ii) Mr. Narendra Nath Nanda

(4) The permanent chairman of the Board of Directors shall be Mr. B. G. Raghupathy and in his absence, one of the BGR Group Nominee Directors specifically nominated by the Raghupathy Group to act as chairman of the Board of Directors shall be the chairman.

(5) All decisions at meetings of shareholder's and Directors shall, subject to what is contained herein, be by a majority of votes.

POWERS OF THE BOARD

37.

(1) Subject to the provisions of the Act and these Articles, the Board shall be entitled to exercise all such powers, and do all such acts and things, as the Company is authorised to exercise and do; provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or by the Memorandum of Association or these Articles or otherwise, to be exercised or done by the Company in a General Meeting; provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions contained in that behalf in the Act or in the Memorandum of Association or in these Articles or in any regulations not inconsistent therewith duly made thereunder including regulations made by the Company in a General Meeting.

(2) Subject to Sections 292 and 293 of the Act, the Board shall have the right to delegate any of their powers to the Managing Director and such committees of the Board, Directors, Secretary, managers, agents or other persons as they may deem fit and may at their own discretion revoke such powers. The Board may authorise Directors to sub-delegate the delegated powers.

38. No regulation made by the Company in a General Meeting shall invalidate any prior act of the Board which would have been valid if such regulation had not been made.

QUORUM FOR BOARD MEETINGS

40. Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be one- third of its total strength, excluding the Directors, if any, whose places may be vacant at the time (any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher. Notwithstanding anything to the contrary contained in these Articles, the quorum for a board meeting shall include at least one BGR Group Nominee Director so long as the Raghupathy Group holds in aggregate at least 25% of the issued and outstanding equity share capital of the Company.

RETIREMENT, RESIGNATION AND CASUAL VACANCY OF DIRECTORS

42. Subject to these Articles, not less than two-thirds of the total number of Directors shall be liable to retire by rotation. One-third of the Directors shall automatically retire every year at the annual General Meeting and shall be eligible for re-appointment. The Directors to retire by rotation shall be decided based on those who have been longest in office, and as between persons appointed on the same day, the same shall be decided by mutual agreement or by draw of lots.

43. A Director shall be entitled to resign from the office of Director through a notice in writing with effect from such date as such Director may specify while so resigning.

44. If the office of any Director appointed by the Company in any General Meeting is vacated before the term of the office would expire in the normal course, the resulting vacancy may be filled by the Board, at a meeting of the Board, but the person so chosen shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected as Director.

RESOLUTION BY CIRCULATION

45. No resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation unless the resolution has been circulated in a draft, together with the necessary papers, if any, to all the Directors, or to all the Members of the committee then in India (not being less than in number than the quorum fixed for a meeting of the Board or committee, as the case may be) and to all other Directors or members of the committee, at their usual address in India and has been approved by such of the Directors or Members of the committee as are in India, or by a majority of such of them as are entitled to vote on the resolution. Such resolutions may be signed by the Directors in counterparts.

HOW CERTAIN DECISIONS CAN BE TAKEN

47. Notwithstanding anything to the contrary contained in these Articles, so long as the Raghupathy Group holds in aggregate at least 25% of the issued and outstanding Equity Share capital of the Company, no decision on any of the matters set forth below shall be taken nor shall any resolution be passed, whether at a meeting of the Board or at a General Meeting if approval of such resolution or transaction is required from the Members at a General Meeting, except with the prior approval of Mr. B. G. Raghupathy, or the prior approval of any person specifically authorised by the Raghupathy Group in this regard.

    (1) any amendments or modifications to the Memorandum of Association or Articles of Association of the Company or its subsidiaries;

    (2) deviating from or changing the activities of the Company or its subsidiaries;

    (3) any changes to the capital structure of the Company, including the issue of any Shares or debentures of the Company or any option, warrant or other right to acquire any Shares or debentures of the Company;

    (4) any merger, demerger, consolidation, restructuring or reorganization of the Company or its subsidiaries;

    (5) the creation or dissolution of any subsidiary or the appointment or removal of any director of any such subsidiary or the exercise of any other power of the Company in relation to any such subsidiary;

(6) the hiring, termination or extension of employment of the company secretary, chief executive officer, the chief operating officer, the chief financial officer, the managing director of the Company or its subsidiaries; fixing or changing the terms of the employment of such persons and the employee benefit plans applicable to such persons and delineating the powers of and authority vested in such persons;

(7) the appointment of any committee of Directors (including any change in the composition of the committee); fixing the terms of reference of any committee of the Directors (including any change in such terms of reference); delineating the powers and authorities to be vested in such committee and fixing or increasing the remuneration of any Director of the Company;

(8) the appointment of any Additional Director or Alternate Director and the filling of casual vacancies to the Board;

(9) approving or amending any operating plan or budget of the Company or its subsidiaries;

(10) recommending dividends or any other distribution to the Members;

(11) selling, leasing, charging or dealing with the whole or any part of the Company's or any subsidiary's undertaking, property or assets otherwise than in the ordinary course of business;

(12) incurring any indebtedness, guarantee or other financial obligation (including any off-balance sheet arrangement) for an amount in excess of 10% of the net worth of the Company as per the last audited balance sheet of the Company, per transaction, by the Company or any subsidiary, and pledging or mortgaging any asset in connection with such financial obligation;

(13) grant of any loan by the Company in excess of Rs. 1,00,00,000 (Rupees One Crore) or other higher sum as may be fixed by the Board from time to time;

(14) licensing, or disposing of, or changing the terms of patents, trademarks or intellectual property rights owned by or licensed to the Company or any of its Subsidiaries;

(15) any termination; dissolution; insolvency or admission of inability to pay debts as they become due; a general assignment, arrangement or composition with or for the benefit of the creditors of the Company; appointment of an administrator, receiver, judicial manager, trustee, custodian or other similar official for all or substantially all of the Company's or subsidiary's assets; liquidation or winding up of the Company or any subsidiary; and

(16) approving or incurring capital expenditure in excess of the budget for capital expenditure approved by the Board for any year.

REMUNERATION OF DIRECTORS

48.

(1) The remuneration of the Directors shall from time to time be determined by the Board, and may be by way of fees for meeting attended, or monthly payments, or otherwise as may be fixed by the Board. Each of the Directors, including the chairman, shall be entitled to such sitting fees as the Board may determine, subject to any limits prescribed by Applicable Law.

(2) The Directors may, subject to restrictions, if any, under Applicable Law, be remunerated separately for the performance of special or executive duties approved from time to time by the Board.

(3) All Directors shall be entitled to be paid or reimbursed their reasonable traveling, accommodation and subsistence expenses incurred in attending meetings of the Board or any committees of the Board or in the discharge of their duties as Directors. Without prejudice to the generality of the above, the Board may allow and pay to any Director who is not a bonafide resident of the place where a meeting of the Board or shareholders is held and who shall come to such place for the purpose of attending such meeting, such sum as the Board may consider fair compensation for traveling by him, such travel being undertaken for the under mentioned purpose, subject to Applicable Law.

(4) If any Director be called upon to go or reside out of his usual place of business on the Company's business or otherwise to perform extra services or make special exertions or efforts, to attend to some duties in connection with the business of the Company, the Board may arrange with such Director for such special remuneration for such extra services or special exertions or efforts, either by a fixed sum or otherwise as may be determined by the Board, and such remuneration may be either in addition to or in substitution of his remuneration above provided.

(5) The Managing Director or any wholetime Director shall be entitled to receive such remuneration and perquisites as may be decided by the Board of Directors.

MANAGING DIRECTOR AND SECRETARY

49. The first Managing Director shall be Mr. B. G. Raghupathy and if he ceases to be a Managing Director, the Raghupathy Group shall be entitled to nominate the Managing Director so long as the Raghupathy Group holds in aggregate at least 25% of the issued and outstanding equity share capital of the Company, upon terms and conditions and remuneration as the Board of Directors may determine.

50. The Managing Director or the manager shall be paid such remuneration (including bonus and commissions) as shall be approved at a General Meeting from time to time.

51. Secretary

The Secretary of the Company shall be such person as shall from time to time be appointed by the Board. The appointment of the Secretary of the Company shall be in accordance with Section 383A of the Act

BORROWING POWERS

52. The Board may, from time to time, and at its discretion, subject to the provisions of Sections 58A, 292, 293 and 370 of the Act and of these Articles, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow moneys, either from the Directors, their friends and relatives or from others for the purposes of the Company and or secure the payment of any such sum or sums of money, provided however, where the moneys to be borrowed together with the moneys already borrowed (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) and remaining outstanding and un-discharged at that time exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose), the Board shall not borrow such money without the consent of the Company in a General Meeting by an ordinary resolution.

The Board may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular by receiving deposits, issue of bonds, debentures perpetual, redeemable, debenture stock, or any Share/debenture of the Company or by mortgage or charge or other security upon all or any part of the property or undertaking of the Company (both present and future), including its uncalled capital for the time being; provided that the Board shall not give any option or right to any person for making calls on the Members of the Company in respect of the amount unpaid for the time being on the Shares held by them, without the previous sanction of the Company in a General Meeting.

ASSIGNMENT OF DEBENTURES

53. The debentures, debenture stock, bonds and other securities may be made assignable, free from any equities, between the Company and the person to whom the same may be assigned.

DIVIDENDS AND RESERVES

54. Subject to the provisions of the Act and these Articles, the Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

55. No dividend shall be declared or paid by the Company except out of the distributable profits of the Company for the year/ period or any other undistributed profits and no dividend shall carry interest as against the Company.

56. A transfer of Shares shall not pass the rights to any dividend declared thereon, before the registration of the transfer takes effect and the Shares are registered in the name of the transferee.

57. *Unpaid or Unclaimed Dividend*

(1) Where the Company has declared a dividend which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within of the said period of 30 days, to a special account to be opened by the company in that behalf in any scheduled bank to be called "BGR Energy Systems Limited Unpaid Dividend Account.

(2) Any amounts transferred to the Unpaid Dividend Account specified above which remain unpaid or unclaimed for a period of seven (7) years from the date on which they first became due for payment, shall be transferred by the Company to a fund known as the Investor Education and Protection Fund established under Section 205C(1) of the Act.

(3) No unclaimed or unpaid dividend shall be forfeited by the Board.

58. *Interim Dividend*

The Board may from time to time pay to the Members such interim dividend as may appear to it to be justified by the profits of the Company.

59.

(1) The Board may, before recommending any dividend, set aside out of the- profits of the Company such sums not less than what is required by the rules made under Section 205 of the Act as it thinks proper as a reserve, or reserves, which shall, at the discretion of the Board, be applied for any purpose to

which the profit of the Company may be properly applied, including provisions for meeting contingencies or for equalizing dividends and pending such application, may either be employed in the business of the Company or be invested in such investment (other than Shares of the Company) as the Board may, from time to time think fit.

(2) The Board may also carry forward any profits, which it may think prudent not to divide, without setting them aside as a reserve.

(3) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid.

(4) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Share.

(5) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid, but if any Share is issued on terms providing that it shall rank for dividend as from a particular date such Share shall rank for dividend accordingly.

DEDUCTION FROM DIVIDEND

60. The Board may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the Shares of the Company.

ECEIPT BY JOINT SHAREHOLDERS

62. Anyone or two or more joint holders of a Share may give effectual receipts of any dividends, bonuses or other moneys payable in respect of such Shares.

NOTICE OF DIVIDEND

63. Notice of any dividend that may have been declared shall be given to the person entitled to share therein in the manner specified in the Act.

DIVIDEND NOT TO BEAR INTEREST AGAINST THE COMPANY

64. No dividend shall bear interest against the Company, subject to the provisions of the Act.

CAPITALISATION OF PROFITS

65. The Company in a General Meeting, may on the recommendation of the Board, resolve:

(a) to capitalize any part of the amount for the time being standing to the credit of the Company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and

(b) to set free such amount for distribution in the manner specified in Article 67 those of its Members who would have been entitled thereto (and in the same proportions) if distributed by way of dividend.

66. Any such amount shall not be paid in cash, but shall be applied, either in or towards:

(a) paying up any amounts for the time being unpaid by such Members on Shares held by them;

(b) paying up, unissued Shares of the Company to be allotted and distributed, credited as fully paid up, to and among such Members in the proportions aforesaid; or

(c) partly in the way specified in sub clause (a) and partly in that specified in sub clause (b) of this Article.

DIRECTORS TO GIVE EFFECT TO THE RESOLUTION

67.

(1) The Board of Directors shall give effect to any such resolution passed by the Company in pursuance of Article 67.

(2) In respect of any such resolution, the Board shall make all appropriations and applications of the profits resolved to be capitalised and all allotments and issues of fully paid Shares, if any.

(3) The Board shall have full power to make such provision, as it deems fit, by the issue of fractional certificates or by payments in cash or otherwise, in the case of Shares or debentures becoming distributable in fractions.

(4) Any agreement made by the Company under such authority shall be effective and binding on all such Members.

SEAL

68.

(1) The Board shall provide for the safe custody of the seal.

(2) The seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorized by it in that behalf; and except in the presence of at least one Director and of the Secretary or such other person as the Board may appoint for the purpose; and such Director and the Secretary or other person shall sign every instrument to which the seal of the Company is so affixed in their presence.

(3) Share certificates will be signed and sealed in accordance with Rule 6 of the Companies (Issue of Shares Certificates) Rules, 1960, as amended. In all other cases, the common seal will be affixed in the presence of at least one Director and the Secretary or such other person duly authorised by a resolution of the Board or a committee of the Board who shall attest the same on behalf of the Company.

(4) The Board may authorize the use of the common seal of the Company in any territory, district or place not situated in India.

INDEMNITY AND RESPONSIBILITY

1. 69. Subject to the provisions of Section 201 of the Act, every manager, Managing Director Director,

Secretary and other officers of the Company shall be indemnified by the Company against, and it shall be the duty of the Board to pay out of the funds of the Company all the costs, losses and expenses which any Director, manager, Managing Director, Secretary or officer may incur or become liable to by reason of any contract entered into or in any way in the discharge of his duties, including expenses and in particular, and so as not to limit the generality of the foregoing provisions, against all liabilities incurred by him as such Director, manager, Managing Director, Secretary or officer in defending any proceedings whether civil or criminal in which judgement is given in his favour or in connection with any application under Section 633 of the Act in which relief is granted by the Court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the Members over all claims.

Subject to the provisions of Section 201 of the Act, no Director, Managing Director, manager, Secretary or officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director, Managing Director, Secretary, manager, or officer or for joining in any receipt or other act for conformity, or for any loss or expense happening to the Company through insufficiency or deficiency of title to any property acquired by order of the Board for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any Person, company or corporation, with whom any moneys, securities or effects shall be entrusted or deposited, or for any loss occasioned by any error of judgement or oversight on his part, or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same happen through his own dishonesty.

ACCOUNTS; RESTRICTIONS ON MEMBERS

70. The Board shall cause proper books of account to be maintained under Section 209 of the Act.

71. Subject to the provisions of Section 209A of the Act, the Board shall also, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations the account books of the Company (or any of them) shall be open to the inspection of the Members.

72. Subject to the provisions of Section 209A of the Act, no Member (not being a Director) or other person shall have any right of inspecting any account book or document of the Company except as conferred by Applicable Law or authorised by the Board or by the Company in a General Meeting.

75. *Auditors*

(1) The Company may, at a General Meeting, remove any auditor and appoint in its place any other person nominated for appointment by any Member and of whose nomination special notice has been given to the Members, not less than fourteen (14) days before the date of such meeting.

(2) The Company at the annual general meeting each year shall appoint an auditor to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting and every auditor so appointed shall be intimated of his appointment within seven (7) days.

(3) Where at an annual General Meeting, no auditor is appointed, the Central Government may appoint a person to fill the vacancy.

(4) The Company shall within seven (7) days of the Central Government's power under sub clause (3) becoming exercisable, give notice of that fact to the Central Government.

(5) The Directors may fill any casual vacancy in the office of an auditor, but while any such vacancy continues, the remaining auditor (if any) may act. Where such a vacancy is caused by the resignation of an auditor, the vacancy shall only be filled by the Company in a General Meeting.

(6) A person, other than a retiring auditor, shall not be capable of being appointed at an annual general meeting unless special notice of a resolution of appointment of that person to the office of auditor has been given by a Member to the Company not less than fourteen (14) days before the meeting in accordance with Section 190 of the Act. The Company shall send a copy of any such notice to the retiring auditor. The provisions of this sub clause shall also apply in respect of any resolution which provides that a retiring auditor shall not be reappointed.

(7) The persons qualified for appointment as auditors shall be only those referred to in Section 226 of the Act.

76. *Audit of Branch Offices*

The Company shall comply with the provisions of the Act in relation to the audit of the accounts of any branch offices of the Company.

77. Remuneration of Auditors

The remuneration of the auditors shall be fixed by the Company in a General Meeting or in such manner as the Company may, in a General Meeting, determine.

78. Audited Accounts

All accounts of the Company, when audited and approved by a General Meeting, shall be conclusive except as regards any error discovered therein within three (3) months following the approval thereof. Any such error discovered within such three (3) month period shall forthwith be corrected in accordance with the terms of any resolution in respect thereof and such amended accounts shall henceforth be conclusive.

WINDING UP

79. Subject to the provisions of the Act and these Articles, if the Company shall be wound up and the assets available for distribution among the Members as such shall not be sufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the Shares held by them respectively. And if in a winding up, the asset available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the Members in proportion to the Shares held by them respectively. This clause is, however, without prejudice to the rights or the rights of the holders of Shares issued upon preferential or special terms and conditions.

80. If the Company shall be wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the Members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Andhra Pradesh for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Engagement Letter dated August 1, 2007 to the BRLMs from our Company appointing them as the BRLMs.

2. Memorandum of Understanding among our Company, the Selling Shareholders and the BRLMs dated August 1, 2007.

3. Memorandum of Understanding among our Company, the Selling Shareholders and Registrar to the Issue, dated August 1, 2007.

4. Escrow Agreement dated [·], 2007 among the Company, the Selling Shareholders, the BRLMs, the Escrow Banks, and the Registrar to the Issue.

5. Syndicate Agreement dated [·], 2007 among the Company, the Selling Shareholders, the BRLMs and Syndicate Members.

6. Underwriting Agreement dated [·], 2007 among the Company, the Selling Shareholders, the BRLMs and Syndicate Members.

Material Documents

1. Our Memorandum and Articles of Association, as amended from time to time.

2. Our certification of incorporation, conversion & name change.

3. Board resolutions in relation to the Issue dated July 7, 2007.

4. Shareholders' resolutions in relation to the Issue dated July 11, 2007.

5. Summary Statements of Assets and Liabilities and Summary Statement of Profits and Losses, as Restated and Cash Flows, as Restated, under Indian GAAP as at and for the three months ended June 30, 2007, 18 months ended March 31, 2007 and the financial years ended September 30, 2005, 2004, 2003 and 2002 audited by Manohar Chowdhary and Associates, Chartered Accountants and their audit report on the same, dated October 15, 2007.

6. Statement of Tax Benefits from Manohar Chowdhary and Associates, Chartered Accountants dated October 31, 2007.

7. Copies of annual reports of our Company for the 18 months ended March 31, 2007 and the years ended September 30, 2005, 2004, 2003 and 2002.

8. Authorization by the selling shareholders authorizing the Offer for Sale dated July 2, 2007.

9. Consent of Manohar Chowdhary and Associates, Chartered Accountants, our Auditors for inclusion of their reports on restated financial statements and auditors report on audited financial statements as at and for the the three months ended June 30, 2007, 18 months ended March 31, 2007 and the financial years ended September 30, 2005, 2004, 2003 and 2002 in the form and context in which they appear in the Red Herring Prospectus.

10. Consents of Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Domestic Legal Counsel to the Company, Domestic Legal Counsel to the BRLMs, International Legal Counsel to the BRLMs, Directors of the Company, Company Secretary and Compliance Officer, IPO Grading Agency and Monitoring Agency as referred to, in their respective capacities.

11. Listing Agreement dated [●] with [●].

12. Initial listing applications dated August filed with NSE and BSE respectively.

13. In-principle listing approval dated September 6,. 2007and August 29, 2007 from BSE and NSE respectively.

14. Tripartite Agreement dated September 19, 2007 with NSDL, the Company and the Registrar to the Issue;

15. Tripartite Agreement dated September 7, 2007 with CDSL, the Company and the Registrar to the Issue;

16. Due diligence certificate dated August 3, 2007 to SEBI from the BRLMs.

17. SEBI observation letter CFD/DIL/NB/JAK106688/2007 dated October 19, 2007. .

18. Business Transfer Agreement dated August 1, 2007 with GEA BGR Energy System Limited for sale of energy division.

19. Application with the RBI for Offer for Sale.

20. Agreement with Schmitz India Private Limited for sale of Schmitz Reinigungskugein Gmbh.

21. Trademark License Agreement dated November 3, 2007 between our Promoter and our Company.

22. IPO Grading Report dated November 2, 2007.

23. Letter of Interest and Binding Term Sheet dated November 6, 2007 from CVCIGP II Employee Rosehill Limited and CVCIGP II Client Rosehill Limited.

24. Binding Letter of Commitment and Binding Term Sheet dated November 6, 2007 from Reliance Capital Trustee Company Limited A/c Reliance Diversified Power Sector Fund addressed to our Promoter.

25. Investment Agreement dated November 6, 2007 entered into among our Company, our Promoter, CVCIGP II Employee Rosehill Limited and CVCIGP II Client Rosehill Limited.

26. Escrow Agreement dated [●] entered into among our Company, CVCIGP II Employee Rosehill Limited CVCIGP II Client Rosehill Limited and [●].

27. Escrow Agreement dated [●] entered into among our Company, our Promoter and Reliance Capital Trustee Company Limited A/c Reliance Diversified Power Sector Fund.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We, the Directors of the Company, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by Securities and Exchange Board of India, applicable as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Heinrich Bohmer

M. Gopalakrishna — M. Gopalakrishna

S. A. Bohra

S. R. Tagat

Sasikala Raghupathy — R. Sasikala

S. Rathinam

V. R. Mahadevan

B. G. Raghupathy

Signed by the Chairman and Managing Director

Signed by the Director- Finance

Date: November 21, 2007

Place: Chennai

We, the Selling Shareholders, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by Securities and Exchange Board of India, applicable as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Red Herring Prospectus are true and correct.

Signed by the Selling Shareholders:

Mr. B.G. Raghupathy

R. Sasikala

Mrs. Sasikala Raghupathy

Date: November 21, 2007

Place: Chennai

APPENDIX A

EXTRACT OF IPO GRADING REPORT NOVEMBER 2, 2007

IPO Grading

- ICRA has assigned an IPO Grade 3, indicating average fundamentals, to the proposed IPO of BGR Energy Systems Limited. ICRA assigns IPO gradings on a scale of IPO Grade 5 through to IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.
- An ICRA IPO Grade is a symbolic representation of ICRA's current assessment of the fundamentals of the issuer concerned. The fundamental factors assessed include, inter alia, business and competitive position, financial position and prospects, management quality, corporate governance, and history of compliance and litigation.

Disclaimer: Notwithstanding anything to the contrary: An ICRA IPO grade is a statement of the current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied, as to the accuracy, authenticity, timeliness, or completeness of such information. An ICRA IPO grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further, the ICRA IPO grade is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such issuer nor can it be considered as an authentication of any of the financial statements of the company, and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA is provided on an "as is" basis, without representations and warranties of any nature.

Strengths

- Established track record in executing Balance of Plant (BOP) contracts for power plants
- Currently strong order book position , which is likely to be sustained given the buoyant investment prospects in the major business segments the company operates in
- Experienced managerial personnel alongwith in-house design engineering capabilities provides it with competitive edge
- Technical collaborations with foreign licensors, which has enabled it to absorb the technology required for design engineering and manufacturing of products such as air-fin coolers, deareators, and oil and gas equipments
- The company's returns on capital employed (RoCE) and on net worth (RoNW) remain strong despite moderate profit margins, because of the low fixed-capital intensity of its business.

Concerns

- Increasing competitive pressures from domestic and international players in all business segments.
- Relatively limited track record in EPC segment for complete power plant , which is going to be its thrust area, going forward
- Absence of backward integration into the manufacture of critical plant equipment such as boilers, turbines and generators (BTG)
- The company's operating profitability remains vulnerable to fluctuations in the prices of basic raw materials and bought-out components, given the fixed price nature of contracts in the projects business
- High working capital intensity, which has resulted in company reporting negative operating cash flows
- Execution risks involved in scaling up business volumes given the increasing complexity of projects that the company is handling. The company's success in recruiting and retaining skilled engineering personnel would be critical
- The company has not been able to execute certain road projects in timely manner, and has incurred losses of around Rs. 230 million over the period of 2004-05 to 2006-07

Grading Rationale

The IPO Grade 3 assigned by ICRA reflects BGR's established track record in implementing BOP contracts for power projects, its in-house design engineering capabilities, and its strong order book position, besides the favourable prospects for its business in the power sector. BGR's technical collaborations with foreign licensors have enabled the company absorb the technology required for design engineering and manufacturing of products such as air-fin coolers, deareators, water treatment systems, and oil and gas equipment over the past few years. The company's products business, although currently small in terms of contribution to overall revenues, offer considerable growth potential and also support its competitive advantage in power project contracts. These strengths, along with buoyant investment in the power generation segment , have led to BGR reporting a revenue growth of 80% (annualised) in 2006-07. The grading also takes due note of the fact that despite moderate profit margins, BGR's returns on capital employed and on net worth have remained strong (24.2% and 39.3% respectively, in 2006-07) because of the low fixed-capital intensity of its business.

The grading is however constrained by the increasing competitive pressures from both domestic and international players in all of BGR's business segments, the company's high working capital intensity, and the sensitivity of its operating profits to fluctuations in the prices of basic raw materials and bought-out components (given the fixed-price nature of contracts in the project business). ICRA further notes that BGR does not have facilities for manufacture of critical plant equipments such as BTG. This makes it critical for the company to be able to tie up with OEMs for sourcing of BTG while bidding for the entire portion of EPC contracts for power projects. Also, BGR's success at recruiting engineers and retaining its key management/experienced personnel, and its ability to execute contracts in a timely manner without cost overruns, given the anticipated growth in business volumes, would remain critical factors from the grading perspective.

Company Profile

BGR was originally incorporated in 1985 under the name GEA Energy System (India) Limited as a joint venture between GEA Energietechnik GmbH (GEA) of Germany and Mr. B.G. Raghupathy to produce and sell energy products such as on-line condenser tube cleaning systems, debris filters, and rubber cleaning balls used in thermal and nuclear power plants. On June 28, 2007, the name of the company was changed to the current BGR Energy Systems Limited. BGR set up its first manufacturing facility for energy products at Pannamgadu, Andhra Pradesh, in February 1987 and supplied these products in India and overseas, in collaboration with GEA between 1987 and 1993. In 1993, Mr. B.G. Raghupathy and members of his family became the sole shareholders of BGR with the joint venture (JV) partner GEA exiting the business of the energy products mentioned, globally. BGR then entered into a series of technical collaborations and sourcing arrangements with foreign licensors to expand its portfolio of products. It entered into technical arrangements with companies such as GEA BTT (France) for design and manufacture of air cooled heat exchangers; with Crane Environmental Inc. (USA) for design and manufacture of deareators; and with Ariel Corporation (USA) for selling of packaged gas compressors.

In 1997, BGR established its power projects business, and subsequently, pioneered the concept of BOP contracts for power projects. It won its first BOP contract in 2001 as a subcontractor to BHEL for a project offered by the Tamil Nadu Electricity Board. BGR executed its first EPC contract for almost the entire 120 MW power plant (excluding one gas turbine) of Aban Power Company Limited, a private Independent Power Producers (IPPs), in 2005-06. Since then, BGR has been able to secure BOP contracts of large value directly from State power generating companies from States such as Andhra Pradesh, Rajasthan and Maharahstra. Besides, it has started focusing on EPC contracts for captive power plants with capacity up to 100 MW since 2006.

BGR is primarily into two business segments: (i) turnkey EPC contracts for either BOP or entire power plants; and (ii) industrial products, that is supply of systems and equipment such as heat exchangers, pressure vessels, condensers, high frequency resistance welded finned tubes, deaerators, and pipeline equipment used in the power, oil and gas, refinery, petrochemicals, and process industries. BGR has a manufacturing facility at Panjetty near Chennai for air-fin coolers. It also has manufacturing facility at Panjetty near Chennai or products such as heat exchangers, pressure vessels, reactors, columns, surface condensers and finned tubes through its subsidiary Progen Systems and Technologies Limited (Progen). In the current year, effective June 30, 2007, BGR has sold off its energy products division as a business undertaking to GEA BGR Energy System India Limited[1] for a consideration of Rs. 250 million.

Promoters and Management

BGR has six strategic business units (SBUs), headed by independent business heads who report to Mr. B.G. Raghupathy, Chairman & Managing Director (CMD). Mr. Raghupathy is responsible for the overall management and supervision of the company. The team of key management personnel is technically competent and experienced, with some of them having worked for companies like Tata Power Company, Reliance Energy, Oman Refinery, Andhra Pradesh State Power Generating Company, and National Thermal Power Corporation earlier. Promoter holding in BGR is expected to decline to 81.31% following the proposed IPO, as *Table 1* shows.

Table 1: Pre- and Post-IPO Shareholding Pattern of BGR

Shareholders	Pre-Issue (%)	Post-Issue (%)
Mr. B.G. Raghupathy	36.50	27.38
Mrs. Sasikala Raghupathy	21.44	16.08
Swarna Leasing Pvt Ltd	13.33	12.00
Priya Securities Private Limited	13.33	12.00
Vani Securities Private Limited	8.38	12.00
Arjun Securities Private Limited	7.01	7.54
Mr. S.K. Sridhar	0.01	6.31
Sub-Total	100.0	81.31
Public	0.00	18.69
Total	**100.0**	**100.00**
Total No. of Shares	648,00,000	720,00,000

Swarna Leasing Private Limited, Priya Securities Private Limited, Vani Securities Private Limited and Arjun Securities Private Limited are investment companies held entirely by Mr. B.G. Raghupathy.

[1] Mr. B.G. Raghupathy and family hold 40% equity in this company, while the rest is held by some of the key management personnel of BGR Energy Systems Limited.