



**KAVERI SEED COMPANY LIMITED**

(Our Company was originally incorporated on August 27, 1986 as Kaveri Seed Company Private Limited under the Companies Act, 1956, at Andhra Pradesh with the Registration No. 6728 of 1986-87. With effect from November 7, 2006, our Company was converted into a public limited company and received a fresh certificate of incorporation in the name of “Kaveri Seed Company Limited”. Our Corporate Identity Number is U01120AP1986PLC006728)

**Registered Office:** 513B, 5<sup>th</sup> Floor, Minerva Complex, S.D. Road, Secunderabad – 500 003, Andhra Pradesh, India;

(For details on changes to our Registered Office, please refer to the chapter titled ‘History and Other Corporate Matters’ beginning on page 88 of this Red Herring Prospectus)

**Tel. No.** +91 40 27721457 / 27899833 **Fax No.** +91 40 27811237, **E-mail:** [ipo@kaveriseeds.com](mailto:ipo@kaveriseeds.com)

**Website:** [www.kaveriseeds.com](http://www.kaveriseeds.com)

**Contact Person:** Mr. P. Satish Chandra Mouli, Company Secretary and Compliance Officer,

**PUBLIC ISSUE OF 40,00,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) FOR CASH AGGREGATING TO RS. [●] LAKHS (THE “ISSUE”) OUT OF WHICH 2,00,000 EQUITY SHARES HAVE BEEN RESERVED FOR ELIGIBLE EMPLOYEES OF OUR COMPANY ON A COMPETITIVE BASIS (“EMPLOYEE RESERVATION PORTION”). THE NET ISSUE TO THE PUBLIC SHALL BE 38,00,000 EQUITY SHARES OF RS.10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) FOR CASH AGGREGATING TO RS. [●] LAKHS (THE “NET ISSUE”).**

**THE ISSUE WILL CONSTITUTE 29.20 % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY AND THE NET ISSUE WILL CONSTITUTE 27. 74 % OF THE FULLY DILUTED POST ISSUE PAID -UP CAPITAL OF OUR COMPANY.**

**PRICE BAND: Rs.150/- TO Rs.170/- PER EQUITY SHARE**

**THE ISSUE PRICE IS 15 TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 17 TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

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

This Issue is being made through a 100% Book Building Process wherein at least 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remaining QIB portion shall be available for allocation on a proportionate basis to QIB bidders including Mutual Funds subject to valid bids being received at or above the Issue Price. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, up to 15% of the Net Issue shall be available for allocation on a proportionate basis to Institutional Bidders and up to at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

**RISK IN RELATION TO THE FIRST ISSUE**

This being the first issue of Equity Shares of our Company, there has been no formal market for our Equity Shares. The face value of the shares is Rs. 10 and the Issue Price is 15 times of the face value at the lower end of the Price Band and 17 times of the face value at the higher end of the Price Band. The Issue Price (as determined by our Company, in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares by way of Book Building as stated in the chapter titled ‘Basis of Issue Price’ beginning on page no. 45 of this Red Herring Prospectus) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

## GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and this Issue including the risks involved. The Equity Shares issued in this 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 the statements in the chapter titled ‘Risk Factors’ beginning on page no. x of this Red Herring Prospectus.

## IPO GRADING

**We have not opted for IPO grading**

## COMPANY’S ABSOLUTE RESPONSIBILITY

Our Company having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to our Company and this Issue, which is material in the context of this 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

The Equity Shares issued through this Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited (“BSE”) and the National Stock Exchange of India Limited (“NSE”). We have received in-principle approvals from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated April 23, 2007 and May 23, 2007, respectively. For purposes of this Issue, BSE is the Designated Stock Exchange.

| BOOK RUNNING LEAD MANAGERS                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | REGISTRAR TO THE ISSUE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
|  <p><b>Anand Rathi Securities Limited</b><br/>11<sup>th</sup> Floor,<br/>Times Tower,<br/>Senapati Bapat Marg,<br/>Lower Parel,<br/>Mumbai – 400 013.<br/><b>Tel:</b> +91 22 4047 7000<br/><b>Fax:</b> +91 22 4047 7070<br/><b>Email:</b> <a href="mailto:kscl@rathi.com">kscl@rathi.com</a><br/><b>Contact Person:</b> Mr. Venkat Raveendra<br/><b>Website:</b> <a href="http://www.rathi.com">www.rathi.com</a></p> |  <p><b>SOBHAGYA CAPITAL OPTIONS LIMITED</b><br/>7-1-32/4, P – 1,<br/>Leelanagar, Begumpet,<br/>Hyderabad – 500 016.<br/><b>Tel:</b> +91 40 6552 8262<br/><b>Fax:</b> +91 40 – 2374 0419<br/><b>Email:</b> <a href="mailto:lavanya@sobhagvacapital.com">lavanya@sobhagvacapital.com</a><br/><b>Contact person:</b> Ms. Lavanya Chandra<br/><b>Website:</b> <a href="http://www.sobhagvacapital.com">www.sobhagvacapital.com</a></p> |  <p><b>Bigshare Services Private Limited</b><br/>E-2/3, Ansa Industrial Estate,<br/>Saki Vihar Road, Saki Naka,<br/>Andheri (East), Mumbai – 400 072.<br/><b>Tel:</b> 91-22-2856 0652<br/><b>Fax:</b> 91-22-2847 5207<br/><b>Email:</b> <a href="mailto:ipo@bigshareonline.com">ipo@bigshareonline.com</a><br/><b>Contact Person:</b> Mr. N.V.K. Mohan<br/><b>Website:</b> <a href="http://www.bigshareonline.com">www.bigshareonline.com</a></p> |                                    |
| ISSUE PROGRAMME                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                    |
| <b>BID / ISSUE OPENS ON</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>THURSDAY, SEPTEMBER 06, 2007</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>BID / ISSUE CLOSES ON</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>TUESDAY, SEPTEMBER 11, 2007</b> |

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## SECTION I – DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise requires, the terms and abbreviations stated hereunder shall have the meanings as assigned therewith.

| Term                                                                  | Description                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “KSCL”, “Kaveri” “our Company”, “the Company”, “Issuer”, “we” or “us” | Kaveri Seed Company Limited, a company incorporated under the Companies Act, 1956, having its registered office at 513B, 5 <sup>th</sup> Floor, Minerva Complex, S.D. Road, Secunderabad 500 003, Andhra Pradesh, India.                               |
| “our Promoters”                                                       | Mr. Gundavaram Venkata Bhaskar Rao, Mrs. Gundavaram Vanaja Devi, Mr. Rangineni Venu Manohar Rao, Mr. Chennameneni Vamsheedhar, Mr. Chennameneni Mithun Chand, Dr. Gundavaram Pawan, Dr. Gundavaram Madhushree and Gundavaram Venkata Bhaskar Rao (HUF) |
| “our Promoter Group Entities”                                         | Companies, individuals and entities enumerated in the chapter titled ‘ <i>Our Promoter Group Entities</i> ’ beginning on page no. 135 of this Red Herring Prospectus                                                                                   |
| “you”, “your” or “yours”                                              | Prospective investors in this Issue                                                                                                                                                                                                                    |

### CONVENTIONAL / GENERAL TERMS

| Term                                     | Description                                                                                                                                                                                                            |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Board of Directors / Board               | The Board of Directors of our Company or a committee thereof                                                                                                                                                           |
| Companies Act                            | The Companies Act, 1956, as amended from time to time.                                                                                                                                                                 |
| Depositories Act                         | The Depositories Act, 1996, as amended from time to time.                                                                                                                                                              |
| Depository                               | A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.                                                                                       |
| Depository Participant                   | A depository participant as defined under the Depositories Act.                                                                                                                                                        |
| FEMA                                     | Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.                                                                                                            |
| FII / Foreign Institutional Investor     | Foreign Institutional Investor(s) registered with SEBI under applicable laws in India                                                                                                                                  |
| Financial Year/ Fiscal Year/ FY / Fiscal | The period of twelve months ended March 31 of that particular year.                                                                                                                                                    |
| FVCIs                                    | Foreign Venture Capital Investors, defined and registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000 as amended from time to time                                                   |
| I.T. Act                                 | The Income Tax Act, 1961, as amended from time to time.                                                                                                                                                                |
| Non Resident                             | All eligible Bidders, including Eligible NRIs, FIIs and FVCIs who are not persons resident in India.                                                                                                                   |
| NRI/ Non-Resident Indian                 | A person resident outside India, as defined under FEMA, and who is a citizen of India or a person of Indian origin, each such term as defined under the FEM (Deposit) Regulations, 2000, as amended from time to time. |
| SEBI Guidelines                          | The SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended from time to time, including instructions, guidelines and clarifications issued by SEBI from time to time.                                   |
| SEBI Insider Trading Regulations         | The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time.                                                 |

### ISSUE RELATED TERMS

| Term                                    | Description                                                                                                       |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| Allotment/ Allotment of Equity Shares   | Unless the context otherwise requires, allotment of Equity Shares pursuant to this Issue.                         |
| Allocation/ Allocation of Equity Shares | Unless the context otherwise require, allocation of Equity Shares pursuant to the Issue.                          |
| Allottee                                | The successful Bidders to whom Equity Shares are being /have been allotted.                                       |
| Banker(s) to this Issue                 | HDFC Bank Limited, Kotak Mahindra Bank Limited, ABN AMRO Bank, Standard & Chartered Bank and Indian Overseas Bank |
| Bid                                     | An indication to make an offer, made during the Bidding Period by a prospective investor                          |

| <b>Term</b>                           | <b>Description</b>                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                       | to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto.                                                                                                                                                                                                                                    |
| Bid Amount                            | The highest value of the optional Bids indicated in the Bid Cum Application Form and payable by the Bidder on submission of the Bid for this Issue.                                                                                                                                                                                                       |
| Bid / Issue Closing Date              | The date after which the member(s) of the Syndicate will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional language newspaper.                                                                                                                     |
| Bid/ Issue Opening Date               | The date on which the member(s) of the Syndicate shall start accepting Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional language newspaper.                                                                                                             |
| Bid Cum Application Form              | The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for Allotment in terms of the Red Herring Prospectus and Prospectus.                                                                                                                           |
| Bidder                                | Any prospective investor 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 / Book Building | Book building mechanism as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.                                                                                                                                                                                                                                        |
| BRLMs / Book Running Lead Managers    | Book Running Lead Managers to this Issue, in this case being Anand Rathi Securities Limited, <b>SOBHAGYA</b> CAPITAL OPTIONS LIMITED and SREI Capital Markets Limited.                                                                                                                                                                                    |
| 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 Issue Price in accordance with the Book Building Process.                                                                                                                                                    |
| Cap Price                             | The upper end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.                                                                                                                                                                                                                              |
| Cut off / Cut off Price               | The Issue Price finalised by our Company in consultation with the BRLMs and it shall be any price within the Price Band. A Bid submitted at the Cut off Price by a Retail Individual Bidder and Employees under the Employee Reservation Portion is a valid Bid at all price levels within the Price Band.                                                |
| 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 shall allot Equity Shares to successful Bidders.                                                                                                                            |
| Designated Stock Exchange             | BSE is the designated stock exchange for the purpose of this Issue                                                                                                                                                                                                                                                                                        |
| Draft Red Herring Prospectus          | This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue.                                                                                                                                        |
| Eligible Employees                    | For the portion of the Employees Reservation Portion, Eligible Employees means permanent employees (working in or out of India), excluding Executive Directors, of our Company as on the Bid / Issue Opening Date who are Indian Nationals, based in India and are physically present in India on the date of submission of the Bid Cum Application Form. |
| Eligible NRIs                         | NRIs from such jurisdiction outside India where it is not unlawful for our Company to make this Issue or an invitation under this Issue and in relation to whom this Draft Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares allotted herein.                                                                            |
| Employee Reservation Portion          | The portion of the Issue being a maximum of 2,00,000 Equity Shares available for Allocation to the Eligible Employees of our Company on a competitive basis                                                                                                                                                                                               |
| Equity Shares                         | Equity Shares of our Company of face value of Rs. 10/- each unless otherwise specified in the context thereof.                                                                                                                                                                                                                                            |
| Escrow Account(s)                     | Account opened with Escrow Collection Bank(s) 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 between our Company, the Registrar to this Issue, the Escrow Collection Banks and the BRLMs in relation to the collection of Bid Amounts and dispatch of refunds (if any) of the amounts collected, to the Bidders.                                                                                                          |
| Escrow Collection Bank(s)             | The banks, which are registered with SEBI as Banker (s) to the Issue at which the Escrow                                                                                                                                                                                                                                                                  |

| Term                                                            | Description                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                 | Account for the Issue will be opened, in this case being HDFC Bank Limited, Kotak Mahindra Bank Limited, ABN AMRO Bank, Standard & Chartered Bank and Indian Overseas Bank.                                                                                                                                                                                                                          |
| First Bidder                                                    | The Bidder whose name appears first in the Bid Cum Application Form or Revision Form.                                                                                                                                                                                                                                                                                                                |
| Floor Price                                                     | The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.                                                                                                                                                                                                                                                                         |
| Indian GAAP                                                     | Generally Accepted Accounting Principles in India.                                                                                                                                                                                                                                                                                                                                                   |
| Indian National                                                 | As used in the context of the Employee Reservation Portion, a Citizen of India as defined under the Indian Citizenship Act, 1955 as amended from time to time, who is not an NRI.                                                                                                                                                                                                                    |
| Issue                                                           | This Issue of 40,00,000 Equity Shares of Rs. 10 each fully paid up at the Issue Price aggregating Rs. [●] Lakhs.                                                                                                                                                                                                                                                                                     |
| Issue Price                                                     | The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLMs on the Pricing Date.                                                                                                                                                                                        |
| Margin Amount                                                   | The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount.                                                                                                                                                                                                                                                                                             |
| Mutual Funds                                                    | Means mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.                                                                                                                                                                                                                                                                         |
| Mutual Fund Portion                                             | Upto 5 % of the QIB portion, being 95,000 Equity Shares, available for Allocation on proportionate basis to Mutual Funds only. The remainder of the QIB portion shall be available for Allocation on a proportionate basis to all QIB bidders, including Mutual Funds.                                                                                                                               |
| Net Issue or Net Issue to the Public                            | 38,00,000 Equity Shares of Rs. 10 each fully paid up at the Issue Price aggregating to Rs. [●] lakhs.                                                                                                                                                                                                                                                                                                |
| Non-Institutional Bidders                                       | All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000/-.                                                                                                                                                                                                                                      |
| Non-Institutional Portion/<br>Non-Institutional Bidders Portion | The portion of this Net Issue being up to 15% of the Net Issue consisting upto 5,70,000 Equity Shares of Rs. 10 each aggregating Rs. [●] Lakhs, available for Allocation to Non-Institutional Bidders.                                                                                                                                                                                               |
| OCB / Overseas Corporate Body                                   | A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trust in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.                    |
| Pay-in Date                                                     | Bid / Issue Closing Date or the last date specified in the CAN sent to Bidders receiving Allocation, who pay less than 100% Margin Amount at the time of Bidding, as applicable.                                                                                                                                                                                                                     |
| Pay-in-Period                                                   | Means:<br>(i) 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<br>(ii) With respect to other 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 |
| Price Band                                                      | The price band of a minimum price ("Floor Price") of Rs.150/- and the maximum price ("Cap Price") of Rs. 170/- and includes revisions thereof, if any.                                                                                                                                                                                                                                               |
| Pricing Date                                                    | The date on which our Company in consultation with the BRLMs finalizes the Issue Price.                                                                                                                                                                                                                                                                                                              |
| Prospectus                                                      | The Prospectus, to be filed with the RoC in accordance with the provisions of the Companies Act containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information.                                                                                                                                    |
| Public Issue Account                                            | Account opened with the Banker(s) to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date.                                                                                                                                                                                                                                                                     |
| QIB Margin Amount                                               | An amount representing at least 10% of the Bid Amount.                                                                                                                                                                                                                                                                                                                                               |
| QIB Portion                                                     | Consists of at least 19,00,000 Equity Shares of Rs. 10 each aggregating Rs. [●] lakhs                                                                                                                                                                                                                                                                                                                |

| <b>Term</b>                            | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                        | being at least 50% of the Net Issue, available for Allocation to QIBs. 5% of the QIB Portion shall be available for Allocation on a proportionate basis to Mutual Funds only.                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Qualified Institutional Buyers or QIBs | Public financial institutions as specified in Section 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 registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lakhs (subject to applicable law) and pension funds with minimum corpus of Rs. 2500 lakhs (subject to applicable law). |
| Red Herring Prospectus                 | The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the opening of this Issue and will become a Prospectus after filing with the RoC, the copy that includes the details of pricing and Allocation and final size of this Issue.                                                                                                                                                                         |
| Refund Account                         | Account to which subscription monies to be refunded to the investors shall be transferred from the Public Issue Account                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Refund Banker(s)                       | HDFC Bank Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Registrar/ Registrar to this Issue     | Bigshare Services Private Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Retail Individual Bidders              | Individual Bidders (including HUFs) who have Bid for an amount less than or equal to Rs. 1,00,000 in any of the bidding options in this Issue.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Retail Portion                         | Consists of upto 13,30,000 Equity Shares of Rs. 10 each aggregating Rs. [●] lakhs, being up to 35% of the Net Issue, available for Allocation to Retail Individual Bidder(s).                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Revision Form                          | The form used by the Bidders to modify the quantity of Equity Shares or the Bid price in any of their Bid Cum Application Forms or any previous Revision Form(s).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Stock Exchanges                        | Bombay Stock Exchange Limited and National Stock Exchange of India Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Syndicate                              | The BRLMs and the Syndicate Member(s).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Syndicate Agreement                    | The agreement to be entered into between our Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Syndicate Members                      | Intermediaries registered with SEBI and Stock Exchanges and eligible to act as underwriters. Syndicate Member(s) is / are appointed by the BRLMs, in this case being BRLMs                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Transaction Registration Slip/ TRS     | The slip or document issued by the members of the Syndicate to the Bidders as proof of registration of the Bid.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Underwriters                           | The BRLMs and the Syndicate Member(s).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Underwriting Agreement                 | The agreement between the Underwriters, the Registrar and our Company to be entered into on or after the Pricing Date.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

#### **COMPANY / INDUSTRY RELATED TERMS**

| <b>Term</b>                                    | <b>Description / Full Form</b>                                                              |
|------------------------------------------------|---------------------------------------------------------------------------------------------|
| Agricultural Produce (Grading and Marking) Act | The Agricultural Produce (Grading and Marking) Act, 1937                                    |
| AoA / Articles / Articles of Association       | The Articles of Association of our Company.                                                 |
| AP Seeds Bill                                  | Andhra Pradesh Seeds Regulation Bill, 2004                                                  |
| APSSDC                                         | Andhra Pradesh State Seed Development Corporation                                           |
| Auditors / Statutory Auditors                  | The statutory auditors of our Company, being P. R. Reddy & Co., Chartered Accountants.      |
| Bellary plant                                  | Our plant located at Kakka Bevinahalli village, Bellary Taluka, Bellary District, Karnataka |
| Biological Diversity Act                       | The Biological Diversity Act, 2002                                                          |
| Biological Diversity Rules                     | The Biological Diversity Rules, 2003                                                        |

| Term                                  | Description / Full Form                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bioproducts                           | Bio products are eco-friendly products consisting of beneficial microorganisms of agricultural importance like fungus, bacteria, viruses and nematodes which are mainly used to control several crop pests and diseases, to enhance the productivity of soils either by fixing atmospheric nitrogen in soil or converting phosphorus from unavailable form to available form or stimulating plant growth through synthesis of growth promoting substances. |
| Board of Directors / Board            | The Board of Directors of our Company or a Committee thereof.                                                                                                                                                                                                                                                                                                                                                                                              |
| Bt. Cotton                            | Cotton Genetically Engineered to produce a natural insecticide that comes from the Bt bacterium, <i>Bacillus Thuringiensis</i> ...                                                                                                                                                                                                                                                                                                                         |
| CIMMYT                                | <i>Centro Inter Nacional Denejoramient De Maizy Rigo</i> (Spanish) - International Institute for Corn and Wheat Improvement (English Equivalent)                                                                                                                                                                                                                                                                                                           |
| Destructive Insects and Pests Act     | The Destructive Insects and Pests Act, 1914                                                                                                                                                                                                                                                                                                                                                                                                                |
| DG sets                               | Diesel Generator sets                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Director(s)                           | Director(s) of our Company unless otherwise specified.                                                                                                                                                                                                                                                                                                                                                                                                     |
| DNA                                   | Deoxyribonucleic Acid                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Eluru plant                           | Our cob drying plant located at Koppaka Village, Pedavegi Mandal, West Godavari District, Andhra Pradesh                                                                                                                                                                                                                                                                                                                                                   |
| Fertiliser (Control) Order            | The Fertiliser (Control) Order, 1985                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Gatla Narsingapur plant               | Our plant located at Gatla Narsingapur village, Bheemadeverapally Mandal, Karimnagar, Andhra Pradesh                                                                                                                                                                                                                                                                                                                                                       |
| GEAC                                  | Genetic Engineering Approval Committee                                                                                                                                                                                                                                                                                                                                                                                                                     |
| General Grading and Marking Rules     | General Grading and Marking Rules, 1988                                                                                                                                                                                                                                                                                                                                                                                                                    |
| GM                                    | Genetically Modified                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| GoT                                   | Grow out Test                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Gundla Pochampally plant              | Our plant located at Gundla Pochampally village, Medchal Mandal, Ranga Reddy District, Andhra Pradesh                                                                                                                                                                                                                                                                                                                                                      |
| Hybrid Seeds                          | Seeds produced by artificially cross-pollinated plants                                                                                                                                                                                                                                                                                                                                                                                                     |
| ICAR                                  | Indian Council for Agricultural Research                                                                                                                                                                                                                                                                                                                                                                                                                   |
| ICRISAT                               | International Crop Research Institute for the Semi-Arid Tropics                                                                                                                                                                                                                                                                                                                                                                                            |
| IFFCO                                 | Indian Farmers' Fertiliser Cooperative Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                |
| IIPR                                  | Indian Institute of Pulses Research                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Insecticides Act                      | The Insecticides Act, 1968 & the Insecticides (Amendment) Act, 2000                                                                                                                                                                                                                                                                                                                                                                                        |
| IRRI                                  | International Rice Research Institute                                                                                                                                                                                                                                                                                                                                                                                                                      |
| ISTA                                  | International Seed Testing Association                                                                                                                                                                                                                                                                                                                                                                                                                     |
| IVRDC                                 | International Vegetable Research and Development Corporation                                                                                                                                                                                                                                                                                                                                                                                               |
| Kandlakoi plant                       | Our plant located at Kandlakoi village, Medchal Mandal, Ranga Reddy District, Andhra Pradesh                                                                                                                                                                                                                                                                                                                                                               |
| KRIBHCO                               | Krishak Bharati Cooperative Limited                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Memorandum/ Memorandum of Association | The Memorandum of Association of our Company.                                                                                                                                                                                                                                                                                                                                                                                                              |
| Microteck Division                    | Division carrying out manufacture and R & D of Micro-Nutrients, Bio-products                                                                                                                                                                                                                                                                                                                                                                               |
| NAFED                                 | National Agricultural Cooperative Marketing Federation of India Ltd.                                                                                                                                                                                                                                                                                                                                                                                       |
| MT                                    | Metric Tonne                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| NPK                                   | Nitrogen, Phosphorous and Potassium                                                                                                                                                                                                                                                                                                                                                                                                                        |
| NVT                                   | National Variety Trials                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| OP seeds                              | Open Pollinated seeds                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Public bred varieties                 | Varieties / hybrids developed by agricultural universities or government funded organizations.                                                                                                                                                                                                                                                                                                                                                             |

| <b>Term</b>                                                   | <b>Description / Full Form</b>                                                                        |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Patents Act                                                   | The Patents Act, 1970                                                                                 |
| Proprietary hybrids                                           | Varieties / hybrids developed by the private sector                                                   |
| Protection of Plant Varieties and Farmers' Rights Act         | The Protection of Plant Varieties and Farmers' Rights Act, 2001                                       |
| Protection of Plant Varieties and Farmers' Rights Regulations | The Protection of Plant Varieties and Farmers' Rights Regulations, 2006                               |
| Protection of Plant Varieties and Farmers' Rights Rules       | The Protection of Plant Varieties and Farmers' Rights Rules, 2003                                     |
| PVP                                                           | Plant Variety Protection                                                                              |
| QMS                                                           | Standards for Quality Management                                                                      |
| RCGM                                                          | Review Committee on Genetic Manipulation                                                              |
| Registered Office of our Company                              | 513B, 5 <sup>th</sup> Floor, Minerva Complex, S.D. Road, Secunderabad 500 003, Andhra Pradesh, India. |
| Seeds Act                                                     | The Seeds Act, 1966                                                                                   |
| Seeds Bill                                                    | The Seeds Bill, 2004                                                                                  |
| Seeds (Control) Order                                         | The Seeds (Control) Order, 1983                                                                       |
| Seeds Rules                                                   | The Seeds Rules, 1968                                                                                 |
| SP                                                            | Self Pollinated                                                                                       |
| TL seed                                                       | Truthful labelled seed                                                                                |
| UPOV                                                          | Union Internationale Pour la protection des Obtentions Vegetales                                      |

## ABBREVIATIONS

| <b>Abbreviation</b> | <b>Full Form</b>                                                                   |
|---------------------|------------------------------------------------------------------------------------|
| A/c                 | Account                                                                            |
| AGM                 | Annual General Meeting.                                                            |
| AS                  | Accounting Standards issued by the Institute of Chartered Accountants of India.    |
| BIFR                | Board for Industrial and Financial Reconstruction                                  |
| BSE                 | Bombay Stock Exchange Limited.                                                     |
| CAGR                | Compounded Annual Growth Rate.                                                     |
| CDSL                | Central Depository Services (India) Limited.                                       |
| CIN                 | Corporate Identity Number                                                          |
| DP                  | Depository Participant.                                                            |
| DRHP                | Draft Red Herring Prospectus                                                       |
| ECS                 | Electronic Clearing System                                                         |
| EBIDTA              | Earnings before Depreciation, Interest, Tax, Amortisation and extraordinary items. |
| EGM                 | Extraordinary General Meeting.                                                     |
| EPS                 | Earnings per Equity Share.                                                         |
| FCNR Account        | Foreign Currency Non Resident Account.                                             |
| FIPB                | Foreign Investment Promotion Board.                                                |
| FIs                 | Financial Institutions.                                                            |
| GIR Number          | General Index Registry Number.                                                     |
| GoI/ Government     | Government of India.                                                               |
| HUF                 | Hindu Undivided Family.                                                            |
| IPO                 | Initial Public Offer                                                               |

| Abbreviation                               | Full Form                                                                                                                                       |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| I. T. Act                                  | The Income Tax Act, 1961, as amended from time to time.                                                                                         |
| I. T. Rules                                | The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise.                                                           |
| M Ha                                       | Million hectares                                                                                                                                |
| MICR                                       | Magnetic Ink Character Recognition                                                                                                              |
| MoA                                        | Memorandum of Association                                                                                                                       |
| MoU                                        | Memorandum of Understanding                                                                                                                     |
| MNC                                        | Multi National Company                                                                                                                          |
| NAV                                        | Net Asset Value                                                                                                                                 |
| NBFC                                       | Non-Banking Finance Company                                                                                                                     |
| NEFT                                       | National Electronic Fund Transfer                                                                                                               |
| NoC                                        | No Objection Certificate                                                                                                                        |
| NRE Account                                | Non-Resident External Account.                                                                                                                  |
| NRO Account                                | Non-Resident Ordinary Account.                                                                                                                  |
| NSDL                                       | National Securities Depository Limited.                                                                                                         |
| NSE                                        | National Stock Exchange of India Limited.                                                                                                       |
| NTA                                        | Net Tangible Assets.                                                                                                                            |
| p.a.                                       | Per annum                                                                                                                                       |
| P/E Ratio                                  | Price/Earnings Ratio.                                                                                                                           |
| PAN                                        | Permanent Account Number.                                                                                                                       |
| PAT                                        | Profit after tax                                                                                                                                |
| PBT                                        | Profit before tax                                                                                                                               |
| R & D                                      | Research and Development                                                                                                                        |
| RBI                                        | The Reserve Bank of India.                                                                                                                      |
| RBI Act                                    | The Reserve Bank of India Act, 1934, as amended from time to time.                                                                              |
| RHP                                        | Red Herring Prospectus                                                                                                                          |
| RoC/Registrar of Companies, Andhra Pradesh | The Registrar of Companies, Kendriya Sadan, Sultan Bazar, Hyderabad.                                                                            |
| RoNW                                       | Return on Net Worth.                                                                                                                            |
| Rs./ Rupees / INR                          | Indian Rupees, the legal currency of the Republic of India.                                                                                     |
| RTGS                                       | Real Time Gross Settlement                                                                                                                      |
| SCRA                                       | The Securities Contracts (Regulation) Act, 1956, as amended from time to time.                                                                  |
| SCRR                                       | The Securities Contracts (Regulation) Rules, 1957, as amended from time to time.                                                                |
| SEBI                                       | The Securities and Exchange Board of India.                                                                                                     |
| SEBI Act                                   | The Securities and Exchange Board of India Act, 1992, as amended from time to time.                                                             |
| SICA                                       | Sick Industrial Companies (Special Provisions) Act, 1995, as amended from time to time                                                          |
| UIN                                        | Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time. |
| UoI                                        | Union of India.                                                                                                                                 |
| USD/ \$/ US\$                              | The United States Dollar, the legal currency of the United States of America.                                                                   |

Notwithstanding the foregoing,

- (i) In the section titled '*Main Provisions of the Articles of Association of our Company*' beginning on page no. 213 of this Red Herring Prospectus, defined terms have the meaning given to such terms in that section;
- (ii) In the section titled '*Financial Statements*' beginning on page no. 112 of this Red Herring Prospectus, defined terms have the meaning given to such terms in that chapter;

(iii) In the paragraphs titled '*Disclaimer Clause of Bombay Stock Exchange Limited*' and '*Disclaimer Clause of National Stock Exchange of India Limited*' beginning on page no. 178 of this Red Herring Prospectus, defined terms have the meaning given to such terms in those paragraphs.

#### **CERTAIN CONVENTIONS - PRESENTATION OF FINANCIALS AND USE OF MARKET DATA**

Except as stated in table no. 2 and 6 under the heading '*Quantitative Factors*' in the chapter titled '*Basis of Issue Price*' beginning on page no. 45 of this Red Herring Prospectus, the financial data in this Red Herring Prospectus is derived from our restated financial statements as of the years ended March 31, 2007, 2006, 2005, 2004 and 2003; prepared in accordance with Indian GAAP and the Companies Act restated in accordance with SEBI Guidelines, as stated in the report of our statutory Auditors, M/s. P. R. Reddy & Co., Chartered Accountants, beginning on page no. 112 of this Red Herring Prospectus.

Our fiscal year commences on April 1 and ends on March 31 of a particular year. Unless stated otherwise, references herein to a fiscal year (e.g., fiscal 2006), are to the fiscal year ended March 31 of a particular year.

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

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India.

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India.

Market and industry data used throughout this Draft Red Herring Prospectus has been obtained from publications (including websites) available in public domain and internal Company reports and data. These publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed to be reliable, have not been verified by any independent source.

## SECTION II – RISK FACTORS

### FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “is likely to result in”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

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

- General economic and business conditions in the markets in which we operate and in the local, regional, national and international economies;
- Changes in laws and regulations relating to the sectors/areas in which we operate;
- Increased competition in these sectors/areas in which we operate;
- Our ability to successfully implement our growth strategy and expansion plans;
- Our ability to meet our capital expenditure requirements;
- Fluctuations in operating costs;
- Our ability to attract and retain qualified personnel;
- Changes in technology;
- Changes in political and social conditions in India, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, please refer chapters titled ‘Risk Factors’ ‘Business Overview’ and ‘Management’s Discussion and Analysis of Financial Condition and Results of Operations’ beginning on page nos. x, 64 and 142 of this Red Herring Prospectus respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the member(s) of the Syndicate, nor any of their respective affiliates or associates 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, our Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

## RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Company's Equity Shares. To obtain a complete understanding of our Company, you should read this section in conjunction with the chapters titled 'Business Overview' and 'Management's Discussion and Analysis of Financial Condition and Results of Operations' beginning on page nos. 64 and 142, respectively, of this Red Herring Prospectus as well as the other financial and statistical information contained in this Red Herring Prospectus. If any of the following risks occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

These risks are not the only ones that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider being not material to our operations. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

### **A. Industry Risks:**

#### ***1. Our business is subject to risks related to weather, disease and pests that could adversely affect the results of our operations and our financial condition.***

Agri-inputs industry is subject to substantially all of the risks faced by the agriculture in India. The agri-inputs industry is substantially subject to weather factors, which make its operational results relatively unpredictable. Weather among other factors also affects the presence of disease and pests in the short term on a regional basis. Though most of our products are prepared keeping tolerance levels in mind, extreme weather conditions, disease and pests can potentially affect quality and quantity of a substantial portion of our products in any year and have a material adverse effect on our business, results of operations and financial condition.

#### ***2. The agri-inputs business is highly seasonal in our country and such seasonality may affect our operating results..***

The agri-inputs business is highly seasonal in our country. Our raw material supplies are seasonal and our sales are also seasonal in nature. This is due to the fact that majority of our seed products, at present, are sold in the *Kharif* season though some products are also sold in the *Rabi* season. Further, majority of the farmers depend on rain for cultivation. Generally rainfall occurs during *Kharif* season and hence, the timing and seasonality of rainfall also impacts the business of our Company. Thus, we are subject to seasonal factors, which make our operating results relatively unpredictable. We recognize revenues upon the sale of our agri-input products. Our sales activities, as far as seeds are concerned, take place only after the seeds have been planted, harvested and prepared for sale. Traditionally, the revenues recorded during planting and harvesting seasons are lower compared to revenues recorded during the periods following such seasons. During periods of lower sales activities, we continue to incur substantial operating expenses, but our revenues are usually lower. Due to the inherent seasonality of our business, results of one reporting period (quarter/half year/year) may not be necessarily comparable with preceding or succeeding reporting periods.

Further, the results of one reporting period (particularly quarters, half years) may not be compared to the other reporting period because sales of the first half of the financial year *i.e.* April to September are generally more compared to the second half of the financial year *i.e.* October to March. Sometimes, if there is a slight change in timing of rain fall, the sales will get deferred from one reporting period to another reporting period. For example, generally part of sales of cotton, corn, sunflower take place in the month of March, but if the rainfall gets delayed, these sales will take place during subsequent months that fall under different financial year. The sales that were supposed to take place during one financial year will be added to sales of the next financial year and therefore results of even full financial year may not necessarily be comparable to other financial year.

#### ***3. There may be changes in the regulatory framework governing the Indian seeds industry that could adversely affect us.***

The Indian seeds industry is a substantially regulated sector, presently regulated *inter alia* by the Seeds Act, 1966; the Seeds Rules, 1968, the Seeds (Control) Order, 1983; and the National Seeds Policy, 2002. In light of the many changes in the seeds industry since 1966, the Central Government and the Andhra Pradesh State Government have proposed the Seeds Bill, 2004 and the Andhra Pradesh Seeds Regulation Bill, 2004, respectively, which call for more stringent means of consumer / farmer

protection by regulating the quality of seeds produced and ensuring further compliance in this regard. Thus, the statutory and regulatory framework for the Indian seed industry may see changes in the future which may be extensive. We presently do not know what the nature or extent of the changes, if any, will be and cannot assure you that any such changes will not have an adverse impact on our business, results of operations and financial condition.

For a discussion of the regulatory framework governing the Indian seeds industry, please refer to the chapter titled 'Key Industry Regulations and Policies' beginning on page no. 81 of this Red Herring Prospectus.

***4. Increased competition may result in decreased demand or lower prices for our products. Our failure to effectively compete could reduce our profitability.***

We face substantial competition due to technological advances by our competitors in various facets of the agri-inputs business. Multinational corporations who invest huge amounts of moneyconsiderable resources on Research and Development and in technology are able to come out with very effective and highly improved versions of hybrids. For example, Bt.Cotton, a very effective hybrid developed by Monsanto has given very tough competition to all other seed companies. Other seed companies are sharing that technology by paying royalty to Monsanto. Hence, these types ofSuch technological advances force us to faceincrease our substantial competition. Our Company has an investment of Rs. 861.43 lakhs in R&D as on March 31, 2007. Our competitors include MNCs as well as companies like Monsanto, Syngenta, etc. on the basis of availability of products, product range, product traits as well as for production inputs, such as arable land and seed growers. Further, the introduction of biotechnology has resulted in the entry of various agro-input companies into the seed industry, thus increasing the competition in the industry. We have entered into a non-exclusive sublicensing agreement with Mahyco Monsanto Biotech (India) Limited ("MMBIL") for using Bt. cotton technology in the development of our hybrids as well as a non-exclusive licensing agreement with JK Agri Genetics Limited for using insect tolerant seed lines for producing, testing, marketing and selling genetically modified hybrid cotton planting seed in India.

In most facets of the agri-inputs business, the number of products available to the farmer is steadily increasing as new products are introduced. As a result, we anticipate that we will continue to face newer and different competitive challenges. The period for developing and commercializing a hybrid can run into several years. If a competitor introduces a product more suited to farmer needs, it could take a long period for us to develop a suitably competing product, which could have a material adverse effect on our business, results of operations and financial condition.

Some of our competitors may have, or are subsidiaries of large international corporations that have, significantly greater resources than those available to us. If we are unable to compete effectively, including in terms of pricing or providing quality products, our market share may decline, which could have a material adverse effect on our financial condition and results of operations.

**B. Business Risks/ Company specific Risks/ Risks relating to the objects of this Issue**

***5. Our failure to accurately forecast and manage inventory could result in an unexpected shortfall and/or surplus of products, which could harm our business.***

We monitor our inventory levels based on our own projections of future demand. Because of the length of time necessary to produce commercial quantities of our products, we must make production decisions well in advance of sales. An inaccurate forecast of demand for any product can result in the unavailability/surplus of products. This unavailability of products in high demand may depress sales volumes and adversely affect customer relationships. Conversely, an inaccurate forecast can also result in an over-supply of products, which may increase costs, negatively impact cash flow, reduce the quality of inventory, erode margins substantially and ultimately create write-offs of inventory. There may be more than one such inaccurate forecasts in one season. Any of the aforesaid circumstances could have a material adverse effect on our business, results of operations and financial condition.

***6. We are heavily dependent on the success of our research and development and the failure to develop new and improved products could adversely affect our business.***

Agri-input product life cycles are getting shorter due to technological advancements and growing competition. This has created an urgent need to have in the pipeline an assortment of products which can successfully replace the current products as well as achieve market share objectives. Our success depends heavily on on our ability to continue developing new products. Seed R&D covers a broad technological platform and technological advances are frequent, rapid and complex. We cannot assure you that we shall make enhanced R&D investments or continue the current level of R&D investments in our business, or that this investment will yield satisfactory results in terms of new and improved products, or will yield any results at all. The development process for new varieties of seeds is lengthy and costly. On an average, it takes three to five

years, depending on the crop, for a proprietary hybrid to reach commercial viability. Despite investments in this area, our research and development efforts may not result in the discovery or successful development of new products.

Further, R&D and new innovations, if any, resulting from the same are subject to certain inherent threats like piracy and/or theft, other competitors developing relevant technologies/innovations before us due to which our costs and efforts go waste, etc. For further information on the steps being taken by our Company against threats like piracy and theft of R & D and new innovations, please refer to the heading titled '*Steps being taken by our Company against piracy and theft*' on page no. 75 under the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus. There can be no assurance that a new product will be commercially successful. In addition, research undertaken by competitors may lead to the launch of competing or improved products that may affect the sales of our products. If our R&D efforts do not result in a pipeline of products that can be commercially exploited, our business, results of operations and financial condition may be adversely affected.

***7. Our research and development activities are dependent on the land on which our R&D facilities are situated, of which 86.65 acres (31.70% of total land of 273.33 acres) of the said land is leased out to us by our Promoters. Any failure to renew these leases at commercially reasonable prices may adversely affect our R & D operations.***

Out of the total 273.33 acres land that we use for research and development activities, 86.65 acres of the land i.e 31.70% of the total land is leased to us on a short-term basis by our Promoters. There can be no assurance that these leases will be renewed upon expiry or on terms and conditions acceptable to us. Any failure to renew our existing leases or procure sufficient amounts of suitable land at commercially reasonable prices to meet our research and development needs may adversely affect our R&D operations, increase our costs or force us to look out for alternative lands which may not be available or which may be available at more expensive prices. Any or all of these factors may have a material adverse effect upon our business, results of operations and financial condition.

***8. We significantly rely on our intellectual property, and failure to protect the property may adversely affect our ability to compete.***

Our success depends in part on the proprietary technology contained in our seed products. Generally protection of intellectual property in germplasm is done through a combination of various legal remedies and physical security procedures.

We cannot be certain that the steps we have taken or will take to protect our intellectual property will adequately protect, or protect at all, our proprietary rights or that others will not independently develop or otherwise acquire equivalent or superior technology. Substantial part of our seed production comprises of hybrids, which display traits which may be copied, through the acquisition of very small quantities of germplasm by our competitor(s) through misuse of our proprietary information or back crossing. Furthermore, licensors of intellectual property that we use may not be able to adequately protect and maintain the value of their intellectual property rights licensed to us, which may adversely affect our rights to use the licensed intellectual property. Attempting to protect our intellectual property, through litigation or otherwise, can be time consuming and expensive, have uncertain results and may be ineffective. If we are not ultimately successful in protecting and enforcing our intellectual property for any reason, we may experience a material adverse effect on our business, ultimately affecting our results of operations and financial condition.

***9. Failure to obtain intellectual property rights from third parties could have a material adverse effect on our business.***

Due to the multi-dimensional nature of seed research being conducted, and also to utilize external professional expertise to expedite the process, partnerships with external collaborators, such as academic institutions and other research bodies, have become the norm in the industry. Our ability to further develop seed varieties may depend on whether we have the right to use applicable proprietary technologies, such as the licensing of germplasm or basic seed from third parties. We cannot assure that we would obtain the rights or licenses to use any of these technologies at all, or obtain them on terms and conditions which can be deemed favourable to us, since the same depends on various factors mainly outside our control.

Some of these third-party technologies may be pivotal to, or necessary for our products and our business. Failure to obtain the rights to use technologies that are important to our business could have a material adverse effect on our business, results of operations and financial condition.

***10. We may be subject to claims of infringement of third-party intellectual property rights, which could adversely affect our business.***

While we take care to ensure that we comply with, and otherwise do not infringe, the intellectual property rights of third parties, we cannot always determine with certainty as to whether, in the course of our operations or research or otherwise, we are infringing upon any existing third-party intellectual property rights. Any claims of infringement, whether or not they are

legally justifiable and irrespective of final resolution of the claim, could require us to incur significant costs in defending in original or appellate proceedings, resolving, settling, paying third party claims decreed against us, appealing against unfavourable decisions or simply responding to such third party claims. Such claims may also create a negative publicity or market perception and require significant amount to management time and attention which would divert their attention from our business. Further, we may be required, as a result of such claims, to alter our technologies or product inputs, conduct further research, discontinue certain operations or product lines or the same may otherwise prejudicially affect our operations. One or more of the aforesaid factors may have a material adverse effect on our business, results of operations and financial condition.

**11. We have not yet identified or entered into any specific written agreements or arrangements for acquisition of land as specified in the chapter titled ‘Objects of this Issue’ beginning on page no. 31 of this Red Herring Prospectus. Any delay in finalizing agreements for acquisition of land may delay our expansion plans.**

The objects of our Issue require us to purchase lands for the following purposes:

1. Acquisition of farmland for R&D near Hyderabad, Alwar and Ahmedabad;
2. Setting up of marketing offices & godowns in Delhi, Lucknow, Jaipur, Ahmedabad and Aurangabad;
3. Setting up of corn cob drying plants in Medak District, Andhra Pradesh and Bellary, Karnataka
4. Setting up of a biotechnology lab at Gundla Pochampally near Hyderabad
5. Setting up of a seed processing plant in Medak District near Hyderabad

Except for acquisition of land at Bellary, Karnataka for the corn cob drying plant, we have not yet definitively identified or entered into any written agreement or arrangement for acquisition of the land required for any of the aforesaid purposes, since transactions for land acquisition have to be typically completed as soon as possible due to vendors availing multiple sale options and frequent price changes. We have estimated the cost of land based on a valuer’s certificate given by a professional valuer. However, identification of the suitable land may take a longer time than anticipated, and such delay(s) may defer our R&D and/or production plans, and push us back in coming out with improvised versions of hybrids or other products. Moreover, land prices may also shoot up with the time and the increased cost may put pressure on our financial resources and thereby adversely affecting our financial position and growth plans, and requiring us to avail of further financial resources to achieve our existing growth plans.

**12. We have entered into a non-exclusive sublicensing agreement with Mahyco Monsanto Biotech (India) Limited (“MMBIL”) for using Bt. cotton technology in the development of our hybrids. However, on account of the non-exclusiveness of the said agreement, MMBIL reserves the right to enter into a similar agreement with any other entity including, any of our present as well as our potential competitors. This may lead to an increased competition in hybrid cotton market which can put increased pressure on our margins and adversely affect our growth prospects in Bt. cotton seed market.**

Our Company has entered into a sub-licensing agreement for Bt.Cotton with MMBIL. This agreement, allows us to use Bt. cotton technology for developing the hybrids. However, MMBIL reserves the right to enter into a similar agreement with any other entity. The probability of MMBIL entering into similar agreement with any of our present or potential competitors would enable them to come out with a different hybrid with the same Bt. gene in it. Our hybrid cotton would have no unique advantage of Bt. compared to the hybrids developed by our competitors. This may lead to an increased competition in hybrid cotton market which can put increased pressure on our margins and adversely affect our growth prospects in Bt. cotton seed market. For further details regarding this agreement, please refer to the chapter titled ‘History and Other Corporate Matters’ beginning on page no. 88 of this Red Herring Prospectus.

**13. We have entered into a non-exclusive licensing agreement with JK Agri Genetics Limited (“JK”) for using Bt. cotton technology in the development of our hybrids. However, on account of the non-exclusiveness of the said agreement, JK reserves the right to enter into a similar agreement with any other entity including, any of our present as well as our potential competitors. This may lead to an increased competition in the hybrid cotton market which can put increased pressure on our margins and adversely affect our growth prospects in Bt. cotton seed market..**

Our Company has entered into a licensing agreement for genetically modified hybrid cotton planting seed with JK. This agreement, allows us to use insect tolerant seed lines containing Cry 1Ac gene of JK Event 1 for developing genetically modified hybrid cotton planting seed. However, JK reserves the right to enter into a similar agreement with any other entity. The probability of JK entering into a similar agreement with any of our present or potential competitors would enable them to come out with a different hybrid with the same insect tolerant seed lines in it. Our hybrid cotton would have no unique advantage of insect tolerant seed lines compared to the hybrids developed by our competitors. This may lead to an increased

competition in the hybrid cotton market which can put increased pressure on our margins and adversely affect our growth prospects in Bt. cotton seed market. For further details regarding this agreement, please refer to the chapter titled 'History and Other Corporate Matters' beginning on page no. 88 of this Red Herring Prospectus.

**14. *The data pertaining to certain aspects of the agri-inputs industry and market in the public domain is limited. On account of such limitations, we have used certain relevant data pertaining to the agri-inputs industry and market in this Red Herring Prospectus that is not drawn from any specific third-party sources. and such data may not necessarily continue to be in line with the actual industry and market position, in the event that such data were to become available.***

The data pertaining to certain aspects of the agri-inputs industry and market in the public domain is limited. On account of such limitations, we have used certain relevant data pertaining to the agri-inputs industry and market in this Red Herring Prospectus that is not drawn from any specific third-party sources. This data has been estimated out of our internal records and is also based on our past experience and is therefore reliable. However, as there is no specific data present in the public domain, we have relied on our Company's estimates, as and when required, and therefore, we believe the same to be reliable, such estimations may not necessarily continue to be in line with the actual industry and market position, in the event that such data were to become available.

**15. *We are highly dependent on our markets in the states of Andhra Pradesh and Karnataka and our products, sunflower and corn seeds. Further, the occurrence of any of the circumstances enumerated below may adversely affect our business, results of operations and financial condition.***

Our initial focus was on developing our markets in the states of Andhra Pradesh and Karnataka, these two states still contribute a very significant percentage of our revenues i.e. 62.88% and 67.06% of our total revenues for the FY 2005-2006 and FY 2006-2007 respectively. Further, 71.86% and 68.41% of our total revenues for the FY 2005-2006 and FY 2006-2007 respectively have accrued from two products, viz. corn and sunflower. Furthermore, majority of the area under sunflower and corn cultivation are located in these two states. Our business, results of operations and financial condition may be adversely affected if one or more of the following factors occur:

- a. Adverse weather conditions in these two states irrespective of the conditions across the country
- b. Negative demand for hybrid seeds in these two states
- c. Our competitors' further penetration in these two states
- d. Enactment of any legislation which may not be favourable to the seed industry in these states
- e. Reduction of area under corn and/or sunflower in any of these two states
- f. Negative demand for corn and sunflower seeds in the market

We cannot further assure you that we will be able to de-risk our product portfolio or our dependence on these two states, or that such dependence will not increase in the future.

**16. *Our inability to maintain the stability of our distribution network and attract additional high-quality dealers may have an adverse affect on our results of operations and financial condition.***

The challenge in the agri-inputs business lies in reaching a geographically dispersed end-user at the right time at the right place with the right product. We rely on our distribution network and dealerships to reach the end customer, that is the farmer, and distribute, market and sell our agri-input products in each of the regions in which we operate. Competition for seed and other agri-inputs dealers is intense. Hence, our business is dependent on maintaining good relationships with our distributors and dealers and ensuring that our distributors and dealers find our products to be commercially remunerative and have continuing demand from farmers. Furthermore, our growth as a business depends on our ability to attract additional high-quality dealerships to our distribution network. There can be no assurance that our current distributors and dealers will continue to do business with us, or that we can continue to attract additional distributors and dealers to our network. If we do not succeed in maintaining the stability of our distribution network and attracting additional high-quality dealers to our distribution network, our market share may decline and our products may not reach the end customers, materially adversely affecting our results of operations and financial condition.

**17. *The nature of our business is time-bound and any inability on our part to convey our products to our distributors/dealers/end users at the right time, could have a material adverse effect on our business, results of operation and financial condition.***

Dealers and/or distributors are generally situated close to the geographically dispersed customers, and far from our production facilities. The sowing season is short, and we have to ensure that our products reach the farmers exactly when they need them. Therefore, any interruption in our ability to reach our products to the distributors/dealers/end users, due to any reason including those not within our control, could have a material adverse effect on our business, results of operation and financial condition.

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

The agri-inputs business we are involved in is highly specialized in nature and the available, especially skilled technical and marketing, talent pool is limited. Further, each producer has its own set of customized products and processes, and it takes substantial time and resources to adequately train human resource talent to understand and adapt to the producer's business. The future success of our business will also depend on our ability to identify, attract, hire, train, retain and motivate skilled technical and managerial personnel, who may be highly sought by competing entities. If we fail to hire and retain sufficient numbers of key personnel, primarily skilled R&D, technical, sales and marketing personnel, our business operating results and financial condition could be adversely affected.

**19. We rely on third party seed growers for our seed production. The occurrence of any problems with such third party seed growers may require us to scout for other seed growers at short notice which may not be possible, and could, therefore, have a material adverse effect on our business, operations, results of operations and financial condition.**

Our seed production is generally undertaken by seed growers on our behalf, who are third parties, being independent contractors and not being our employees. Although seed production is subject to supervision by our employees, such arrangements with seed growers carry with them risks associated with the possibility that seed growers may (i) have economic or other interests or goals that are inconsistent with ours, (ii) take actions contrary to our instructions or requests, or (iii) be unable or unwilling to fulfill their obligations.

We do not have any written anti-competitive agreements or arrangements with these seed growers, neither do we have any written agreement or arrangement with them binding them to us for any period of time. There can be no assurance that we will not face problems with these third-party seed growers in the future, or that they will choose to continue to work with us in the future. The occurrence of any such problems may require us to scout for other seed growers at short notice which may not be possible, and otherwise have a material adverse effect on our business, operations, results of operations and financial condition.

**20. Decline in prices of our products may reduce our profit margins.**

Prices of our products are influenced by several factors, including the inherent strength and productivity of the product, supply of competing product(s) in the market, demand from farmers and dealers, among others. Any adverse changes in terms of sale price, including not being able to revise prices in accordance with cost increases and other relevant factors including those not being in our control, may lead to a material adverse effect on our sales margins, profitability which would have a material adverse effect on our business, results of operations and financial condition.

**21. The use of pesticides and other hazardous substances in our operations may lead to environmental damage and result in increased costs to us.**

We use pesticides and other hazardous materials in the operation of our business. We may have to pay for the costs or damages associated with the improper application, accidental release or the use or misuse of these substances. In these cases, payment of costs or damages could have a material adverse effect on our business, results of operations and financial condition. For further information on the pesticides and other hazardous materials used in our business operations as well as the safety, precaution and control measures undertaken by our Company please refer to the heading titled 'Bioproducts' on page no. 73 in the chapter titled 'Business Overview' beginning on page no. 64 of this Red Herring Prospectus.

**22. In the event of abnormal/exceptional circumstances, our Company may experience significant or material losses on account of bad debts, which would have a material adverse impact on our business, results of operations and financial condition.**

Normally, we deliver a significant portion of our products against future payment. Our credit terms vary according to local market practice. Our customers, being the distributors/dealers in most cases, are exposed to downturns in the local economy that affect the ability of the farmers to pay the distributors/dealers and consequently the ability of the distributors/dealers to pay their debts to us, which could adversely affect our results. Our Company's debtor credit cycle increased from an average

of 72 days in Fiscal 2003 to 99 days in Fiscal 2007, which has increased our working capital requirements. Our Company has not experienced significant bad debt losses in the past, i.e. Rs. 20,52,091/- i.e. 0.46% of sales in Fiscal 2006 and Rs. 40,263/- i.e. 0.01% of sales in Fiscal 2007, however, in the event of certain abnormal/exceptional circumstances, there may be significant or material losses on account of bad debts, which would have a material adverse impact on our business, results of operations and financial condition.

***23. Our inability to effectively implement our growth strategies or manage our growth could have a material adverse effect on our business, results of operations and financial condition.***

As a part of our growth strategy, we are planning to make investments designed to increase sales of our products, especially those where our presence is currently limited. For example, our Company is seeking to expand sales of Bt. cotton and hybrid paddy.

Our success over the period of 10 years has enabled us to achieve growth in terms of sales from Rs. 952 Lakhs in the financial year 1996-97 to Rs. 6577.16 Lakhs in the financial year 2006-07. Further our profitability has increased from Rs. 9.91 lakhs in the financial year 1996-97 to Rs. 1053.98 lakhs in the financial year 2006-07. However, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget in the future. Our growth strategy is subject to and involves risks and difficulties, many of which are beyond our control and, accordingly, there can be no assurance that we will be able to implement our strategy or growth plans, or complete them within the budgeted cost and timelines. Any inability on our part to manage our growth or implement our strategy effectively could have a material adverse effect on our business, results of operations and financial condition. Further, we operate in a highly dynamic industry, and on account of changes in market conditions, industry dynamics, technological improvements or changes and any other relevant factors, our growth strategy and plans may undergo changes or modifications, and such changes or modifications may be substantial, and may even include limiting or foregoing growth opportunities if the situation so demands.

***24. Our insurance policies do not cover all risks, specifically risks like product defect/liability risk, loss of profits and workmen's compensation etc. In the event of the occurrence of such events, our insurance coverage may not adequately protect us against possible risk of loss.***

In addition to risks arising from natural disasters and risks to properties and personnel (like personal injury/loss of life), in the course of our business, our operations are also subject to the risks arising from or as a result of use of pesticides and other hazardous substances. These risks include, but are not limited to accidental release or discharge of hazardous substances, fires, explosions, poisoning, spills/leaks, insect/snake bites, environmental pollution etc. One or more of the aforesaid factors may result in closure or suspension of operations and imposition of civil and/or criminal penalties.

While we believe that we maintain insurance coverage in amounts consistent with industry norms in each of our regions, our insurance policies do not cover all risks, specifically risks like product defect/liability risk, loss of profits and workmen's compensation, and are subject to exclusions and deductibles. There can be no assurance that our insurance policies will be adequate to cover the losses in respect of which the insurance had been availed. If we suffer a significant uninsured loss or if insurance claim in respect of the subject-matter of insurance is not accepted or any insured loss suffered by us significantly exceeds our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected. For details on the insurance policies taken by our Company, please refer to page no. 76, under the head 'Insurance' in the chapter titled 'Business Overview' beginning on page no. 64 of this Red Herring Prospectus.

***25. Product defects could adversely affect our business.***

Although seeds undergo extensive quality checks before they are processed, they may still contain defective or undesired characteristics that may be difficult to detect, with the available technology and tools at our dominion, prior to their sale and use. Since our seeds are used by farmers, any quality defects therein would directly affect the earnings of the farmer. Losses claimed by farmers may include the value of lost crops, which could greatly exceed the value of the seeds we sell. If defective or contaminated seeds are sold to a large number of farmers or over a geographically wide area, it may lead to a large-scale crop failure thus substantially increasing our potential liability for claims. The proper usage of seeds and adherence to recommended farm practices as well as the environment during crop period are all beyond our control once we sell the seed to our customer. Irrespective of the quality of the seeds, farmers may claim poor crop yields in one or more seasons as resulting from alleged seed defects, which may not exist or may be exaggerated, and seek to claim damages/compensation from us on that ground. Further, in order to attain the desired levels of crop yield, certain precautions like utilization of the soil application, proper application of fertilizers, timely application of pesticides, timely supply of water etc. have to be followed. Moreover, weather conditions must be favourable. In the event of any errors on the part of the

farmers, or adverse weather conditions, they may claim defects in the quality of the seed. However, ascertained product defects can not be determined in percentage terms though we face claims for product defects. Furthermore, we are subject to government regulations and periodic government inspections. We believe that our processing plants/facilities comply in all material respects with all applicable laws and regulations, we cannot assure that use of our products will not expose us to costly and time-consuming litigations/claims and lead to negative publicity about the quality of our products, further affecting our sales and performance. Any of the aforesaid factors would have a material adverse effect on business, financial condition and results of operations.

***26. Consumer resistance to genetically modified seeds may negatively affect our public image.***

We have commenced commercial production of Bt. Cotton, which is GM (Genetically Modified) seed. In many parts of the world, including certain states in Australia (i.e. Western Australia, Tasmania, New South Wales and Victoria), New Zealand, Peru and Mexico, the planting of GM crops is currently not allowed pending concrete scientific data on its long term impact on the environment and human safety. There is currently vocal opposition in many countries of the world including India as regards use of GM seeds and this opposition can be attributed to the lack of evidence on the impact of GM crops on the surrounding environment, on human health and any potential resultant loss of plant material to farmers. This opposition may limit the scope of further technological progress in this area. Further, government authorities at central, state or local levels might restrict or prohibit or seek to restrict or prohibit the development, production, use and/or publicity of GM seeds, enact regulations regarding the use of genetically modified organisms that may delay and limit or even prohibit the development and sale of such products. In the case of such events our plans of coming out with genetically modified seeds and our results of operations may be materially and adversely affected.

(Source: [www.fao.org](http://www.fao.org), [http://www.brisbane.foe.org.au/genetic/ge\\_news.htm](http://www.brisbane.foe.org.au/genetic/ge_news.htm), <http://www.dpiwe.tas.gov.au/inter.nsf/WebPages/EGIL-53876E?open>, <http://www.mfe.govt.nz/issues/organisms/>, [http://europa.eu.int/comm/food/fs/novel\\_food/responses/peru\\_letter\\_es.pdf](http://europa.eu.int/comm/food/fs/novel_food/responses/peru_letter_es.pdf), [http://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm))

***27. Our Promoters are interested in the transactions entered into between our Company and themselves as well as between our Company and our Promoter Group Entities.***

Our Promoters may be deemed to be interested to the extent of the Equity Shares held by them and their immediate relatives or our Promoter Group Entities, and, as regards Promoters who are also our Directors, benefits arriving from their directorship in our Company. Our Promoters are interested in the transactions entered into between our Company and themselves as well as between our Company and our Promoter Group Entities. For further details, please refer to page nos. 77 and 109 under the heads 'Properties' and 'Interest of Promoters' in the chapters titled 'Business Overview' and 'Our Promoters and their Background', beginning on page nos. 64 and 106, respectively and page no. 126 under the heading Annexure V under the section titled 'Financial Statements' beginning on page no. 112 of this Red Herring Prospectus.

***28. Our Company has entered into certain related party transactions which may involve conflicts of interest.***

We have entered into certain transactions with related parties amounting to Rs. 1019.48 lakhs for the financial year 2006-07. These transactions or any future transactions with our related parties could potentially involve conflicts of interest. For more information, please refer the table titled 'Properties' on page no 77 in the chapter titled 'Business Overview' beginning on page no 64, paragraph under the heading 'Interest of Directors' on page no. 99 in the chapter titled 'Our Management' beginning on page no 92 and in the Annexure V on page no. 126 under the section titled 'Financial Statements' beginning on page no. 112, respectively, of this Red Herring Prospectus.

***29. Three of our Promoter Group Entities viz. M/s. Growmore Farms, M/s. Kaveri Sales Corporation and M/s. Kaveri Agriteck have a similar line of business to that of our Company and could possibly compete with our Company.***

Three of our Promoter Group Entities viz. M/s. Growmore Farms, M/s. Kaveri Sales Corporation and M/s. Kaveri Agriteck have a similar line of business to that of our Company. The interests of these entities may conflict with our Company's interests and / or with each others. For further details, please refer to the heading 'Common Pursuits' in the chapter titled 'Our Promoter Group Entities' beginning on page no. 135 of this Red Herring Prospectus.

***30. Our employees may unionise in the future, thereby restricting the flexibility of our labour policies.***

As on date, our employees are not represented by any labour union. However, our employees may unionise in the future. In that case, there may be restrictions on the flexibility of our labour policies.

**31. Our Company's contingent liabilities could adversely affect our financial condition.**

As of March 31, 2007 our Company's contingent liabilities consist of: (i) Counter Guarantees given for obtaining Bank Guarantees from various Banks; (ii) Claims against the Company not acknowledged as debts – Claims against the company pending in Courts. As of March 31, 2007, our Company had an aggregate amount of Rs. 14.20 lakhs in contingent liabilities outstanding, which comprised of: (i) Rs. 10.75 lakhs towards counter guarantees given for obtaining bank guarantees from various Banks (ii) Rs. 3.45 lakhs towards claims against the Company not acknowledged as debts – Claims against the company pending in Courts. If any of these contingent liabilities were to materialize, it may have an adverse impact on our financial condition.

**32. Within the parameters as mentioned in the chapter titled 'Objects of this Issue' beginning on page no. 31 of this Red Herring Prospectus, our Company's management will have flexibility in applying the proceeds of this Issue. The fund requirement and deployment mentioned in the Objects of this Issue have not been appraised by any bank or financial institution.**

The deployment of funds as described in the chapter titled 'Objects of this Issue' beginning on page no. 31 is at the discretion of our Company's Board of Directors. The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. Accordingly, Within the parameters as mentioned in the chapter titled 'Objects of this Issue' beginning on page no. 31 of this Red Herring Prospectus, the management will have significant flexibility in applying the proceeds received by our Company from the Issue. Our Board of Directors will monitor the utilisation of the proceeds of this Issue.

**33. We have not placed orders for any plant and machinery to be acquired pursuant to the expansion proposed in the Objects of this Issue**

We have estimated the requirement of plant, equipment and machinery enumerated below based on quotations or internal estimates based on prevailing market prices of manufacturers/ suppliers of equipment. However, as on date of filing this Red Herring Prospectus with RoC, we have not placed orders for any of the aforesaid plant and/or machinery. We cannot assure that we would be able to acquire the plant and machinery required for the same, or acquire them at the prices as quoted/estimated in this Red Herring Prospectus. Any delay in acquisition of the plant and/or machinery required to be acquired herein could lead to time and cost overruns, and may have a material adverse effect on our business, results of operations and financial condition.

**34. Our Company's indebtedness could adversely affect our Company's financial condition and results of operations**

Our Company has entered into various agreements with Indian Overseas Bank, Hyderabad for short term and long term borrowings. Further, vide sanction letter dated June 11, 2007, Indian Overseas Bank has granted us an adhoc cash credit facility of Rs. 3,00,00,000/- (Three Crores). The short term credit availed off from Indian Overseas Bank, Hyderabad as on March 31, 2007 amounts to Rs. 3,51,10,198/- and the long term credit availed off from Indian Overseas Bank, Hyderabad as on March 31, 2007 amounts to Rs. 1,09,12,521/-. These agreements contain certain restrictive covenants which require us to take the prior written consent of Indian Overseas Bank before undertaking the following activities throughout the currency of the agreement including but not limited to:

1. Affecting any change in our Company's capital structure;
2. Implementing any scheme of expansion or acquire fixed assets;
3. Making investment/advances or depositing amounts with any other concern;
4. Entering into borrowing arrangement with any bank /financial institution/ company;
5. Undertaking guarantee obligations on behalf of any other company; and
6. Declaring any dividend for any year except out of profits relating to that year

There can be no assurance that our Company will be able to comply with these financial or other covenants or that our Company will be able to obtain the consents necessary to take the actions our Company believes are necessary to operate and grow our Company's business. Further, if we default on the repayment of the aforesaid loans, Indian Overseas Bank could enforce their security interests on our assets limiting our ability to carry out operations. However, we have received a No Objection Certificate from Indian Overseas Bank for the Issue vide their letter dated January 19, 2007.

**35. We require several licenses, approvals and permissions for carrying on our business. If our Company is unable to obtain the required approvals and licenses in a timely manner, our business and operations may be adversely affected. Further, we have not applied for any licenses/approvals/permissions in relation to the objects of this Issue**

In order for our Company to carry out its business operations, we are required to obtain certain approvals, licenses, registrations and permissions, some of which our Company has either received, applied for. As on the date of filing this Red Herring Prospectus with RoC, we have applied for such requisite licenses / approvals / permissions which are either received or, are pending. For further details pertaining to the said licenses / approvals / permissions, please refer to the chapter titled 'Government / Statutory Approvals' beginning on page no. 169 of this Red Herring Prospectus. In the event that our Company fails to obtain these approvals/registrations/licenses/permissions, or renewals thereof, in a timely manner, or at all, our Company's operations would be adversely affected, having a material adverse effect on our business, results of operations and financial condition.

Further, as on date of filing this Red Herring Prospectus with RoC, we have not applied for any licenses in relation to the objects of this Issue. We cannot assure that we would be able to apply for these licenses/approvals/permissions in a timely manner or at all, or that we would be granted such licenses/approvals/permissions in a timely manner. Such grant may also be subject to restrictions and/or permissions which may not be acceptable to us, or which may prejudicially affect our operations, and would have a material adverse effect on our business, results of operations and financial condition.

**36. Our Company is involved in a number of legal proceedings which, if decided against us or these entities, could impact our income and financial condition.**

Our Company is involved in various legal proceedings, which are pending at various stages of adjudication before the City Courts, High Courts, and various 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 establish reserves in our financial statements, which could increase our expenses and our current liabilities. Further, if a claim is determined against us and we are required to pay all or a portion of the disputed amount, it could have a material adverse effect on our results of operations and cash flows. For further information regarding litigation, please refer to the chapter entitled 'Outstanding Litigation, Material Developments and Other Disclosures' beginning on page no. 158 of this Red Herring Prospectus.

**Litigations involving our Company:**

| Type of Cases                                                                                                          | Number of Cases | Amount Involved<br>(Rs. in lakh) (Approx. and to the extent quantifiable)* |
|------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------|
| <b>Cases filed against our Company</b>                                                                                 |                 |                                                                            |
| Criminal                                                                                                               | 2               | Not Quantifiable                                                           |
| Complaints filed against our Company against various parties under Section 138 of the Negotiable Instruments Act, 1881 | -               | -                                                                          |
| Civil                                                                                                                  | 11              | 2.65                                                                       |
| <b>Total</b>                                                                                                           | <b>13</b>       | <b>2.65</b>                                                                |
| <b>Cases filed by our Company</b>                                                                                      |                 |                                                                            |
| Criminal                                                                                                               | -               | -                                                                          |
| Complaints filed by our Company against various parties under Section 138 of the Negotiable Instruments Act, 1881      | 4               | 8.27                                                                       |
| Civil                                                                                                                  | 8               | 23.68                                                                      |
| <b>Total</b>                                                                                                           | <b>12</b>       | <b>31.95</b>                                                               |
| <b>GRAND TOTAL</b>                                                                                                     | <b>25</b>       | <b>34.60</b>                                                               |

\* The amount involved is the amount expressly claimed by/against our Company, being the liability and/or financial impact which may be incurred/ suffered if our Company is unsuccessful in legal proceedings. The amount involved does not include amounts not specifically claimed in the course of legal proceedings, even if our Company may be in a position to estimate such amount. However, it does not include those penalties, interests and costs, if any, which may be imposed which may have been pleaded but not expressly quantified in the course of legal proceedings, or which the relevant Court/Tribunal otherwise has the discretion to impose. The imposition and amount of such penalties/interests/costs are at the discretion of the

Court/Tribunal where the case is pending. Such liability, if any, would crystallize only on the order of the Court/Tribunal where the case is pending.

**37. Our Promoter Group Entities are involved in a number of legal proceedings which, if decided against these entities, could impact our income and financial condition.**

Our Promoter Group Entities viz. M/s. Kaveri Agriteck and M/s. Kaveri Sales Corporation are involved in various legal proceedings, which are pending at various stages of adjudication before the City Courts, High Courts, and various tribunals. Should any new developments arise, such as a change in Indian law or rulings against our Promoter Group Entities by appellate courts or tribunals, we may need to establish reserves in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if a claim is determined against our Promoter Group Entities and we are required to pay all or a portion of the disputed amount, it could have a material adverse affect on our results of operations and cash flows. For further information regarding litigation, please refer to the chapter entitled ‘*Outstanding Litigation, Material Developments and Other Disclosures*’ beginning on page no. 158 of this Red Herring Prospectus.

**Litigations involving our Promoter Group Entity, M/s. Kaveri Agriteck:**

| Type of Cases                                                                                                                   | Number of Cases | Amount Involved<br>(Rs. in lakh) (Approx. and to the extent quantifiable)* |
|---------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------|
| <b>Cases filed against M/s. Kaveri Agriteck</b>                                                                                 |                 |                                                                            |
| Criminal                                                                                                                        | -               | -                                                                          |
| Civil                                                                                                                           | -               | -                                                                          |
| Complaints filed against M/s. Kaveri Agriteck against various parties under Section 138 of the Negotiable Instruments Act, 1881 | -               | -                                                                          |
| <b>Total</b>                                                                                                                    | <b>-</b>        | <b>-</b>                                                                   |
| <b>Cases filed by M/s. Kaveri Agriteck</b>                                                                                      |                 |                                                                            |
| Criminal                                                                                                                        | -               | -                                                                          |
| Civil                                                                                                                           | -               | -                                                                          |
| Complaints filed by M/s. Kaveri Agriteck against various parties under Section 138 of the Negotiable Instruments Act, 1881      | 30              | 45.37                                                                      |
| <b>Total</b>                                                                                                                    | <b>30</b>       | <b>45.37</b>                                                               |
| <b>GRAND TOTAL</b>                                                                                                              | <b>30</b>       | <b>45.37</b>                                                               |

**Litigations involving our Promoter Group Entity, M/s. Kaveri Sales Corporation**

| Type of Cases                                                                                                                   | Number of Cases | Amount Involved<br>(Rs. in lakh) (Approx. and to the extent quantifiable)* |
|---------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------|
| <b>Cases filed against M/s. Kaveri Sales Corporation</b>                                                                        |                 |                                                                            |
| Criminal                                                                                                                        | -               | -                                                                          |
| Civil                                                                                                                           | -               | -                                                                          |
| Complaints filed against M/s. Kaveri Agriteck against various parties under Section 138 of the Negotiable Instruments Act, 1881 | -               | -                                                                          |
| <b>Total</b>                                                                                                                    | <b>-</b>        | <b>-</b>                                                                   |
| <b>Cases filed by M/s. Kaveri Sales Corporation</b>                                                                             |                 |                                                                            |
| Criminal                                                                                                                        | -               | -                                                                          |
| Civil                                                                                                                           | 1               | 2.05                                                                       |

| Type of Cases                                                                                                                       | Number of Cases | Amount Involved<br>(Rs. in lakh) (Approx. and to the extent quantifiable)* |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------|
| Complaints filed by M/s. Kaveri Sales Corporation against various parties under Section 138 of the Negotiable Instruments Act, 1881 | 5               | 5.03                                                                       |
| <b>Total</b>                                                                                                                        | <b>6</b>        | <b>7.08</b>                                                                |
| <b>GRAND TOTAL</b>                                                                                                                  | <b>6</b>        | <b>7.08</b>                                                                |

\* The amount involved is the amount expressly claimed by/against our Promoter Group Entities, being the liability and/or financial impact which may be incurred/suffered if our Promoter Group Entities are unsuccessful in legal proceedings. The amount involved does not include amounts not specifically claimed in the course of legal proceedings, even if our Promoter Group Entities may be in a position to estimate such amount. However, it does not include those penalties, interests and costs, if any, which may be imposed which may have been pleaded but not expressly quantified in the course of legal proceedings, or which the relevant Court/Tribunal otherwise has the discretion to impose. The imposition and amount of such penalties/interests/costs are at the discretion of the Court/Tribunal where the case is pending. Such liability, if any, would crystallize only on the order of the Court/Tribunal where the case is pending.

**38. M/s. Kaveri Agriteck, i.e. the Microteck division has been added to our Company pursuant to the take over of the business, assets and liabilities of our Promoter Group Entity, M/s. Kaveri Agriteck. However, as on the date of filing this Red Herring Prospectus with RoC, the trademarks for the Microteck division have not been registered in the name of our Company.**

One of our Promoter Group Entities, M/s. Kaveri Agriteck was carrying on the business of producing and marketing bio-pesticides, bio-fertilizers, micronutrients, fertilizer mixtures & plant growth regulators. The products were marketed under the brand name “Microteck” and were also registered as trade marks by M/s. Kaveri Agriteck. Our Company, on September 20, 2006, acquired the business, assets and liabilities of M/s. Kaveri Agriteck for a total sale consideration of Rs. 50,00,000/-. Further, vide application letter dated July 13, 2007 our Company has applied to the Trade Mark Registry for transferring the said trade marks in the name of our Company. For further details on our trade mark applications, please refer to the headings titled ‘Registered Trade Marks’ and ‘Licenses applied for but not yet received’ in the chapter titled ‘Government / Statutory Approvals’ beginning on page no. 169 of this Red Herring Prospectus.

**39. M/s. Kaveri Agriteck, i.e. the Microteck division has been added to our Company pursuant to the take over of the business, assets and liabilities of our Promoter Group Entity, M/s. Kaveri Agriteck. However, as on the date of filing this Red Herring Prospectus with RoC, the government and statutory approvals are not in the name of our Company.**

One of our Promoter Group Entities, M/s. Kaveri Agriteck was carrying on the business of producing and marketing bio-pesticides, bio-fertilizers, micronutrients, fertilizer mixtures & plant growth regulators. The Government and statutory approvals for conducting the said business were applied for and acquired in the name of M/s. Kaveri Agriteck. Our Company, on September 20, 2006, acquired the business, assets and liabilities of M/s. Kaveri Agriteck for a total sale consideration of Rs. 50,00,000/-. However, as on the date of filing this Red Herring Prospectus with RoC, the government and statutory approvals are not in the name of our Company our Company. We have applied for transfer of these licenses in the name of our Company. For further details on our applications please refer to the heading titled ‘Licenses applied for but not yet received’ in the chapter titled ‘Government / Statutory Approvals’ beginning on page no. 169 of this Red Herring Prospectus.

**40. Our Company has made issuances of Equity Shares during the last 12 months at a price that may be lower than the Issue Price, Such issuances may be detrimental to our prospective investors as they may have to pay more for subscribing to our Equity Shares than the price at which allotments have been made to the allottees in the last twelve months.**

Our Company has, in the last 12 months made issuances of Equity Shares at a price that could be lower than the Issue Price. Such issuances may be detrimental to our prospective investors as they may have to pay more for subscribing to our Equity Shares than the price at which allotments have been made to the allottees in the last twelve months. For further details of such issuances of Equity Shares, please refer to the heading titled ‘Allotment of Equity Shares at a price lower than the Issue Price within the last 12 months’ on page no. 30 in the chapter titled ‘Capital Structure’ beginning on page no. 16 of this Red Herring Prospectus.

**41. Our cash flow has been negative in some years. In the event that our future cash flows continue to be negative, it may hamper our ability to meet our financial obligations.**

In the preceding five financial years, we had a negative cash flow from our investing activities in all the five preceding financial years. In 2005-06, our negative cash flow from operating activities was Rs. 330.25 lakh, while in 2002-2003 and 2003-2004, our negative cash flow from financing activities were Rs. 12.79 lakhs and Rs. 16.88 lakhs respectively. Further, the net cash flow was negative in the financial years 2003-2004 and 2004-2005 i.e. Rs. 17.90 lakhs and Rs. 158.91 lakhs respectively. On account of the aforesaid or other factors, our cash flows in the future may be negative, which may hamper our ability to meet our financial obligations.

**42. Our R&D facility located at village Haluvarthy, Anagodu Hobli, Davangere District. Karnataka admeasuring 6.19 Acres is registered in the name of our Promoter, Mr. Gundaram Venkata Bhaskar Rao. Further, as on the date of filing this Red Herring Prospectus with RoC, the said land has not yet been transferred in the name of our Company**

At that time of purchase of the land at village Haluvarthy, Anagodu Hobli, Davangere District. Karnataka, on account of the Registration rules of the Government of Karnataka for Agricultural Lands, the said land could not be registered in the name of our Company but due to business exigencies, was registered in the name of our Promoter, Mr. Gundavaram Venkata Bhaskar Rao. Thus, our R&D facility located at village Haluvarthy, Anagodu Hobli, Davangere District. Karnataka admeasuring 6.19 Acres is registered in the name of our Promoter, Mr. Gundaram Venkata Bhaskar Rao. However, as on the date of filing this Red Herring Prospectus with RoC, the said land has not yet been transferred in the name of our Company, although it continues to be disclosed in the accounts of our Company.

**C. Risks related to this Issue and our Equity Shares**

**43. Our future funds requirements, in the form of fresh issue of capital or securities and or loans taken by us, may be prejudicial to the interest of the shareholders depending upon the terms on which they are eventually raised.**

We may require additional capital from time to time depending on our business needs. Any fresh issue of shares or convertible securities would dilute the shareholding of the existing shareholders and such issuance may be done on terms and conditions, which may not be favourable to the then existing shareholders. If such funds are raised in the form of loans or debt, then it may substantially increase our interest burden and decrease our cash flows, thus prejudicially affecting our profitability and ability to pay dividends to our shareholders.

**44. Any future equity offerings or issue of options may lead to dilution of your shareholding in our Company.**

Investors in this Issue may experience dilution of their shareholding to the extent that our Company makes future equity or convertible offerings and to the extent that additional options are issued under a future employee stock option scheme. Further, any perception or belief that further issues might occur may adversely affect the trading price of our Equity Shares.

**45. Sale of Equity Shares by our Promoters or other significant shareholder(s) may adversely affect the trading price of the Equity Shares.**

Any instance of disinvestments of equity shares by our Promoters or by other significant shareholder(s) may significantly affect the trading price of our Equity Shares. Further, our market price may also be adversely affected if there is a perception or belief that such sales of Equity Shares might occur.

**46. 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.**

Once listed, we would be subject to circuit breakers imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases 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 breakers 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 in effect from time to time, and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares.

As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

## **E. External Risk Factors**

### ***47. The market price of our Equity Shares may fluctuate due to the volatility of the Indian securities market.***

There may not be an active or liquid market for our Equity Shares, which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares. The Issue Price of the Equity Shares in this Issue will be determined by our Company in consultation with the BRLMs, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is complete. You may be unable to resell your Equity Shares at or above the Issue Price and, as a result, you may lose all or part of your investment. The price at which the Equity Shares will trade after this Issue will be determined by the marketplace and may be influenced by many factors, including:

- our financial results and the financial results of the companies in the businesses we operate in;
- the history of, and the prospects for, our business and the sectors and industries in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures;
- the present state of our development; and
- the valuation of publicly traded companies that are engaged in business activities similar to ours.

In addition, the Indian stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of Indian companies. As a result, investors in the Equity Shares may experience a decrease in the value of the Equity Shares regardless of our operating performance or prospects. The market price of our Equity Shares may fluctuate due to the volatility of the Indian securities market and may be more volatile than the securities markets in other countries. Stock exchanges in India have, in the past, experienced substantial fluctuations in the prices of listed securities.

### ***48. Our business and activities will be regulated by the Competition Act, 2002 as and when it is notified. It is uncertain as to how the said Competition Act and Competition Commission of India will affect industries in India.***

The Parliament has enacted the Competition Act, 2002 for the purpose of preventing practices having an adverse effect on competition under the auspices of the Competition Commission of India, which has not yet come into force. Under the said Competition Act, any arrangement, understanding or action whether or not formal or informal which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement *inter alia* which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. It is unclear as to how the said Competition Act and Competition Commission of India will affect industries in India.

### ***49. Hostilities with neighboring countries and civil unrest in India may have material adverse impact on the market for securities in India.***

India has from time to time experienced instances of hostilities from neighboring countries, including Pakistan and China. In recent years, military confrontations between India and Pakistan have occurred in Kashmir and along the India-Pakistan border, although the Governments of India and Pakistan have recently engaged in conciliatory efforts. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a high degree of risk. Events of this nature in the future, as well as social and civil unrest, could influence the Indian economy and could have material adverse effect on the market for securities of Indian companies.

### ***50. Political, economic and social developments in India and acts of violence, terrorism or war could adversely affect our business.***

Since 1991, the Government has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. The new Government that has been formed as a result of 2004 general elections in India consists of a coalition of political parties. Any change in the economic policies by the new Government could change specific laws and policies affecting agri-input companies, pace of deregulation, foreign investment, currency exchange rates and other matters which could adversely affect the investment in our Equity Shares. Acts of violence, terrorist activity or war could affect the industrial and commercial operations in the country create a perception that investments in Indian companies involve a higher degree of risk which could have a material adverse effect on the market for securities of Indian companies.

***51. A slowdown in economic growth in India and other unfavourable changes in political and economic factors may adversely affect our business and results of operations.***

All our business facilities are located in India. Our Company, the market price and liquidity of our Equity Shares, may be adversely affected by fluctuations in foreign exchange rates and controls, interest rates, changes in Government policy, taxation, social and civil unrest and other negative political developments like any abrupt change in the Central or any State Government wherever we have business interests, etc., economic developments like very high rate of inflation, slow down in growth, decrease in foreign investments, etc. or other developments in or affecting India. Particularly slow down in economic growth may make the Governments spend relatively less on agriculture and agricultural growth is also linked to overall economic growth, which may ultimately be unfavourable to the Company's business. During the past decade, the Government has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of Government and State Governments in the Indian economy in relation to producers, consumers and regulators has remained significant. It cannot be assured that the liberalization policies will continue in future. A change in Central Government may lead to change in certain liberalization policies like disinvestment in public sector enterprises, capital account convertibility etc. and the impact of such changes cannot be currently estimated. The Government may also pursue other policies which could have a material adverse effect on our business. The rate of economic liberalization could change, and specific laws and policies affecting our business, suppliers, foreign investment, currency exchange rates and other matters affecting our business are also subject to change. A significant change in the Government's or Indian State Governments' economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business and financial condition and prospects in particular.

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

Our country's dependence on foreign investment depends on our credit rating in the international market. Such modes of foreign investment include External Commercials Borrowings, Foreign Currency Convertible Bonds, FDI etc. Our Company's ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available through these modes could be adversely effected in the event of any adverse revisions to India's credit rating for domestic and international debt by international rating agencies such as Standard and Poor's, Moody's Investor Service, and Fitch Ratings. This could have a material adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures and the trading price of our Equity Shares.

***53. India is vulnerable to natural disasters that could severely disrupt our normal operations of business and adversely affect our earnings.***

India is susceptible to tsunamis and earthquakes. On December 26, 2004, Southeast Asia, including the Eastern coast of India, experienced a tsunami that caused significant loss of life and property damage. On January 26, 2001, the Kutch region in the State of Gujarat suffered a major earthquake causing significant loss of life and property. Several farmlands face the problems of droughts and/or floods, and sometimes these problems are spread over large parts of cultivable agricultural lands. Our Company's facilities are located in Andhra Pradesh and Karnataka, and are not located near the sea coast. However, in the unforeseeable event that our facilities are damaged by an earthquake, cyclone or any other natural disasters, or if our seed producers or end-customers suffer adverse natural or climatic conditions, it could have a material adverse effect on our financial condition and results of operations.

**Notes to risk factors**

1. Public Issue of 40,00,000 Equity Shares of Rs. 10 each at a price of Rs. [●] per Equity Share for cash including a share premium of Rs. [●] per Equity Share aggregating Rs. [●] lakhs out of which which 2,00,000 Equity Shares of Rs. 10 each at a price of Rs. [●] are reserved for Eligible Employees in this Issue on a competitive basis. The Issue would constitute 29.20% of the post Issue paid-up capital of our Company. The Net Issue to the Public shall be 38,00,000 Equity Shares of Rs. 10 each at a price of Rs. [●] per Equity Share. The Net Issue will constitute 27.74% of the post-Issue paid up capital of our Company.
2. The net worth of the Company was Rs. 2627.77 lakhs as of March 31, 2007 as per our restated financial statements included in this Red Herring Prospectus.

3. The net asset value of our Equity Shares of Rs. 10/- each was Rs. 27.09/- as of March 31, 2007 as per our restated financial statements included in this Red Herring Prospectus.
4. The following table represents average cost of acquisition of Equity Shares by our Promoters as on August 01, 2007. For details please refer to the table titled '*Capital built up of Promoters*' on page no. 17 under the chapter titled '*Capital Structure*' beginning on page 16 of this Red Herring Prospectus.

| Sr.No | Name of the Promoter                 | Average cost of acquisition (in Rs.) |
|-------|--------------------------------------|--------------------------------------|
| 1     | Mr. Gundavaram Venkata Bhaskar Rao   | 1.04                                 |
| 2     | Mrs. Gundavaram Vanaja Devi          | 5.84                                 |
| 3     | Mr. Rangineni Venu Manohar Rao       | 15.62                                |
| 4     | Mr. Chennameneni Vamsheedhar         | 7.76                                 |
| 5     | Mr. Chennameneni Mithun Chand        | 1.05                                 |
| 6     | Dr. Gundavaram Pawan                 | 6.87                                 |
| 7     | Dr. Gundavaram Madhushree            | 6.61                                 |
| 8     | Gundavaram Venkata Bhaskar Rao (HUF) | 7.50                                 |

5. Any clarification or information relating to the Issue shall be made available by the BRLMs and our Company to the public and investors at large and no selective or additional information would be made available only to a section of the investors in any manner. Investors may contact the BRLMs i.e. Anand Rathi Securities Limited, SOBHAGYA CAPITAL OPTIONS LIMITED and SREI Capital Markets Limited and/or Mr. P. Satish Chandra Mouli, Company Secretary and Compliance Officer and/or Bigshare Services Private Limited, Registrar to the Issue for any complaints pertaining to the Issue at the pre-Issue or post-Issue stage.
6. For details regarding our related party transactions, please refer to Annexure V on page no. 126 under the section titled '*Financial Statements*' beginning on page no. 112 of this Red Herring Prospectus.
7. For interest of our Directors, please refer to the chapters titled '*Risk Factors*', '*Business Overview*' and '*Our Management*' beginning on page nos. x, 64 and 92 of this Red Herring Prospectus.
8. Investors are advised to refer to the chapter titled '*Basis of Issue Price*' beginning on page no. 45 of this Red Herring Prospectus before making an investment in this Issue.
9. The Issue is being made through a 100% Book Building Process wherein at least 50% of the Net Issue will be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money in this Issue shall be refunded herewith. Further, upto 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and upto 35% 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.
10. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to Bidders in the Employee Reservation Portion, QIBs, Retail Individual Bidders and Non-Institutional Bidders. For further details, please refer to the chapter titled '*Issue Procedure*' beginning on page no. 189 of this Red Herring Prospectus.
11. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
12. Under subscription, if any, in the Non-Institutional Portion and Retail Individual Portion would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLMs. If at least 50% of the Net Issue cannot be allotted to QIB Bidders, then the entire application money will be refunded. However, if the aggregate demand by Mutual Funds is less than 95,000 Equity Shares, balance Equity Shares available for allocation in the Mutual Funds Portion will be added to the QIB Portion and be allocated proportionately to the QIB Bidders.
13. Except as disclosed in the chapter titled '*Capital Structure*' beginning on page no. 16 of this Red Herring Prospectus, we have not issued any shares for consideration other than cash.

We and the BRLMs are obliged to keep this Red Herring Prospectus updated and inform the public of any material change / development until the listing and trading of the Equity Shares offered under the Issue commences.

## SECTION III - INTRODUCTION

### SUMMARY

This is only a summary and does not contain all the information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information contained in the chapters titled '*Risk Factors*' and '*Financial Information*' and related notes beginning on page nos. x and 112 of this Red Herring Prospectus before deciding to invest in our Equity Shares.

#### Industry Overview

Agriculture remains a pivotal part of the Indian economy despite the emergence of other sectors and decreasing GDP share, due to the twin factors of food security and employment generation. The agri-inputs industry produces products that provide essential support to modern agriculture. Seeds are one of the most critical inputs in agricultural production. Improvements in quality and production of seeds along with an improved agronomy have brought about several modern agricultural productivity improvements, including increased food production to keep pace with increased domestic as well as global demand from population and economic growth. Since rapid urbanization and development over the last few decades has reduced the total area of land under cultivation, substantially higher crop yields and multiple cropping have become increasingly important for meeting domestic as well as global demand for food. The demand for seeds and other agri-inputs that augment production of crops is expected to continue.

#### Market Scenario in India

The Indian seed industry has had a long history spreading over more than a century. It initially began with trading in vegetable and flower seeds in the early part of this century. Seed related reforms pertaining to hybridization began in the early 1980's, when the GoI decided to provide public-bred breeder seed to private companies for multiplication and distribution. Further, starting in the mid-1980's accessibility to research institutions, both international and national was provided to private seed firms for directly obtaining breeder seed. The seed related reforms initiated in 1980's thus catalysed growth of the private seed sector in the country. As a consequence, the Indian seed industry is experiencing quantitative and qualitative changes in composition, market expansion and production technologies. Along with the increasing size of the seed market, its composition is also rapidly changing, with more and more private companies not only intensifying but also diversifying their market as well as product coverage.

The Indian seed market is among the top ten largest in the world, estimated to be about US\$1 billion in 2005. (Source: ISF Secretariat) Aside from our Company, the notable seed companies in India include Pioneer, Mahyco, Monsanto India, ProAgro, Syngenta and Nuziveedu Seeds.

#### Business Overview

We are one of the few recognized agri-input companies in India. The other recognized seed producers in India in terms of value are Monsanto, Syngenta, JK Agri-genetics, Advanta, etc., whose approximate turnover from their seeds business is Rs. 18,497 lakhs, Rs. 15,381 lakhs, Rs. 6,366 lakhs and Rs. 4,633 lakhs, respectively, for the financial year 2005-06. Our Company has achieved a total turnover of Rs. 4,816.74 lakhs for the financial year 2005-06. On the basis of the volume, we believe that we are one of the recognized seed producers in the country. Moreover, our total sales for the financial year 2006-07 amounted to Rd. 6577.16 lakhs." Further, we have consistently been able to improve our turnover by establishing credibility among the farming community.

We are mainly into the business of production, processing and marketing of high quality hybrid seeds for different crops like corn, sunflower, cotton, paddy, grain sorghum, etc. and have recently forayed into micronutrients and bioproducts.

Mr. Gundavaram Venkata Bhaskar Rao, a graduate in agricultural science, is one of the founder Promoters of our Company. He started the business of seed production of public bred varieties of corn, bajra, sunflower on his own lands in the village of Gatla Narsingapur, Karimgar District, Andhra Pradesh. Subsequently, our Company was incorporated on August 27, 1986 at Hyderabad.

We have attained over twenty years of experience in this business and are proceeding further towards realizing our objective of developing seeds having superior yield potential, drought tolerance, tolerance to pests and diseases etc.

We currently have production, processing and R&D facilities in Andhra Pradesh and Karnataka. Our research mainly focuses on developing superior hybrids in different crops like corn, cotton, sunflower, paddy, bajra, etc. All the hybrids developed by

our R&D team are marketed under the brand name of 'Kaveri Seeds'. Our in-house R&D facilities located at Ranga Reddy District are recognized by the Department of Science & Technology, Government of India. We expect our R&D facilities to drive the future growth of our Company.

We have an extensive marketing network with loyal and committed distributors and dealers in Karnataka, Tamilnadu, Maharastra & Andhra Pradesh. We have recently entered other states such as Bihar, Madhya Pradesh, Gujarat, Uttar Pradesh, Punjab, Haryana and Rajasthan, where the response received has prompted us to enter these states in a big way.

In the year 2002, our Promoters began a new venture to produce and market bio-pesticides, bio-fertilizers, micronutrients, fertilizer mixtures & plant growth regulators under the name and style of "M/s. Kaveri Agriteck", a partnership firm. This firm started a manufacturing unit at Hyderabad and was marketing its products in Karnataka, Andhra Pradesh and in some parts of Tamilnadu and Maharashtra. The products were marketed under the brand name "Microteck". M/s. Kaveri Agriteck had a strong marketing network in Karnataka and Andhra Pradesh and a dealers' network was being developed in other states as well.

Seeds, bio-fertilizers, micronutrients *etc.* are related products having the same end user *i.e.* the farmer, and are usually sold through similar dealer networks. With a view of achieving the benefit of synergy in marketing the aforesaid products, our Company, acquired the business, assets and liabilities of M/s. Kaveri Agriteck for a total sale consideration of Rs. 50,00,000/- on September 20, 2006. We believe that this acquisition would enable us to address the needs of the farmers like plant protection and nourishment.

Our focus is to be a leading provider of crop solutions to the farmer by supplying high yielding hybrid seeds and crop management namely micronutrients, bioproducts *etc.* For achieving this, we are engaging in research and development efforts in the areas of superior breeding programmes and biotechnology tools that will enable us to develop highly effective and differentiated hybrid seeds, micronutrients and bioproducts.

### **Competitive strengths**

We have been serving the Indian farmers for more than two decades now. With multiple advantages including a wide array of high performing agri-inputs and highest quality standards, we take pride in our reputation as a 100-percent Indian company with a growing national presence. Such a reputation can be attributed to the fact that our Company purchases all the requisite raw materials as and when required from the local market. Further, presently, we do not have any presence in export market nor do we have any imports. Moreover, our current objectives aim at a national growth into the markets of Bihar, Madhya Pradesh, Gujarat, Uttar Pradesh, Haryana, Punjab, Rajasthan, Uttaranchal and West Bengal.

#### *We are one of the leading seed producers in the country.*

The leading seed producers in India in terms of value are Monsanto, Syngenta, JK Agri-genetics, Advanta, *etc.*, whose approximate turnover from their seeds business is Rs. 18,497 lakhs, Rs. 15,381 lakhs, Rs. 6,366 lakhs and Rs. 4,633 lakhs, respectively, for the financial year 2005-06. Our Company has achieved a total turnover of Rs. 4,816.74 lakhs for the financial year 2005-06. Further, our various hybrids in the market include twelve varieties of corn (Kaveri 244+, 244, 225, 235, 2020, 2288, 280, 218, 07, 50, 218+, 2020+), five varieties of sunflower (Kaveri-618, 631, 678, 642 and 618 extra), six varieties of cotton (Kaveri - 707+, 707, 766, 135, 155 and 119) and thirteen varieties of paddy (BPT – 5204, Erramallelu, IET-1444, IR-64, MTU-1001, JGL-1798, MTU-1010, MTU-7029, Tellahamsa, 9090 Sona, No – 10, Super Sona). On the basis of the volume and variety of our various hybrids, we believe that we are one of the leading seed producers in the country. Further, such hybrids are adaptable with conditions including *inter alia* varied agro-climates and soil types. Moreover, our total sales for the financial year 2006-07 amounted to Rd. 6577.16 lakhs.

#### *We have hybrid seeds for a wide range of crops*

We have hybrid seeds for corn, sunflower, cotton, paddy *etc.* These varieties give us an edge in the market and we have the ability and infrastructure to further develop different hybrids in these crops. Our product portfolio gives us a natural hedge against dependence on any particular crop(s), and we have an advantage to meet changing farmer needs even in the event of crop-shifting by farmers.

#### *Established brand*

We have been serving the Indian farmers for more than two decades now and have been consistently improving our turnover, as well as our presence and profitability. We have withstood the pressures of competition and continue to serve quality seeds to the Indian farmers. On account of such long standing efforts, farmers recognize our brand "Kaveri seeds" because of its quality. Further, with constant and consistent improvement in performance of our hybrids, augmented with quality, naturally we believe that have become the preferred seed brand for the Indian farmer.

#### *Our presence in the industry for over two decades*

Our Promoter, Mr. Gundavaram Venkata Bhaskar Rao started the business of seed production of public bred varieties of corn, bajra, sunflower on his own lands in the village of Gatla Narsingapur, Karimgar District, Andhra Pradesh. Subsequently, on August 27, 1986, our Company was incorporated as Kaveri Seed Company Private Limited under the Companies Act, 1956. Our Company has thus been involved in the agri-inputs business for the last two decades. We believe that we are one of the very few players in the industry who have more than two decades' experience and have a consistent track record of accomplishment. This experience has helped us in understanding ever-changing needs and demands of our customers. On account of this long-standing presence in the Indian market, we believe that we enjoy high ranking brand equity and reliability in the farming community.

#### *Our Research & Development Capabilities*

We have been undertaking R&D for breeding high performance hybrids and also value added micronutrients and bioproducts. We have an experienced and professionally qualified R&D team who are engaged in full time research. Our R&D infrastructure includes 273 acres of farmland and state of the art lab facilities, which we believe makes us a competitive R&D player in the industry.

#### *Marketing & Distribution*

We have a technically skilled marketing team which constitutes almost 50% of our total number of employees. Further we have around 736 distributors across the nation. This enables us to reach all the important markets of the country.

#### *Owned land for R&D*

R&D is the backbone of the agri-inputs industry and our success depends upon various infrastructure facilities particularly land. Our Company owns approximately 187 acres of farm land. The ownership of such land is integral to the development of our hybrids as the gestation period is anywhere between three to five years. Other advantages include security whereby the hybrids are secured against misuse and piracy. The nature of the agri-inputs industry is such that we require adequate protection of our germplasm and related operations. R&D on third party land carries a higher risk of biopiracy. Of the total land under R&D, over two-thirds (2/3<sup>rd</sup>) of the land is owned by us. This gives us a unique advantage over most other players in the Indian industry.

#### **Summary of Financial Data**

The following tables sets forth the historical financial information of our Company derived from the restated and audited financial statements for the fiscal years ended March 31, 2002, 2003, 2004, 2005, 2006 and 2007, all prepared in accordance with Indian GAAP and SEBI guidelines, and included in the chapter titled '*Financial Information*' beginning on page no. 112 of this Red Herring Prospectus and should be read in conjunction with those financial statements and notes:

#### **STATEMENT OF ASSETS & LIABILITIES AS RESTATED**

**(Rs. in lakhs)**

| PARTICULARS                                               | As On         |               |               |                |                |                |
|-----------------------------------------------------------|---------------|---------------|---------------|----------------|----------------|----------------|
|                                                           | 31-Mar-02     | 31-Mar-03     | 31-Mar-04     | 31-Mar-05      | 31-Mar-06      | 31-Mar-07      |
| <b>Fixed Assets</b>                                       |               |               |               |                |                |                |
| Gross Block                                               | 443.58        | 476.73        | 513.57        | 780.51         | 1127.50        | 2427.28        |
| Less: Accumulated Depreciation                            | 137.01        | 171.19        | 197.13        | 250.44         | 323.27         | 441.41         |
| Net Block                                                 | 306.57        | 305.54        | 316.44        | 530.07         | 804.23         | 1985.87        |
| Less: Revaluation Reserve                                 | 0             | 0             | 0             | 0              | 0              | 0              |
| <b>Net Block after adjustment for Revaluation Reserve</b> | <b>306.57</b> | <b>305.54</b> | <b>316.44</b> | <b>530.07</b>  | <b>804.23</b>  | <b>1985.87</b> |
| Capital Work in progress                                  | 0             | 0             | 0             | 0              | 120.94         | 98.40          |
| <b>Total Fixed Assets (A)</b>                             | <b>306.57</b> | <b>305.54</b> | <b>316.44</b> | <b>530.07</b>  | <b>925.17</b>  | <b>2084.27</b> |
| <b>Investments (B)</b>                                    | <b>19.06</b>  | <b>97.63</b>  | <b>409.31</b> | <b>1510.28</b> | <b>1351.72</b> | <b>725.59</b>  |
| <b>Current Assets, Loans &amp; Advances</b>               |               |               |               |                |                |                |
| Inventories                                               | 200.95        | 342.30        | 286.83        | 254.38         | 323.63         | 1077.62        |

| PARTICULARS                                              | As On          |                |                |                |                |                |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                          | 31-Mar-02      | 31-Mar-03      | 31-Mar-04      | 31-Mar-05      | 31-Mar-06      | 31-Mar-07      |
| Sundry Debtors                                           | 379.44         | 419.03         | 936.16         | 939.11         | 1047.45        | 1745.13        |
| Cash and Bank Balances                                   | 218.89         | 509.41         | 491.51         | 332.60         | 336.00         | 481.02         |
| Loans and Advances                                       | 19.45          | 97.17          | 275.65         | 590.76         | 779.12         | 608.2          |
| <b>Total of Current Assets, Loans &amp; Advances (C)</b> | <b>818.73</b>  | <b>1367.91</b> | <b>1990.15</b> | <b>2116.85</b> | <b>2486.20</b> | <b>3911.97</b> |
| <b>Total Assets (A+B+C)=D</b>                            | <b>1144.36</b> | <b>1771.08</b> | <b>2715.90</b> | <b>4157.20</b> | <b>4763.09</b> | <b>6721.83</b> |
| <b>Less: Liabilities and Provisions</b>                  |                |                |                |                |                |                |
| Secured Loans                                            | 31.75          | 22.24          | 13.21          | 1035.60        | 1411.25        | 1189.34        |
| Unsecured Loans                                          | 0              | 0              | 0              | 0              | 30.76          | 0              |
| Sundry Creditors                                         | 696.60         | 1005.92        | 1734.88        | 1569.70        | 871.74         | 643.36         |
| Other Current Liabilities                                | 337.22         | 648.51         | 765.66         | 1217.48        | 1656.95        | 1788.8         |
| Provisions                                               | 0.75           | 4.60           | 14.23          | 17.50          | 26.53          | 457.85         |
| Share Application Money                                  | 0              | 0              | 0              | 0              | 17.77          | 0              |
| Defer Tax Liability (Net)                                | 0              | 1.44           | 5.14           | 9.62           | 5.54           | 14.71          |
| <b>Total Liabilities (E)</b>                             | <b>1066.32</b> | <b>1682.71</b> | <b>2533.12</b> | <b>3849.90</b> | <b>4020.54</b> | <b>4094.06</b> |
| <b>Net Worth (D-E)</b>                                   | <b>78.04</b>   | <b>88.37</b>   | <b>182.78</b>  | <b>307.30</b>  | <b>742.55</b>  | <b>2627.77</b> |
| <b>Represented By</b>                                    |                |                |                |                |                |                |
| Equity Share Capital (I)                                 | <b>15.00</b>   | <b>15.00</b>   | <b>15.00</b>   | <b>15.00</b>   | <b>160.00</b>  | <b>970</b>     |
| Reserve & Surplus (II)                                   | 63.04          | 73.37          | 167.78         | 292.30         | 582.55         | 1693.53        |
| Less: Revaluation Reserve (III)                          | 0              | 0              | 0              | 0              | 0              | 0              |
| <b>Net Reserve &amp; Surplus (II-III)</b>                | <b>63.04</b>   | <b>73.37</b>   | <b>167.78</b>  | <b>292.30</b>  | <b>582.55</b>  | <b>1693.53</b> |
| Misc. Expenditure (IV)                                   | 0              | 0              | 0              | 0              | 0              | 35.76          |
| <b>Net Worth (I+II-III-IV)</b>                           | <b>78.04</b>   | <b>88.37</b>   | <b>182.78</b>  | <b>307.30</b>  | <b>742.55</b>  | <b>2627.77</b> |

There has been a fluctuation in creditors in the following years

Rs.1734.88 lakhs in 2003-04 from Rs.1005.92 lakhs in 2002-03

The difference of 728.96lakhs which mounts to 72% increase in creditors can be attributed to the increase in sales amounting to Rs.1528.25lakhs (Rs.3887.77lakhs from Rs.2359.52lakhs) that forms 64.77% increase in sales.

Rs. 871.74 lakhs in 2005-06 from Rs. 1569.70 lakhs in 2004-05

Earlier, the company enjoyed certain credit period from the farmers at the time of purchasing the seeds. Now, because of the competition in the market, Company is paying the farmers as and when it purchases the seeds from them and the credit period enjoyed by the company is reduced to a great extent. Hence, there is a decrease in sundry creditors amounting to Rs. 697.96 lakhs that forms 44.46% decrease in sundry creditors of the financial year 2004-05. This trend is evident on comparison of sundry creditors at the end of the financial years 2005-06 and 2006-07 i.e Rs. 871.74 lakhs and Rs. 643.36 lakhs respectively.

#### ***Comparison of assets and liabilities as on March 31, 2007 with the assets and liabilities as on March 31, 2006***

##### ***Gross Block***

Gross block has been increased from Rs.1127.50lakhs to Rs.2427.28 lakhs. This increase of Rs. 1369.78 lakhs is mainly due to the fact that the Company has purchased lands for Research and Development for an amount of Rs.639.97lakhs. Balance, the Company has spent on acquisition of plant & machinery, vehicles, buildings and other assets.

#### *Capital Work in Progress*

The capital work in progress amounting to Rs.120.94 lakhs as on March 31, 2006 represents amount incurred on bio-technology lab under construction at Gundlapochampally near Hyderabad which was complete as on March 31, 2007.

#### *Investments*

The decrease in investments is mainly because the Company has redeemed mutual funds to an extent of Rs.466.81lakhs.

#### *Inventories*

Inventories are more because of the increase in sales and therefore company had to keep more in the form of inventories.

#### *Sundry Debtors*

Sundry debtors has been increased by Rs.697. 68 lakhs and this increase is mainly because of the increase in sales for the financial year and the credit period is around 90 days. The receipts are expected during the next quarter.

#### *Loans and Advances*

The decrease in the amount is because of receipt of payment for the loans granted to promoters and staff during the period.

#### *Secured Loans*

The decrease in Secured Loans is due to the repayment of HDFC Investment loan which was secured against mutual fund units

#### *Sundry creditors*

Sundry creditors has been decreased by over Rs.228.38 lakhs and this increase is mainly because earlier, the company enjoyed certain credit period from the farmers at the time of purchasing the seeds. Now, because of the competition in the market, Company is paying the farmers as and when it purchases the seeds from them and the credit period enjoyed by the company is reduced.

#### *Other Current Liabilities*

The increase in current liabilities to an extent of Rs. 131.85 lakhs mainly comprises of advances against sales and salaries payable to the employees

#### *Share Application Money*

Out of total share Application money of Rs.17.77 lakhs as on March 31, 2006, Rs.4.75lakhs pertaining to Mr.Gundavaram Venkata Bhaskar Rao has been adjusted towards allotment of equity shares in June 2006. The remaining application money of Rs.13.02lakhs, pertaining to Mr. Rangineni Venu Manohar Rao was refunded during the year.

#### *Equity Share Capital*

The increase of the capital is because of bonus issue, fresh allotment to promoters and others including partners of M/s. Kaveri Agritech. (For further details on increase in share capital, please refer to table titled 'Share Capital History of our Company' on page no.16 in the chapter titled 'Capital Structure' beginning on page no.16 of this Red Herring Prospectus.)

### **SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT AS RESTATED**

**(Rs. in lakhs)**

| PARTICULARS                     | Financial Year Ended on (Audited) |                |                |                |                |                |
|---------------------------------|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                 | 31-Mar-02                         | 31-Mar-03      | 31-Mar-04      | 31-Mar-05      | 31-Mar-06      | 31-Mar-07      |
| <b>Income</b>                   |                                   |                |                |                |                |                |
| Sales                           | 1794.51                           | 2359.52        | 3887.77        | 4755.34        | 4816.74        | 6577.16        |
| Other Income                    | 8.31                              | 5.35           | 75.71          | 66.86          | 155.55         | 146.6          |
| <b>Total Income (A)</b>         | <b>1802.82</b>                    | <b>2364.87</b> | <b>3963.48</b> | <b>4822.20</b> | <b>4972.29</b> | <b>6723.76</b> |
| <b>Expenditure</b>              |                                   |                |                |                |                |                |
| Material Consumption            | 1408.22                           | 1914.53        | 3256.37        | 3561.62        | 3037.37        | 2871.52        |
| Establishment Expenses          | 157.56                            | 166.69         | 235.93         | 262.62         | 402.85         | 660.59         |
| Selling & Distribution Expenses | 198.07                            | 220.22         | 302.66         | 751.14         | 978.90         | 1333.49        |
| Interest and Financial Charges  | 3.80                              | 3.28           | 7.85           | 14.45          | 67.13          | 142.9          |

| PARTICULARS                                                    | Financial Year Ended on (Audited) |                |                |                |                |                 |
|----------------------------------------------------------------|-----------------------------------|----------------|----------------|----------------|----------------|-----------------|
|                                                                | 31-Mar-02                         | 31-Mar-03      | 31-Mar-04      | 31-Mar-05      | 31-Mar-06      | 31-Mar-07       |
| <b>Total Expenditure (B)</b>                                   | <b>1767.65</b>                    | <b>2304.72</b> | <b>3802.81</b> | <b>4589.83</b> | <b>4486.25</b> | <b>5008.5</b>   |
| <b>Profit before Depreciation, Tax and Extraordinary items</b> | <b>35.17</b>                      | <b>60.15</b>   | <b>160.67</b>  | <b>232.37</b>  | <b>486.04</b>  | <b>1715.26</b>  |
| Depreciation                                                   | 33.92                             | 38.41          | 40.91          | 53.31          | 73.55          | 123.52          |
| <b>Net Profit Before Tax &amp; Extra Ordinary Items (A-B)</b>  | <b>1.25</b>                       | <b>21.74</b>   | <b>119.76</b>  | <b>179.06</b>  | <b>412.49</b>  | <b>1591.74</b>  |
| Income Tax (Current)                                           | 1.78                              | 6.89           | 21.65          | 43.21          | 101.55         | 486.76          |
| Defer Tax (Asset)/Liability                                    | 0                                 | 1.44           | 3.70           | 4.49           | (4.09)         | 9.17            |
| Fringe Benefit Tax Paid                                        | 0                                 | 0              | 0              | 0              | 21.82          | 41.83           |
| <b>Net Profit Before Extra Ordinary Items</b>                  | <b>-0.53</b>                      | <b>13.41</b>   | <b>94.41</b>   | <b>131.36</b>  | <b>293.21</b>  | <b>1,053.98</b> |
| <b>Extra Ordinary Items:</b>                                   |                                   |                |                |                |                |                 |
| Tax Adjustment                                                 | 0                                 | 3.08           | 0              | 6.84           | 2.96           | 0               |
| <b>Net Adjustment</b>                                          | <b>0</b>                          | <b>3.08</b>    | <b>0</b>       | <b>6.84</b>    | <b>2.96</b>    | <b>0</b>        |
| <b>Net profit After Tax and Extra Ordinary Items</b>           | <b>-0.53</b>                      | <b>10.33</b>   | <b>94.41</b>   | <b>124.52</b>  | <b>290.25</b>  | <b>1053.98</b>  |
| Balance of Profit Brought Forward                              | 62.52                             | 61.99          | 72.32          | 166.73         | 291.25         | 581.5           |
| Dividend                                                       | 0                                 | 0              | 0              | 0              | 0              | 0               |
| Bonus shares issued                                            | 0                                 | 0              | 0              | 0              | 0              | 225             |
| Transfer to General Reserve                                    | 0                                 | 0              | 0              | 0              | 0              | 0               |
| <b>Balance Carried to Balance Sheet</b>                        | <b>61.99</b>                      | <b>72.32</b>   | <b>166.73</b>  | <b>291.25</b>  | <b>581.50</b>  | <b>1410.48</b>  |

Provision for income tax was created in the respective years. However, actual income tax payment was done in the year of assessment. While preparing the restated accounts, actual income tax paid was taken into consideration for the relevant financial years irrespective of the year of payment of income tax.

## THIS ISSUE

|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Equity Shares Offered:<br/>Issue by our Company</b>     | 40,00,000 Equity Shares aggregating Rs. [●] lakhs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Employee Reservation Portion for Eligible Employees</b> | 2,00,000 Equity Shares aggregating Rs. [●] lakhs on a competitive basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Net Issue to the Public</b>                             | 38,00,000 Equity Shares aggregating Rs. [●] lakhs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Comprising</b>                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>A) Qualified Institutional Buyers Portion</b>           | At least 19,00,000 Equity Shares aggregating Rs. [●] lakhs, constituting at least 50% of the Net Issue will be available for allocation to Qualified Institutional Buyers on a proportionate basis. 5% of the QIB Portion, constituting 95,000 Equity Shares shall be available for allocation on proportionate basis to Mutual Funds only, and the balance QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds. If at least 50% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded. |
| <b>B) Non-Institutional Portion <sup>(1)</sup></b>         | Upto 5,70,000 Equity Shares aggregating Rs. [●] lakhs, constituting up to 15% of the Net Issue will be available for allocation to Non-Institutional Bidders on a proportionate basis.                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>C) Retail Portion <sup>(1)</sup></b>                    | Upto 13,30,000 Equity Shares aggregating Rs. [●] lakhs constituting up to 35% of the Net Issue that will be available for allocation to Retail Individual Bidders on a proportionate basis.                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Equity Shares outstanding prior to the Issue</b>        | 97,00,000 Equity Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Equity Shares outstanding after the Issue</b>           | 1,37,00,000 Equity Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Use of Issue Proceeds</b>                               | Please refer to the chapter titled ' <i>Objects of this Issue</i> ' beginning on page no. 31 of this Red Herring Prospectus for additional information.                                                                                                                                                                                                                                                                                                                                                                                                                                   |

<sup>(1)</sup> Under-subscription, if any, in any of the above categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of our Company in consultation with the BRLMs.

## GENERAL INFORMATION

### Name and Registered Office of our Company

#### Kaveri Seed Company Limited

513B, 5<sup>th</sup> Floor,  
Minerva Complex,  
S.D. Road,  
Secunderabad 500 003  
Andhra Pradesh.

**Tel:** +91 40 27721457 / 27899833

**Fax:** +91 40 27811237

**Email:** [ipo@kaveriseeds.com](mailto:ipo@kaveriseeds.com)

Our Company is registered with the Registrar of Companies, Andhra Pradesh  
CIN: U01120AP1986PLC006728

The address of the RoC is as follows:

#### Registrar of Companies, Andhra Pradesh

2<sup>nd</sup> Floor, CPWD Building,  
Kendriya Sadan,  
Sultan Bazar,  
Koti,  
Hyderabad – 500 195

### BOARD OF DIRECTORS

Our Board of Directors as on the date of filing this Red Herring Prospectus with RoC is as follows:

| Sr. No. | Names of the Directors             | Designation                     | Status                  |
|---------|------------------------------------|---------------------------------|-------------------------|
| 1.      | Mr. Gundavaram Venkata Bhaskar Rao | Chairman-cum-Managing Director  | Managing Director       |
| 2.      | Mrs. Gundavaram Vanaja Devi        | Director                        | Executive Director      |
| 3.      | Mr. Rangineni Venu Manohar Rao     | Director – Commercial           | Executive Director      |
| 4.      | Dr. Gundavaram Pawan               | Director                        | Non-Executive Director* |
| 5.      | Mr. Chennameneni Vamsheedhar       | Director – Marketing            | Executive Director*     |
| 6.      | Mr. Chennameneni Mithun Chand      | Director – Sales Administration | Executive Director*     |
| 7.      | Mr. Kolli Venkat Durga Prasad Rao  | Director                        | Independent Director*   |
| 8.      | Mr. Muppidi Srikanth Reddy         | Director                        | Independent Director*   |
| 9.      | Mr. Kasuganti Vaman Rao            | Director                        | Independent Director*   |
| 10.     | Dr. Idupuganti Venkata Subba Rao   | Director                        | Independent Director*   |
| 11.     | Dr. Ganga Prasad Rao Neelamraju    | Director                        | Independent Director*   |
| 12.     | Dr. Yeshwant Laxman Nene           | Director                        | Independent Director*   |

\* Additional Directors whose appointment is subject to confirmation at the next AGM of our Company.

For a detailed profile of our Directors, please refer to the chapter titled ‘Our Management’ beginning on page no. 92 of this Red Herring Prospectus.

## **Company Secretary and Compliance Officer**

**Mr. P. Satish Chandra Mouli,**  
513B, 5<sup>th</sup> Floor,  
Minerva Complex,  
S.D. Road,  
Secunderabad 500 003  
Andhra Pradesh.  
**Tel:** +91 40 27721457 / 27899833  
**Fax:** +91 40 27811237  
**Email:** ipo@kaveriseeds.com

**Investors can contact the Compliance Officer and / or the Registrar to the Issue and/or the Book Running Lead Managers to the Issue i.e. Anand Rathi Securities Limited, SOBHAGYA CAPITAL OPTIONS LIMITED and SREI Capital Markets Limited in case of any pre-Issue or post-Issue problems such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.**

## **Bankers to our Company**

**Indian Overseas Bank**  
3-6-272, N.V.K. Towers,  
Hyderabad,  
Andhra Pradesh.  
**Tel:** +91 40 23421522 / 23  
**Fax:** +91 40 2341524  
**Email:** [himytbr@hydscd.iobnet.co.in](mailto:himytbr@hydscd.iobnet.co.in)

**ICICI Bank**  
Ground Floor, Navketan,  
62, S.D. Road,  
Hyderabad,  
Andhra Pradesh.  
**Tel:** +91 40 27718377 / 79  
**Fax:** +91 40 66335815  
**Email:** [meda.sunil@icicibank.com](mailto:meda.sunil@icicibank.com)

**HDFC Bank**  
6-1-73, Grand,  
3rd Floor, Seed Plaza,  
Hyderabad,  
Andhra Pradesh.  
**Tel:** +91 40 66666817  
**Fax:** +91 40 66666818  
**Email:** [tbgservicek.hyderabad@hdfcbank.com](mailto:tbgservicek.hyderabad@hdfcbank.com)

## **Legal Advisors to the Issue**

**M/s. Crawford Bayley & Co.**  
State Bank Buildings,  
4th floor  
N. G. N. Vaidya Marg  
Fort, Mumbai - 400 023  
**Tel No.:** +91 22 2266 8000  
**Fax No.:** +91 22 2266 0355  
**E-mail:** [sanjay.asher@crawfordbayley.com](mailto:sanjay.asher@crawfordbayley.com)

## Issue Management Team

### Book Running Lead Managers (BRLMs)

#### Anand Rathi Securities Limited

11<sup>th</sup> Floor,  
Times Tower,  
Senapati Bapat Marg,  
Lower Parel,  
Mumbai – 400 013.  
**Tel:** +91 22 4047 7000  
**Fax:** +91 22 4047 7070  
**Email:** [kscl@rathi.com](mailto:kscl@rathi.com)  
**Contact Person:** Mr. Venkat Raveendra  
**Website:** [www.rathi.com](http://www.rathi.com)

**SEBI Registration No. INM 000010478**

### Book Running Lead Managers (BRLMs)

#### SREI Capital Markets Limited

“Vishwakarma”

86C, Topsia Road (South)  
Kolkata – 700 046  
**Tel:** +91 33 39873810 / 3845  
**Fax:** +91 33 39873861 / 63

**Email:** [capital@srei.com](mailto:capital@srei.com)

**Contact Person:** Mr. Manoj Agarwal

**Website:** [www.srei.com](http://www.srei.com)

**SEBI Registration No. INM 000003762**

## Syndicate Members

### Anand Rathi Securities Limited

11<sup>th</sup> Floor,  
Times Tower,  
Senapati Bapat Marg,  
Lower Parel,  
Mumbai – 400 013.  
**Tel:** +91 22 4047 7000  
**Fax:** +91 22 4047 7070  
**Email:** [kscl@rathi.com](mailto:kscl@rathi.com)  
**Contact Person:** Ms. Meghna Parekh  
**Website:** [www.rathi.com](http://www.rathi.com)

**SEBI Registration No. INM 000010478**

### SREI Capital Markets Limited

“Vishwakarma”

86C, Topsia Road (South)  
Kolkata – 700 046  
**Tel:** +91 33 39873810 / 3845  
**Fax:** +91 33 39873861 / 63

**Email:** [capital@srei.com](mailto:capital@srei.com)

**Contact Person:** Mr. Manoj Agarwal

**Website:** [www.srei.com](http://www.srei.com)

**SEBI Registration No. INM 000003762**

### Book Running Lead Managers (BRLMs)

#### SOBHAGYA CAPITAL OPTIONS LIMITED

7-1-32/4,  
P – 1, Leelanagar,  
Begumpet,  
Hyderabad – 500 016.

**Tel:** +91 40 6552 8262

**Fax:** +91 40 – 2374 0419

**Email:** [lavanya@sobhagyacapital.com](mailto:lavanya@sobhagyacapital.com)

Contact person: Ms. Lavanya Chandra

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

SEBI Registration No. INM 000008571

### SOBHAGYA CAPITAL OPTIONS LIMITED

7-1-32/4,  
P – 1, Leelanagar,  
Begumpet,  
Hyderabad – 500 016.

**Tel:** +91 40 6552 8262

**Fax:** +91 40 – 2374 0419

**Email:** [lavanya@sobhagyacapital.com](mailto:lavanya@sobhagyacapital.com)

Contact person: Ms. Lavanya Chandra

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

SEBI Registration No. INM 000008571

## **Registrar to this Issue**

### **Bigshare Services Private Limited**

E-2/3, Ansa Industrial Estate,  
Saki Vihar Road, Saki Naka,  
Andheri (East),  
Mumbai – 400 072.

**Tel:** 91-22-2856 0652

**Fax:** 91-22-2847 5207

**Email:** [ipo@bigshareonline.com](mailto:ipo@bigshareonline.com)

**Contact Person:** Mr. N.V.K. Mohan

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

**SEBI Registration No.** INR000001385

## **Bankers to this Issue, Escrow Collection Banks & Refund Banker(s)**

### **HDFC BANK LIMITED**

(Refund Banker)

26 A, Narayan Properties,  
Chandivali Farm Road,  
Saki Naka, Mumbai-400072

Tel. No.: 022-28569009

Fax No.: 022-28569256

Contact Person: Mr. Viral Kothari

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

E-mail: [viral.kothari@hdfcbank.com](mailto:viral.kothari@hdfcbank.com)

### **KOTAK MAHINDRA BANK LIMITED**

Address: 13<sup>th</sup> Floor, Nariman Bhavan,  
227, Nariman Point, Mumbai 400 021

Phone: 91-22 – 6659 6022/67594876

Fax No.: +91-22 – 22817527

Contact Person: Mr. Sachin Shete

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

E-mail: [sachin.shete@kotak.com](mailto:sachin.shete@kotak.com)

### **ABN AMRO BANK**

Brady House, 14 Veer Nariman Road,  
Hornimon Circle, Fort,  
Mumbai – 400 001

Phone: +91-22 – 6658 5817/ 6658 5858

Fax No.: +91-22 – 2204 2673

Contact Person: Mr. Akhouri Malay

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

E-mail: [Akhouri.malay@in.abnamro.com](mailto:Akhouri.malay@in.abnamro.com)

### **STANDARD CHARTERED BANK**

Address: 270, D. N. Road, Fort,  
Mumbai-400 001

Phone: +91-22 -2268 3975, 2209 2213

Fax No.: +91-22-2209 6067

Contact Person: Mr. Rajesh Malwade

Website: [www@standardchartered.com](http://www@standardchartered.com)

E-mail: [rajesh.malwade@in.  
standardchartered.co.in](mailto:rajesh.malwade@in.standardchartered.co.in)

### **INDIANOVERSEAS BANK**

3-6-272, NVK Towers,  
Near HSE, Himayat Nagar  
Hyderabad – 500079

Tel. No.: +91-40-23421522/23

Fax No.: +91-40-23421524

Contact Person: Mr. Ashoka

Website: [www.iob.in](http://www.iob.in)

E-mail: [himytbr@hydscio.iobnet.co.in](mailto:himytbr@hydscio.iobnet.co.in)

## **Brokers to this Issue**

All the members of the recognised stock exchanges would be eligible to act as brokers to the Issue.

## Statutory Auditors

### P. R. Reddy & Co.,

Chartered Accountants

7-70/ 41, Street No. 8,

Maheshwari Nagar Colony,

Habsiguda, Hyderabad 500 007

Tel. No. +91 40 65283579

E-mail: [prreddy@rediffmail.com](mailto:prreddy@rediffmail.com)

## Statement of Inter Se Allocation of Responsibilities amongst BRLMs

(ARSL - Anand Rath Securities Limited, SCOL - **SOBHAGYA** CAPITAL OPTIONS LIMITED, SREI- SREI Capital Markets Limited)

In case of an undersubscription in this Issue, the shortfall shall have to be met by the Book Running Lead Managers to this Issue. Again, in case of undersubscription in this Issue, the Book Running Lead Manager responsible for the underwriting arrangements shall invoke underwriting obligations and ensure that the underwriters pay the amount of devolvement.

| Sr. No. | Activity                                                                                                                                                                                                                                                                                                                               | Responsibility   | Coordination |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------|
| 1.      | Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments, etc.                                                                                                                                                                                                     | ARSL / SCOL/SREI | SREI         |
| 2.      | Conducting a due diligence of the Company's operations / management / business plans / legal, etc. Drafting and designing the Prospectus. Ensuring compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.                                                            | ARSL / SCOL      | ARSL         |
| 3.      | Assisting the Company for the FIPB and RBI approvals                                                                                                                                                                                                                                                                                   | ARSL/SCOL        | SCOL         |
| 4.      | Primary co-ordination with SEBI, RoC and Stock exchanges up to bidding and co coordinating interface with lawyers for agreements                                                                                                                                                                                                       | ARSL/SCOL/SREI   | ARSL         |
| 5.      | Primary coordination of drafting/proofing of the design of the Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement                                                                              | SCOL / ARSL      | ARSL         |
| 6.      | Drafting and approving all publicity material other than statutory advertisement as mentioned in (5) above including corporate advertisement, brochure, etc.                                                                                                                                                                           | ARSL/SCOL/SREI   | SREI         |
| 7.      | Appointing the Registrars of the Issue                                                                                                                                                                                                                                                                                                 | ARSL/SREI        | SREI         |
| 8.      | Appointing Bankers to the Issue                                                                                                                                                                                                                                                                                                        | ARSL/SREI/SCOL   | ARSL         |
| 9.      | Appointing other intermediaries viz. Printers and advertising agency.                                                                                                                                                                                                                                                                  | ARSL/SCOL        | ARSL         |
| 10.     | Marketing of the Issue, which will cover inter alia (HNI & Retail): <ul style="list-style-type: none"><li>• Formulating marketing strategies, preparation of publicity budget,</li><li>• Finalizing media &amp; public relations strategy,</li><li>• Finalizing centers for holding conferences for press and brokers, etc.,</li></ul> | ARSL/SCOL/SREI   | ARSL         |

| Sr. No. | Activity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Responsibility | Coordination |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------|
|         | <ul style="list-style-type: none"> <li>• Finalizing collection centers</li> <li>• Brokers to the Issue</li> <li>• Underwriters and underwriting arrangements</li> <li>• Following-up on distribution of publicity and issue material including application form, prospectus and brochures and deciding on the quantum of the Issue material.</li> <li>• Preparing all road show presentations</li> </ul>                                                                                                                                                                                                                                                                                                                                   |                |              |
| 11.     | Co-ordinating institutional investor meetings and institutional allocation in consultation with the Company, finalizing the Prospectus and RoC filing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | ARSL/SREI      | SREI         |
| 12.     | Co-ordinating post bidding activities including management of Escrow accounts, co-ordinating Non-Institutional allocation, intimating allocation and despatch of refunds to Bidders, etc. The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing the listing of instruments and despatch of certificates and dematerialized delivery of Shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business. The BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company. | ARSL/SCOL/SREI | SCOL         |

### **Credit Rating**

As this is an Issue of Equity Shares, credit rating is not required for this Issue.

### **IPO Grading**

Our Company has not opted for IPO grading in relation to this Issue.

### **Trustees**

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

### **Monitoring Agency**

Monitoring agency is not required to be appointed in terms of Clause 8.17 of the SEBI Guidelines. The Board of Directors of our Company will monitor the use of the proceeds of this Issue.

### **Appraising Entity**

The objects of this Issue have not been appraised by any agency. The objects of this Issue and means of finance therefore are based on internal estimates of our Company.

### **Withdrawal of the Issue**

**Our Company, in consultation with the BRLMs, reserves the right not to proceed with this Issue at any time after the Bid/Issue Opening Date but before Allotment without assigning any reason therefore.**

## Book Building Process

Book Building refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus, which is based on the Price Band. The Issue Price is fixed after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- (1) Our Company,
  - Book Running Lead Managers in this case being Anand Rathi Securities Limited, **SOBHAGYA CAPITAL OPTIONS LIMITED** and SREI Capital Markets Limited,
  - Syndicate Member(s) who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The BRLMs appoint the Syndicate Members,
  - Registrar to the Issue, and
  - Escrow Collection Bank(s).

The SEBI Guidelines, have permitted an issue of securities to the public through the 100% Book Building Process, wherein at least 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs) including upto 5 % of the QIB portion that shall be available for Allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB portion shall be available for Allocation on a proportionate basis to all QIB bidders, including Mutual Funds. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, upto 15% of the Net Issue shall be available for Allocation on a proportionate basis to Non-Institutional Bidders and upto 35% of the Net Issue shall be available for Allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Our Company will comply with the SEBI Guidelines for this Issue. In this regard, our Company has appointed the BRLMs to procure subscriptions to the Issue.

**The process of Book Building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.**

**QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date and are required to pay 10% Margin Amount upon submission of their Bid. For further details, please refer to the chapters titled ‘Terms of this Issue’ and ‘Issue Procedure’ beginning on page nos. 187 and 189, respectively, of this Red Herring Prospectus.**

### Steps to be taken by the Bidders for bidding:

1. Check whether he/ she is eligible for bidding (for further details, please refer to the paragraph on ‘Who can Bid’ beginning on page no. 189 of this Red Herring Prospectus);
2. Bidders necessarily need to have a demat account and ensure that the demat account details are correctly mentioned in the Bid Cum Application Form;
3. 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; and
4. If your Bid is for Rs. 50,000 or more, ensure that the Bid Cum Application Form is accompanied by the Permanent Account Number or by Form 60 or Form 61 as may be applicable, together with necessary documents providing proof of address. For further details, please refer to the chapter titled ‘Issue Procedure’ beginning on page no. 189 of this Red Herring Prospectus. Bidders are specifically requested not to submit their GIR number instead of the PAN as the Bid is liable to be rejected.

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

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 200 to Rs. 240 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 websites of the BSE ([www.bseindia.com](http://www.bseindia.com)) and NSE ([www.nseindia.com](http://www.nseindia.com)) during the bidding period. The illustrative book as shown below shows the demand for the shares at various prices and is collated from bids from various investors.

| Number of Equity Shares Bid for | Bid Price (Rs.) | Cumulative Equity Shares Bid for | Subscription |
|---------------------------------|-----------------|----------------------------------|--------------|
| 500                             | 240             | 500                              | 16.67%       |

| Number of Equity Shares Bid for | Bid Price (Rs.) | Cumulative Equity Shares Bid for | Subscription |
|---------------------------------|-----------------|----------------------------------|--------------|
| 1000                            | 230             | 1500                             | 50.00%       |
| 1500                            | 220             | 3000                             | 100.00%      |
| 2000                            | 210             | 5000                             | 166.67%      |
| 2500                            | 200             | 7500                             | 250.00%      |

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off *i.e.*, Rs. 220 in the above example. The Issuer, in consultation with the BRLMs will finalise the issue price at or below such cut off price *i.e.* at or below Rs. 220. All bids at or above this issue price and cut off bids are valid bids and are considered for Allocation in respective category.

#### Bid/Issue

#### Bidding /Issue Period

|                             |                                     |
|-----------------------------|-------------------------------------|
| <b>BID/ISSUE OPENS ON</b>   | <b>THURSDAY, SEPTEMBER 06, 2007</b> |
| <b>BID/ISSUE CLOSSES ON</b> | <b>TUESDAY, SEPTEMBER 11, 2007</b>  |

Bids and any revision in Bids shall be accepted only between 10:00 hrs and 15:00 hrs (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid Cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted only between 10:00 hrs and 13:00 hrs (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date.

#### Underwriting

After the determination of the Issue Price but prior to filing of the Prospectus with RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Member(s) do not fulfill their underwriting obligations.

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

| Name and Address of the Underwriters | Indicated Number of Equity Shares to be Underwritten | Amount Underwritten (Rs. lakhs) |
|--------------------------------------|------------------------------------------------------|---------------------------------|
| [•]                                  | [•]                                                  | [•]                             |
| [•]                                  | [•]                                                  | [•]                             |
| [•]                                  | [•]                                                  | [•]                             |
| <b>Total</b>                         | <b>[•]</b>                                           | <b>[•]</b>                      |

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

The above-mentioned amount is an indicative underwriting and would be finalised after pricing and actual Allocation. The above underwriting agreement is dated [•].

In the opinion of the Board of Directors of our Company and the BRLMs (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Member(s) 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 to be defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount, as specified in the underwriting agreement

## CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Red Herring Prospectus with RoC is as set forth below.

| Share Capital as on the date of filing of this Red Herring Prospectus                                       | Amount in Rs. |                 |
|-------------------------------------------------------------------------------------------------------------|---------------|-----------------|
|                                                                                                             | Nominal Value | Aggregate Value |
| <b>A. Authorised Capital</b>                                                                                |               |                 |
| 2,00,00,000 Equity Shares of the face value of Rs. 10/- each                                                | 20,00,00,000  |                 |
| <b>B. Issued, Subscribed and Paid-Up Capital before this Issue</b>                                          |               |                 |
| 97,00,000 Equity Shares of the face value of Rs. 10/- each                                                  | 9,70,00,000   |                 |
| <b>C. Present Issue to the public in terms of this Red Herring Prospectus</b>                               |               |                 |
| 40,00,000 Equity Shares of the face value of Rs. 10/- each as Issue to the Public                           | 4,00,00,000   | [●]             |
| <b>Of Which</b>                                                                                             |               |                 |
| 2,00,000 Equity Shares of Rs. 10/- each are reserved for allotment to the Eligible Employees of our Company | 20,00,000     |                 |
|                                                                                                             |               |                 |
| <b>D. Net Issue to the Public</b>                                                                           |               |                 |
| <b>38,00,000 Equity Shares of Rs. 10/-each consisting of</b>                                                |               |                 |
| QIB portion of at least 19,00,000 Equity shares                                                             | 1,90,00,000   | [●]             |
| Non-Institutional portion of up to 5,70,000 Equity shares                                                   | 57,00,000     | [●]             |
| Retail portion of up to 13,30,000 Equity shares                                                             | 1,33,00,000   | [●]             |
| <b>E. Issued, Subscribed and Paid-Up Capital after this Issue</b>                                           |               |                 |
| 1,37,00,000 Equity Shares of the face value of Rs. 10/- each                                                | 13,70,00,000  | [●]             |
|                                                                                                             |               |                 |
| <b>F. Securities Premium Account*</b>                                                                       |               |                 |
| Before this Issue                                                                                           | -             | 2,80,00,000     |
| After this Issue                                                                                            | -             | [●]             |

### Notes to Capital Structure

#### 1. Details of increase in Authorised Share Capital since incorporation

| Sr. No. | Particulars of increase     | Date of Shareholders' meeting | AGM/EGM |
|---------|-----------------------------|-------------------------------|---------|
| 1.      | 5,00,000                    | Incorporation                 | -       |
| 2.      | 5,00,000 to 10,00,000       | March 1, 1993                 | EGM     |
| 3.      | 10,00,000 to 25,00,000      | December 28, 1995             | EGM     |
| 4.      | 25,00,000 to 2,00,00,000    | June 20, 2005                 | EGM     |
| 5.      | 2,00,00,000 to 20,00,00,000 | May 19, 2006                  | EGM     |

#### 2. Share Capital History of our Company

| Date of Allotment of the Equity Shares | No. of Equity Shares | Face Value | Issue Price | Nature of payment of consideration | Reasons for Allotment                        | Cumulative Securities Premium Account | Cumulative Paid-up Capital |
|----------------------------------------|----------------------|------------|-------------|------------------------------------|----------------------------------------------|---------------------------------------|----------------------------|
| August 27, 1986                        | 200                  | 10         | 10          | Cash                               | Subscription to the Memorandum               | -                                     | 2000                       |
| February 26, 1991                      | 33,300               | 10         | 10          | Cash                               | Further allotment to Promoters and relatives | -                                     | 3,35,000                   |
| March 28, 1996                         | 1,16,500             | 10         | 10          | Cash                               | Further allotment to                         | -                                     | 15,00,000                  |

| Date of Allotment of the Equity Shares | No. of Equity Shares | Face Value | Issue Price | Nature of payment of consideration | Reasons for Allotment                                 | Cumulative Securities Premium Account | Cumulative Paid-up Capital |
|----------------------------------------|----------------------|------------|-------------|------------------------------------|-------------------------------------------------------|---------------------------------------|----------------------------|
|                                        |                      |            |             |                                    | Promoters and relatives                               |                                       |                            |
| June 27, 2005                          | 14,50,000            | 10         | 10          | Cash                               | Further allotment to Promoters and relatives          | -                                     | 1,60,00,000                |
| June 23, 2006                          | 6,50,000             | 10         | 10          | Cash                               | Further allotment to Promoters                        |                                       | 2,25,00,000                |
| August 4, 2006*                        | 22,50,000            | 10         | -           | Other than Cash                    | Bonus @ 1:1                                           | -                                     | 4,50,00,000                |
| September 20, 2006**                   | 45,00,000            | 10         | 10          | Cash                               | Further allotment to Promoters and other shareholders | -                                     | 9,00,00,000                |
|                                        | 5,00,000             | 10         | -           | Other Than Cash                    | Acquisition of M/s Kaveri Agriteck                    | -                                     | 9,50,00,000                |
| February 15, 2007***                   | 2,00,000             | 10         | 150         | Cash                               | Private Placement                                     | 2,80,00,000                           | 9,70,00,000                |

\* Our Company, on August 4, 2006 issued bonus shares to its members in the ratio of one Equity Share for every one Equity Share held by members and such new shares were fully paid and ranked *pari passu* with the existing equity shares. A total of 22,50,000 equity shares were issued. Face value of each Equity Share issued including the present allotment of bonus shares amounted to Rs. 10. This bonus issue was authorized *vide* resolution passed on May 19, 2006.

\*\* Our Company, on September 20, 2006 acquired the business, assets and liabilities of M/s. Kaveri Agriteck for a total sale consideration of Rs. 50,00,000/-. The consideration for the said acquisition was paid *via* an issue of 5,00,000 fully paid up equity shares of Rs. 10/- each, to the partners of M/s. Kaveri Agriteck.

\*\*\* Our Company, on February 15, 2007, allotted 2,00,000 Equity Shares to India Emerging Capital Private Limited, having a face value Rs. 10/- per equity share and a premium of Rs. 140/- per equity share. The said Equity Shares were fully paid up and are ranking *pari passu* with the existing equity shares. This placement was authorized *vide* a special resolution passed on February 15, 2007.

### 3. Details of Promoters' Contribution and Lock-In

#### a. Capital built up of Promoters

| Name of the Promoter   | Date of Allotment | Date on which Equity Shares were made fully paid up | Mode of acquisition (Allotment/ transfer) | Number of Equity Shares | Face Value per Equity Share (in Rs) | Issue/ Transfer price per Equity Share in Rs. | Consideration (cash, bonus, consideration other than cash) |
|------------------------|-------------------|-----------------------------------------------------|-------------------------------------------|-------------------------|-------------------------------------|-----------------------------------------------|------------------------------------------------------------|
| Mr. Gundavaram Venkata | August 27, 1986   | August 27, 1986                                     | Allotment                                 | 100                     | 10                                  | 10                                            | Cash                                                       |
|                        | February 26, 1991 | February 26, 1991                                   | Allotment                                 | 12,400                  | 10                                  | 10                                            | Cash                                                       |
|                        | March 29, 1996    | March 29, 1996                                      | Allotment                                 | 44,000                  | 10                                  | 10                                            | Cash                                                       |
|                        | June 27, 2005     | June 27, 2005                                       | Allotment                                 | 3,90,000                | 10                                  | 10                                            | Cash                                                       |
|                        | June 23, 2006     | June 23, 2006                                       | Allotment                                 | 6,50,000                | 10                                  | 10                                            | Cash                                                       |
|                        | July 26, 2006     | July 26, 2006                                       | Purchase                                  | 1,43,500                | 10                                  | 50                                            | Cash                                                       |
|                        | July 29, 2006     | July 29, 2006                                       | Sale                                      | (3,00,000)              | 10                                  | 50                                            | Cash                                                       |
|                        | August 1, 2006    | August 1, 2006                                      | Sale                                      | (71,000)                | 10                                  | 50                                            | Cash                                                       |

| Name of the Promoter                  | Date of Allotment  | Date on which Equity Shares were made fully paid up | Mode of acquisition (Allotment/transfer) | Number of Equity Shares | Face Value per Equity Share (in Rs) | Issue/ Transfer price per Equity Share in Rs. | Consideration (cash, bonus, consideration other than cash)           |
|---------------------------------------|--------------------|-----------------------------------------------------|------------------------------------------|-------------------------|-------------------------------------|-----------------------------------------------|----------------------------------------------------------------------|
| <b>Bhaskar Rao</b>                    | August 1, 2006     | August 1, 2006                                      | Sale                                     | (5,79,000)              | 10                                  | 10                                            | Cash                                                                 |
|                                       | August 4, 2006     | August 4, 2006                                      | Allotment                                | 2,90,000                | 10                                  | Nil                                           | Bonus                                                                |
|                                       | September 20, 2006 | September 20, 2006                                  | Allotment                                | 5,80,000                | 10                                  | 10                                            | Cash                                                                 |
|                                       | September 20, 2006 | September 20, 2006                                  | Allotment                                | 1,70,400                | 10                                  | 10                                            | Other than cash for acquisition of M/s. Kaveri Agriteck              |
|                                       | September 20, 2006 | September 20, 2006                                  | Gift                                     | (82,400)                | 10                                  | Nil                                           | Gift to Mr. Chennameneni Vamsheedhar & Mr. Chennameneni Mithun Chand |
|                                       | <b>Sub Total</b>   |                                                     |                                          | <b>12,48,000</b>        |                                     |                                               |                                                                      |
| <b>Mrs. Gundavaram Vanaja Devi</b>    | August 27, 1986    | August 27, 1986                                     | Allotment                                | 100                     | 10                                  | 10                                            | Cash                                                                 |
|                                       | February 26, 1991  | February 26, 1991                                   | Allotment                                | 8,900                   | 10                                  | 10                                            | Cash                                                                 |
|                                       | March 29, 1996     | March 29, 1996                                      | Allotment                                | 30,000                  | 10                                  | 10                                            | Cash                                                                 |
|                                       | June 27, 2005      | June 27, 2005                                       | Allotment                                | 5,95,000                | 10                                  | 10                                            | Cash                                                                 |
|                                       | July 26, 2006      | July 26, 2006                                       | Sale                                     | (97,000)                | 10                                  | 50                                            | Cash                                                                 |
|                                       | August 4, 2006     | August 4, 2006                                      | Allotment                                | 5,37,000                | 10                                  | NIL                                           | Bonus                                                                |
|                                       | September 20, 2006 | September 20, 2006                                  | Allotment                                | 10,74,000               | 10                                  | 10                                            | Cash                                                                 |
|                                       | September 20, 2006 | September 20, 2006                                  | Allotment                                | 74,600                  | 10                                  | -                                             | Other than cash for acquisition of M/s. Kaveri Agriteck              |
|                                       | <b>Sub Total</b>   |                                                     |                                          | <b>22,22,600</b>        |                                     |                                               |                                                                      |
| <b>Mr. Rangineni Venu Manohar Rao</b> | February 26, 1991  | February 26, 1991                                   | Allotment                                | 4,000                   | 10                                  | Nil                                           | Cash                                                                 |
|                                       | August 1, 2006     | August 1, 2006                                      | Purchase                                 | 71,000                  | 10                                  | Nil                                           | Cash                                                                 |
|                                       | August 4, 2006     | August 4, 2006                                      | Allotment                                | 75,000                  | 10                                  | 10                                            | Bonus                                                                |
|                                       | September 20, 2006 | September 20, 2006                                  | Allotment                                | 1,50,000                | 10                                  | Nil                                           | Cash                                                                 |
|                                       | September 20, 2006 | September 20, 2006                                  | Allotment                                | 71,600                  | 10                                  | -                                             | Other than cash for acquisition of M/s. Kaveri Agriteck              |
|                                       |                    |                                                     |                                          | <b>3,71,600</b>         |                                     |                                               |                                                                      |
| <b>Mr. Chennameneni Vamsheedhar</b>   | September 20, 2006 | September 20, 2006                                  | Allotment                                | 77,600                  | 10                                  | 90                                            | Other than cash for acquisition of M/s. Kaveri Agriteck              |
|                                       | September 20, 2006 | September 20, 2006                                  | Gift                                     | 22,400                  | 10                                  | Nil                                           | Gift From Mr. Gundavaram Venkata Bhaskar Rao                         |
|                                       | <b>Sub Total</b>   |                                                     |                                          | <b>1,00,000</b>         |                                     |                                               |                                                                      |

| Name of the Promoter                 | Date of Allotment  | Date on which Equity Shares were made fully paid up | Mode of acquisition (Allotment/transfer) | Number of Equity Shares | Face Value per Equity Share (in Rs) | Issue/ Transfer price per Equity Share in Rs. | Consideration (cash, bonus, consideration other than cash) |
|--------------------------------------|--------------------|-----------------------------------------------------|------------------------------------------|-------------------------|-------------------------------------|-----------------------------------------------|------------------------------------------------------------|
| Mr. Chennameneni Mithun Chand        | July 26,2006*      | July 26,2006*                                       | Gift                                     | 4,000                   | 10                                  | Nil                                           | Gift From Mr. Rangineni Raghupati Rao                      |
|                                      | August 4, 2006     | August 4, 2006                                      | Allotment                                | 4,000                   | 10                                  | Nil                                           | Bonus                                                      |
|                                      | September 20, 2006 | September 20, 2006                                  | Allotment                                | 8,000                   | 10                                  | 10                                            | Cash                                                       |
|                                      | September 20, 2006 | September 20, 2006                                  | Gift                                     | 60,000                  | 10                                  | Nil                                           | Gift From Mr. Gundavaram Venkata Bhaskar Rao               |
|                                      | Sub Total          |                                                     |                                          | 76,000                  |                                     |                                               |                                                            |
| Dr. Gundavaram Pawan                 | February 26, 1991  | February 26, 1991                                   | Allotment                                | 2,000                   | 10                                  | 10                                            | Cash                                                       |
|                                      | March 29, 1996     | March 29, 1996                                      | Allotment                                | 12,500                  | 10                                  | 10                                            | Cash                                                       |
|                                      | June 27, 2005      | June 27, 2005                                       | Allotment                                | 99,000                  | 10                                  | 10                                            | Cash                                                       |
|                                      | July 26, 2006      | July 26, 2006                                       | Sale                                     | (14,500)                | 10                                  | 50                                            | Cash                                                       |
|                                      | August 4, 2006     | August 4, 2006                                      | Allotment                                | 99,000                  | 10                                  | Nil                                           | Bonus                                                      |
|                                      | September 20, 2006 | September 20, 2006                                  | Allotment                                | 1,98,000                | 10                                  | 10                                            | Cash                                                       |
|                                      | September 20, 2006 | September 20, 2006                                  | Allotment                                | 1,05,800                | 10                                  | 10                                            | Other than cash for acquisition of M/s. Kaveri Agriteck    |
|                                      | Sub Total          |                                                     |                                          | 5,01,800                |                                     |                                               |                                                            |
| Dr. Gundavaram Madhushree            | February 26, 1991  | February 26, 1991                                   | Allotment                                | 2,000                   | 10                                  | 10                                            | Cash                                                       |
|                                      | March 29, 1996     | March 29, 1996                                      | Allotment                                | 30,000                  | 10                                  | 10                                            | Cash                                                       |
|                                      | June 27, 2005      | June 27, 2005                                       | Allotment                                | 3,66,000                | 10                                  | 10                                            | Cash                                                       |
|                                      | July 26, 2006      | July 26, 2006                                       | Sale                                     | (32000)                 | 10                                  | 50                                            | Cash                                                       |
|                                      | August 4, 2006     | August 4, 2006                                      | Allotment                                | 3,66,000                | 10                                  | Nil                                           | Bonus                                                      |
|                                      | September 20, 2006 | September 20, 2006                                  | Allotment                                | 7,32,000                | 10                                  | 10                                            | Cash                                                       |
|                                      | Sub Total          |                                                     |                                          | 14,64,000               |                                     |                                               |                                                            |
| Gundavaram Venkata Bhaskar Rao (HUF) | August 01, 2006    | August 01, 2006                                     | Purchase                                 | 5,79,000                | 10                                  | 10                                            | Cash                                                       |
|                                      | August 4, 2006     | August 4, 2006                                      | Allotment                                | 5,79,000                | 10                                  | Nil                                           | Bonus                                                      |
|                                      | September 20, 2006 | September 20, 2006                                  | Allotment                                | 11,58,000               | 10                                  | 10                                            | Cash                                                       |
|                                      | Sub Total          |                                                     |                                          | 23,16,000               |                                     |                                               |                                                            |
| Total Promoters' Shareholding        |                    |                                                     |                                          | 83,00,000               |                                     |                                               |                                                            |

The following table represents the shares allotted to and transferred by Mr. Gundavaram Venkata Bhaskar Rao

| Name of the Promoter                      | Date of Allotment  | Date on which Equity Shares were made fully paid up | Mode of acquisition (Allotment/ transfer) | Number of Equity Shares | Particulars                                                                                                                                                                         |
|-------------------------------------------|--------------------|-----------------------------------------------------|-------------------------------------------|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mr. Gundavaram Venkata Bhaskar Rao</b> | August 27, 1986    | August 27, 1986                                     | Allotment                                 | 100                     | Transferred to outsiders on July 29,2006                                                                                                                                            |
|                                           | February 26, 1991  | February 26, 1991                                   | Allotment                                 | 12,400                  | Transferred to outsiders on July 29,2006                                                                                                                                            |
|                                           | March 29, 1996     | March 29, 1996                                      | Allotment                                 | 44,000                  | Transferred to outsiders on July 29,2006                                                                                                                                            |
|                                           | June 27, 2005      | June 27, 2005                                       | Allotment                                 | 3,90,000                | Out of 390000 shares, only 100000 have been transferred on July 29, 2006 to outsiders and the balance 290000 shares have been considered for lock-in period of 3 years              |
|                                           | June 23, 2006      | June 23, 2006                                       | Allotment                                 | 6,50,000                | 579000 shares have been transferred on August 01, 2006 to Gundavaram Venkata Bhaskar Rao (HUF) and the balance 71000 shares have been transferred to Mr. Rangineni Venu Manohar Rao |
|                                           | July 26, 2006      | July 26, 2006                                       | Purchase                                  | 1,43,500                | Transferred to outsiders on July 29, 2006                                                                                                                                           |
|                                           | July 29, 2006      | July 29, 2006                                       | Sale                                      | (3,00,000)              | -                                                                                                                                                                                   |
|                                           | August 1, 2006     | August 1, 2006                                      | Sale                                      | (71,000)                | -                                                                                                                                                                                   |
|                                           | August 1, 2006     | August 1, 2006                                      | Sale                                      | (5,79,000)              | -                                                                                                                                                                                   |
|                                           | August 4, 2006     | August 4, 2006                                      | Allotment                                 | 2,90,000                | considered for lock-in period of 3 years                                                                                                                                            |
|                                           | September 20, 2006 | September 20, 2006                                  | Allotment                                 | 5,80,000                | considered for lock-in period of 1 year                                                                                                                                             |
|                                           | September 20, 2006 | September 20, 2006                                  | Allotment                                 | 1,70,400                | Out of 170400 shares, 82400 shares have been gifted on September 20, 2006 and the balance 88000 shares have been considered for lock-in period of 1 year                            |
|                                           | September 20, 2006 | September 20, 2006                                  | Gift                                      | (82,400)                | -                                                                                                                                                                                   |
| <b>Sub Total</b>                          |                    |                                                     |                                           | <b>12,48,000</b>        |                                                                                                                                                                                     |

**b. Details of Promoters' contribution locked-in for 3 years:**

| Name of the Promoter                 | Date of Allotment  | Date on which Equity Shares were made fully paid up | Mode of acquisition (Allotment/transfer) | Number of Equity Shares | Face Value per Equity Share (in Rs) | Issue/ Transfer price per Equity Share in Rs. | Consideration (cash, bonus, consideration other than cash) | Percentage of pre-Issue paid-up capital | Percentage of post-Issue paid-up capital | Lock-in Period |
|--------------------------------------|--------------------|-----------------------------------------------------|------------------------------------------|-------------------------|-------------------------------------|-----------------------------------------------|------------------------------------------------------------|-----------------------------------------|------------------------------------------|----------------|
| Mr. Gundavaram Venkata Bhaskar Rao   | June 27, 2005      | June 27, 2005                                       | Allotment                                | 2,90,000                | 10                                  | 10                                            | Cash                                                       | 2.99                                    | 2.12                                     | Three years    |
|                                      | August 4, 2006**   | August 4, 2006**                                    | Allotment                                | 2,90,000                | 10                                  | NIL                                           | Bonus                                                      | 2.99                                    | 2.12                                     | Three years    |
| Mrs. Gundavaram Vanaja Devi          | June 27, 2005      | June 27, 2005                                       | Allotment                                | 5,37,000                | 10                                  | 10                                            | Cash at par                                                | 5.54                                    | 3.92                                     | Three years    |
|                                      | August 4, 2006**   | August 4, 2006**                                    | Allotment                                | 5,37,000                | 10                                  | NIL                                           | Bonus                                                      | 5.54                                    | 3.92                                     | Three years    |
| Mr. Rangineni Venu Manohar Rao       | February 26, 1991  | February 26, 1991                                   | Allotment                                | 4,000                   | 10                                  | Nil                                           | Cash                                                       | 0.04                                    | 0.03                                     | Three years    |
|                                      | August 4, 2006**   | August 4, 2006**                                    | Allotment                                | 4,000                   | 10                                  | NIL                                           | Bonus                                                      | 0.04                                    | 0.03                                     | Three years    |
| Dr. Gundavaram Madhushree            | June 27, 2005      | June 27, 2005                                       | Allotment                                | 3,66,000                | 10                                  | 10                                            | Cash at par                                                | 3.77                                    | 2.67                                     | Three years    |
|                                      | August 4, 2006**   | August 4, 2006**                                    | Allotment                                | 3,66,000                | 10                                  | NIL                                           | Bonus                                                      | 3.77                                    | 2.67                                     | Three years    |
| Dr. Gundavaram Pawan                 | June 27, 2005      | June 27, 2005                                       | Allotment                                | 99,000                  | 10                                  | 10                                            | Cash                                                       | 1.02                                    | 0.72                                     | Three years    |
|                                      | August 4, 2006     | August 4, 2006                                      | Allotment                                | 99,000                  | 10                                  | Nil                                           | Bonus                                                      | 1.02                                    | 0.72                                     | Three years    |
| Gundavaram Venkata Bhaskar Rao (HUF) | September 20, 2006 | September 20, 2006                                  | Allotment                                | 1,48,000 #              | 10                                  | [*]                                           | cash                                                       | 1.53                                    | 1.08                                     | Three years    |
| TOTAL                                |                    |                                                     |                                          | 27,40,000               |                                     |                                               |                                                            | 28.25                                   | 20.00                                    |                |

\*\*Bonus shares were allotted on capitalization of free reserves.

# In terms of the first proviso to Clause 4.6.2 of the SEBI Guidelines, for the shortfall of 1,48,000 Equity Shares, being the shortfall between the Equity Shares eligible for 20% minimum Promoters' contribution and the Equity Shares required for meeting 20% of the Post-Issue Capital, Gundavaram Venkata Bhaskar Rao (HUF), one of the Promoters of our Company, shall bring in the difference between the final Issue Price and the price at which the Equity Shares were allotted to it on September 20, 2006 in compliance with the applicable provisions of Companies Act, 1956 such as filing of revised resolution, filing of revised return of allotment with ROC, etc.

# In terms of clause 4.9 of SEBI (DIP) Guidelines, Gundavaram Venkata Bhaskar Rao (HUF), one of the Promoters of our Company shall bring in the full amount of the Promoters' contribution including the premium (i.e. at the higher end of the price band) at least one day prior to the Bid / Issue Opening Date and the amount shall be kept in an Escrow Account to be

opened with a Scheduled Commercial Bank and the said contribution / amount shall be released to our Company along with the public issue proceeds. Our Board of Directors shall pass a resolution allotting the shares to Gundavaram Venkata Bhaskar Rao (HUF) against the moneys received. A copy of the resolution along with a Chartered Accountants' Certificate certifying that the Promoters' contribution has been brought in shall be filed with the Board before the Bid / Issue Opening Date. The certificate of the Chartered Accountant shall also be accompanied by a list of names and addresses of friends, relatives and associates who have contributed to the Promoters' quota along with the amount of subscription made by each of them.

We confirm that the minimum Promoters' contribution of 20% which is subject to lock-in for three years does not consist of:

- Equity Shares acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves or reserves without accrual of cash resources.
- Securities issued during the preceding one year, at a price lower than the price at which Equity Shares are being offered to public.
- Private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.
- Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum Promoters' contribution subject to lock-in.
- Equity Shares issued to Promoters on conversion of partnership firms into limited company.
- Equity Shares with a contribution less than Rs. 25,000/- per application from each individual and contribution less than Rs.1,00,000/- from firms and companies.

As per Clause 4.13.1 of the SEBI Guidelines, Equity Shares locked in for a period of three years have been locked in on LIFO basis (that is shares have been issued last shall be locked in first) from the date of Allotment in this Issue.

**c. Details of Promoters' contribution locked-in for 1 year:**

| Name of the Promoter                      | Date of Allotment    | Date on which Equity Shares were made fully paid up | Mode of acquisition (Allotment/transfer) | Number of Equity Shares | Face Value per Equity Share (in Rs) | Issue/ Transfer price per Equity Share in Rs. | Consideration (cash, bonus, consideration other than cash) | Percentage of pre-Issue paid-up capital | Percentage of post-Issue paid-up capital |
|-------------------------------------------|----------------------|-----------------------------------------------------|------------------------------------------|-------------------------|-------------------------------------|-----------------------------------------------|------------------------------------------------------------|-----------------------------------------|------------------------------------------|
| <b>Mr. Gundavaram Venkata Bhaskar Rao</b> | September 20, 2006   | September 20, 2006                                  | Allotment                                | 5,80,000                | 10                                  | 10                                            | Cash                                                       | 5.98                                    | 4.23                                     |
|                                           | September 20, 2006   | September 20, 2006                                  | Allotment                                | 88,000                  | 10                                  | 10                                            | Other than cash for acquisition of M/s. Kaveri Agriteck    | 0.91                                    | 0.64                                     |
|                                           | <b>Sub Total (A)</b> |                                                     |                                          | <b>6,68,000</b>         |                                     |                                               | <b>4.87</b>                                                | <b>6.89</b>                             |                                          |
| <b>Mrs. Gundavaram Vanaja Devi</b>        | September 20, 2006   | September 20, 2006                                  | Allotment                                | 10,74,000               | 10                                  | 10                                            | Cash                                                       | 11.07                                   | 7.84                                     |
|                                           | September 20, 2006   | September 20, 2006                                  | Allotment                                | 74,600                  | 10                                  | -                                             | Other than cash for acquisition of M/s. Kaveri Agriteck    | 0.77                                    | 0.54                                     |
|                                           | <b>Sub Total (B)</b> |                                                     |                                          | <b>11,48,600</b>        |                                     |                                               | <b>11.84</b>                                               | <b>8.38</b>                             |                                          |
| <b>Mr. Rangineni Venu Manohar Rao</b>     | August 1, 2006*      | August 1, 2006*                                     | Purchase                                 | 71,000                  | 10                                  | Nil                                           | Cash                                                       | 0.73                                    | 0.52                                     |
|                                           | August 4, 2006       | August 4, 2006                                      | Allotment                                | 71,000                  | 10                                  | 10                                            | Bonus                                                      | 0.73                                    | 0.52                                     |
|                                           | September 20, 2006   | September 20, 2006                                  | Allotment                                | 1,50,000                | 10                                  | Nil                                           | Cash                                                       | 1.55                                    | 1.09                                     |

| Name of the Promoter                  | Date of Allotment    | Date on which Equity Shares were made fully paid up | Mode of acquisition (Allotment/transfer) | Number of Equity Shares | Face Value per Equity Share (in Rs) | Issue/ Transfer price per Equity Share in Rs. | Consideration (cash, bonus, consideration other than cash) | Percentage of pre-Issue paid-up capital | Percentage of post-Issue paid-up capital |
|---------------------------------------|----------------------|-----------------------------------------------------|------------------------------------------|-------------------------|-------------------------------------|-----------------------------------------------|------------------------------------------------------------|-----------------------------------------|------------------------------------------|
|                                       | September 20, 2006   | September 20, 2006                                  | Allotment                                | 71,600                  | 10                                  | -                                             | Other than cash for acquisition of M/s. Kaveri Agriteck    | 0.74                                    | 0.52                                     |
|                                       | <b>Sub Total (C)</b> |                                                     |                                          | <b>3,63,600</b>         | <b>03.75</b>                        |                                               |                                                            |                                         |                                          |
|                                       |                      |                                                     |                                          |                         | <b>2.65</b>                         |                                               |                                                            |                                         |                                          |
| <b>Mr. Chenname neni Vamsheedhar</b>  | September 20, 2006   | September 20, 2006                                  | Allotment                                | 77,600                  | 10                                  | 90                                            | Other than cash for acquisition of M/s. Kaveri Agriteck    | 0.80                                    | 0.57                                     |
|                                       | September 20, 2006*  | September 20, 2006*                                 | Gift                                     | 22,400                  | 10                                  | Nil                                           | Gift From Mr. Gundavaram Venkata Bhaskar Rao               | 0.23                                    | 0.16                                     |
|                                       | <b>Sub Total (D)</b> |                                                     |                                          | <b>1,00,000</b>         | <b>1.03</b>                         |                                               |                                                            |                                         |                                          |
|                                       |                      |                                                     |                                          |                         | <b>0.73</b>                         |                                               |                                                            |                                         |                                          |
| <b>Mr. Chenname neni Mithun Chand</b> | July 26, 2006*       | July 26, 2006*                                      | Gift                                     | 4,000                   | 10                                  | Nil                                           | Gift From Mr. Rangineni Raghupati Rao                      | 0.04                                    | 0.03                                     |
|                                       | August 4, 2006       | August 4, 2006                                      | Allotment                                | 4,000                   | 10                                  | Nil                                           | Bonus                                                      | 0.04                                    | 0.03                                     |
|                                       | September 20, 2006   | September 20, 2006                                  | Allotment                                | 8,000                   | 10                                  | 10                                            | Cash                                                       | 0.08                                    | 0.06                                     |
|                                       | September 20, 2006*  | September 20, 2006*                                 | Gift                                     | 60,000                  | 10                                  | Nil                                           | Gift From Mr. Gundavaram Venkata Bhaskar Rao               | 0.62                                    | 0.44                                     |
|                                       | <b>Sub Total (E)</b> |                                                     |                                          | <b>76,000</b>           | <b>0.78</b>                         |                                               |                                                            |                                         |                                          |
|                                       |                      |                                                     |                                          |                         | <b>0.56</b>                         |                                               |                                                            |                                         |                                          |
| <b>Dr. Gundavaram Pawan</b>           | September 20, 2006   | September 20, 2006                                  | Allotment                                | 1,98,000                | 10                                  | 10                                            | Cash                                                       | 2.04                                    | 1.44                                     |
|                                       | September 20, 2006   | September 20, 2006                                  | Allotment                                | 1,05,800                | 10                                  | 10                                            | Other than cash for acquisition of M/s. Kaveri Agriteck    | 1.09                                    | 0.77                                     |
|                                       | <b>Sub Total (F)</b> |                                                     |                                          | <b>3,03,800</b>         | <b>3.13</b>                         |                                               |                                                            |                                         |                                          |
|                                       |                      |                                                     |                                          |                         | <b>2.21</b>                         |                                               |                                                            |                                         |                                          |
| <b>Dr. Gundavaram Madhushree</b>      | September 20, 2006   | September 20, 2006                                  | Allotment                                | 7,32,000                | 10                                  | 10                                            | Cash                                                       | 7.55                                    | 5.34                                     |
|                                       | <b>Sub Total (G)</b> |                                                     |                                          | <b>7,32,000</b>         | <b>7.55</b>                         |                                               |                                                            |                                         |                                          |
|                                       |                      |                                                     |                                          |                         | <b>5.34</b>                         |                                               |                                                            |                                         |                                          |
| <b>Gundavaram Venkata</b>             | August 01, 2006*     | August 01, 2006*                                    | Purchase                                 | 5,79,000                | 10                                  | 10                                            | Cash                                                       | 5.97                                    | 4.23                                     |

| Name of the Promoter     | Date of Allotment                  | Date on which Equity Shares were made fully paid up | Mode of acquisition (Allotment/transfer) | Number of Equity Shares | Face Value per Equity Share (in Rs) | Issue/ Transfer price per Equity Share in Rs. | Consideration (cash, bonus, consideration other than cash) | Percentage of pre-Issue paid-up capital | Percentage of post-Issue paid-up capital |
|--------------------------|------------------------------------|-----------------------------------------------------|------------------------------------------|-------------------------|-------------------------------------|-----------------------------------------------|------------------------------------------------------------|-----------------------------------------|------------------------------------------|
| <b>Bhaskar Rao (HUF)</b> | August 4, 2006                     | August 4, 2006                                      | Allotment                                | 5,79,000                | 10                                  | Nil                                           | Bonus                                                      | 5.97                                    | 4.23                                     |
|                          | September 20, 2006                 | September 20, 2006                                  | Allotment                                | 10,10,000               | 10                                  | 10                                            | Cash                                                       | 10.41                                   | 7.37                                     |
|                          | <b>Sub Total (H)</b>               |                                                     |                                          | <b>21,68,000</b>        | <b>15.83</b>                        |                                               |                                                            |                                         | <b>22.35</b>                             |
| <b>Total</b>             | <b>(A)+(B)+(C)+(D)+(E)+(F)+(H)</b> |                                                     |                                          | <b>55,60,000</b>        | <b>40.58</b>                        |                                               |                                                            |                                         | <b>57.31</b>                             |

Other than Equity Shares locked-in for a period of three years, the entire pre-Issue capital of our Company shall be locked in for a period of one year from the date of allotment in this Issue.

We confirm that the specific written consents have been obtained from all of the Promoters for inclusion of their shares for computation of minimum Promoters' contribution subject to lock-in.

Shares held by any person other than our Promoters, prior to this Issue, which are subject to lock in as per the relevant provisions of Chapter IV of SEBI Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

Shares held by our Promoters which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst Promoters/Promoter Group Entities or to a new promoter or persons in control of our Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable. The locked-in Equity Shares held by our Promoters can 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 such loan.

- Except as described below, our Promoters, Promoter group and our Promoter Group Entities, the Directors of our Company, the Directors of our Promoter Group Entities have not purchased, neither have they sold any Equity Shares, during a period of six months preceding the date of filing this Red Herring Prospectus with RoC.

| Name                 | Date of Allotment / Transfer/ Acquisition | Consideration | No. of Equity Shares | Face Value (Rs.) | Issue Price/ Acquisition Price |
|----------------------|-------------------------------------------|---------------|----------------------|------------------|--------------------------------|
| <b>Mrs.C.Padmaja</b> | Purchased on February 21, 2007            | Rs.5,40,000   | 18,000               | 10               | 30                             |
| <b>Mrs.C.Padmaja</b> | Sold on May 10, 2007                      | Rs.3,00,000   | 10,000               | 10               | 30                             |

- Our Company, our Directors, our Promoters and the BRLMs to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares of our Company from any person.

6. An over-subscription to the extent of 10% of this Issue size can be retained for the purpose of rounding off to the nearest multiple of minimum allotment lot.
7. The Equity Shares forming part of Promoter's contribution do not consist of any private placement made by solicitation of subscription from unrelated persons, either directly or through any intermediary.
8. As per RBI regulations, OCBs are not allowed to participate in this Issue.
9. Since the entire money of Rs. [●]/- per share (Rs. 10/- face value + Rs. [●]/- premium) is being called on application, all the successful applicants will be issued fully paid-up Equity Shares.
10. The Equity Shares of our Company are fully paid up and there are no partly paid up Equity Shares as on date.
11. In case of over-subscription in all categories, at least 50% of the Net Issue to the Public shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be reserved for Mutual Funds. Further, up to 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in the Non-Institutional and Retail categories would be allowed to be met with spill over from any other category at the sole discretion of our Company in consultation with the BRLMs.

**12(a) Particulars of the top ten shareholders on the date of and ten days prior to the filing this Red Herring Prospectus with RoC**

| Sr. No. | Name of the Shareholder                | Number of equity shares | % of total paid-up capital | Cumulative % of total paid up capital |
|---------|----------------------------------------|-------------------------|----------------------------|---------------------------------------|
| 1       | Gundavaram Venkata Bhaskar Rao (HUF)   | 2316000                 | 23.87                      | 23.87                                 |
| 2       | Mrs. Gundavaram Vanaja Devi            | 2222600                 | 22.91                      | 46.78                                 |
| 3.      | Dr. Gundavaram Madhushree              | 1464000                 | 15.09                      | 61.87                                 |
| 4.      | Mr. Gundavaram Venkata Bhaskar Rao     | 1248000                 | 12.86                      | 74.73                                 |
| 5.      | Dr. Gundavaram Pawan                   | 501800                  | 05.17                      | 79.90                                 |
| 6.      | Mr. Rangineni Venu Manohar Rao         | 371600                  | 03.83                      | 83.73                                 |
| 7       | India Emerging Capital Private Limited | 200000                  | 02.06                      | 85.79                                 |
| 8.      | Mr. Vimesh Doshi                       | 123500                  | 01.27                      | 87.06                                 |
| 9       | Mr. Chennameneni Vamsheedhar           | 100000                  | 01.03                      | 88.09                                 |
| 10      | Mrs. Anjana Bangad                     | 94500                   | 0.97                       | 89.06                                 |

**12. (b) Particulars of the top ten shareholders 2 years prior to the date of filing this Red Herring Prospectus with RoC**

| Sr. No. | Name of the shareholder            | Number of Equity Shares | % of total paid-up capital | Cumulative % of total paid up capital |
|---------|------------------------------------|-------------------------|----------------------------|---------------------------------------|
| 1       | Mr. Gundavaram Venkata Bhaskar Rao | 56500                   | 37.66                      | 37.66                                 |
| 2       | Mrs. Gundavaram Vanaja Devi        | 39000                   | 26.00                      | 63.66                                 |
| 3       | Dr. Gundavaram Madhushree          | 32000                   | 21.33                      | 84.99                                 |
| 4       | Dr. Gundavaram Pawan               | 14500                   | 9.67                       | 94.66                                 |
| 5       | Mr. Rangineni Venu Manohar Rao     | 4000                    | 2.67                       | 97.33                                 |
| 6       | Mr. R. Raghupathi Rao              | 4000                    | 2.67                       | 100                                   |

**13. Shareholding pattern of our Company prior and post this Issue**

| Category Code | Category of Shareholder                                     | No. of Shareholders | Total no. of shares | No. of shares held in dematerialized form | Total shareholding as a percentage of total number of shares (Pre-Issue) |                              | Total Number of shares | Total Shareholding as a % of total number of shares (Post-Issue) |                   |
|---------------|-------------------------------------------------------------|---------------------|---------------------|-------------------------------------------|--------------------------------------------------------------------------|------------------------------|------------------------|------------------------------------------------------------------|-------------------|
|               |                                                             |                     |                     |                                           | As a Percent age of (A + B )                                             | As a Percent age of (A+B+ C) |                        | As a % of (A + B )                                               | As a % of (A+B+C) |
| <b>(A)</b>    | <b>Shareholding of promoter and promoter group</b>          |                     |                     |                                           |                                                                          |                              |                        |                                                                  |                   |
| <b>(1)</b>    | <b>Indian</b>                                               |                     |                     |                                           |                                                                          |                              |                        |                                                                  |                   |
| (a)           | Individuals/Hindu undivided Family                          | 13                  | 83,55,000           | NIL                                       | 86.13                                                                    | 86.13                        | 83,55,000              | 60.99                                                            | 60.99             |
| (b)           | Central Government/ State Government(s)                     | -                   | --                  |                                           | --                                                                       | --                           | --                     | --                                                               | --                |
| (c)           | Bodies Corporate                                            | -                   | -                   | -                                         | -                                                                        | -                            | -                      | -                                                                | -                 |
| (d)           | Financial Institutions/Banks                                |                     | --                  |                                           | --                                                                       | --                           | --                     | --                                                               | --                |
| (e)           | Any other (Specify)                                         |                     | --                  |                                           | --                                                                       | --                           | --                     | --                                                               | --                |
|               | Sub-Total (A) (1)                                           | 13                  | 83,55,000           | NIL                                       | 86.13                                                                    | 86.13                        | 83,55,000              | 60.99                                                            | 60.99             |
| <b>(2)</b>    | <b>Foreign</b>                                              |                     |                     |                                           |                                                                          |                              |                        |                                                                  |                   |
| (a)           | Individuals ( Non Resident Individuals/Foreign Individuals) | --                  | --                  |                                           | --                                                                       | --                           | --                     | --                                                               | --                |
| (b)           | Bodies Corporate                                            | --                  | --                  |                                           | --                                                                       | --                           | --                     | --                                                               | --                |
| (c)           | Institutions                                                | --                  | --                  |                                           | --                                                                       | --                           | --                     | --                                                               | --                |
| (d)           | Any Other (Overseas Corporate Body)                         | --                  | --                  |                                           | --                                                                       | --                           | --                     | --                                                               | --                |
|               | Sub-Total (A) (2)                                           | NIL                 | NIL                 | NIL                                       | NIL                                                                      | NIL                          | NIL                    | NIL                                                              | NIL               |
|               | Total Shareholding of Promoter and promoter                 | 13                  | 83,55,000           | NIL                                       | 86.13                                                                    | 86.13                        | 83,55,000              | 60.99                                                            | 60.99             |

| Category Code | Category of Shareholder                                                               | No. of Shareholders | Total no. of shares | No. of shares held in dematerialized form | Total shareholding as a percentage of total number of shares (Pre-Issue) |                              | Total Number of shares | Total Shareholding as a % of total number of shares (Post-Issue) |                   |
|---------------|---------------------------------------------------------------------------------------|---------------------|---------------------|-------------------------------------------|--------------------------------------------------------------------------|------------------------------|------------------------|------------------------------------------------------------------|-------------------|
|               |                                                                                       |                     |                     |                                           | As a Percent age of (A + B )                                             | As a Percent age of (A+B+ C) |                        | As a % of (A + B )                                               | As a % of (A+B+C) |
|               | group (A) = (A)(1)+ (A)(2)                                                            |                     |                     |                                           |                                                                          |                              |                        |                                                                  |                   |
| <b>(B)</b>    | <b>Public Shareholding</b>                                                            |                     |                     |                                           |                                                                          |                              |                        |                                                                  |                   |
| <b>(1)</b>    | <b>Institutions</b>                                                                   |                     |                     |                                           |                                                                          |                              | 53,45,000              | 39.01                                                            | 39.01             |
| (a)           | Mutual Funds/UTI                                                                      | --                  | --                  | --                                        | --                                                                       | --                           |                        |                                                                  |                   |
| (b)           | Financial Institutions/Banks                                                          | --                  | --                  | --                                        | --                                                                       | --                           |                        |                                                                  |                   |
| (c)           | Central Government/ State Government(s)                                               | --                  | --                  | --                                        | --                                                                       | --                           |                        |                                                                  |                   |
| (d)           | Venture Capital Funds                                                                 | 1                   | 20000               | NIL                                       | 0.21                                                                     | 0.21                         |                        |                                                                  |                   |
| (e)           | Insurance Companies                                                                   | --                  | --                  | --                                        | --                                                                       | --                           |                        |                                                                  |                   |
| (f)           | Foreign institutional investor                                                        | --                  | --                  | --                                        | --                                                                       | --                           |                        |                                                                  |                   |
| (g)           | Foreign Venture Capital Investors                                                     | --                  | --                  | --                                        | --                                                                       | --                           |                        |                                                                  |                   |
| (h)           | Any Other                                                                             | --                  | --                  | --                                        | --                                                                       | --                           |                        |                                                                  |                   |
|               | Sub Total (B)(1)                                                                      | 1                   | 20000               | NIL                                       | 0.21                                                                     | 0.21                         |                        |                                                                  |                   |
| <b>(2)</b>    | <b>Non Institutions</b>                                                               |                     |                     |                                           |                                                                          |                              |                        |                                                                  |                   |
| (a)           | Bodies Corporate                                                                      | 1                   | 200000              | NIL                                       | 2.06                                                                     | 2.06                         |                        |                                                                  |                   |
| (b)           | Individuals- i) Individual shareholders holding nominal share capital up to Rs 1 lakh | 101                 | 267000              | NIL                                       | 2.75                                                                     | 2.75                         |                        |                                                                  |                   |
|               | ii) Individual shareholders                                                           | 21                  | 858000              | NIL                                       | 8.56                                                                     | 8.56                         |                        |                                                                  |                   |

| Category Code | Category of Shareholder                                                          | No. of Shareholders | Total no. of shares | No. of shares held in dematerialized form | Total shareholding as a percentage of total number of shares (Pre-Issue) |                              | Total Number of shares | Total Shareholding as a % of total number of shares (Post-Issue) |                   |
|---------------|----------------------------------------------------------------------------------|---------------------|---------------------|-------------------------------------------|--------------------------------------------------------------------------|------------------------------|------------------------|------------------------------------------------------------------|-------------------|
|               |                                                                                  |                     |                     |                                           | As a Percent age of (A + B )                                             | As a Percent age of (A+B+ C) |                        | As a % of (A + B )                                               | As a % of (A+B+C) |
|               | holding nominal share capital in excess of Rs 1 lakh                             |                     |                     |                                           |                                                                          |                              |                        |                                                                  |                   |
| (c )          | Any other (Please Specify)                                                       |                     | --                  |                                           | --                                                                       | --                           |                        |                                                                  |                   |
|               | Sub Total (B)(2)                                                                 | 123                 | 13,25,000           | NIL                                       | 13.66                                                                    | 13.66                        |                        |                                                                  |                   |
|               | Total Public shareholding (B)= (B)(1) + (B)(2)                                   | 124                 | 13,45,000           | NIL                                       | 13.87                                                                    | 13.87                        | 53,45,000              | 39.01                                                            | 39.01             |
|               | Total (A) + (B)                                                                  | 137                 | 97,00,000           | NIL                                       | 100.00                                                                   | 100.00                       | 1,37,00,000            | 100.00                                                           | 100.00            |
| (C)           | Shares held by Custodians and against which Depository Receipts have been issued | --                  | --                  |                                           | --                                                                       | --                           | --                     | --                                                               | --                |
|               | <b>Grand Total (A)+(B)+(C)</b>                                                   | <b>137</b>          | <b>97,00,000</b>    | <b>NIL</b>                                | <b>100.00</b>                                                            | <b>100.00</b>                | <b>1,37,00,000</b>     | <b>100.00</b>                                                    | <b>100.00</b>     |

Shareholding of our Promoters and Promoter Group

| Sr. No.              | Name of the Shareholder              | Number of Equity Shares | Total shareholding as a percentage of total number of shares (Pre-Issue) | Total shareholding as a percentage of total number of shares (Post-Issue) |
|----------------------|--------------------------------------|-------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------|
| <b>Our Promoters</b> |                                      |                         |                                                                          |                                                                           |
| 1                    | Gundavaram Venkata Bhaskar Rao (HUF) | 2316000                 | 23.87                                                                    | 16.91                                                                     |
| 2                    | Mrs. Gundavaram Vanaja Devi          | 2222600                 | 22.91                                                                    | 16.22                                                                     |
| 3.                   | Dr. Gundavaram Madhushree            | 1464000                 | 15.09                                                                    | 10.69                                                                     |
| 4.                   | Mr. Gundavaram Venkata Bhaskar Rao   | 1248000                 | 12.86                                                                    | 9.11                                                                      |
| 5.                   | Dr. Gundavaram Pawan                 | 501800                  | 05.17                                                                    | 3.66                                                                      |
| 6.                   | Mr. Rangineni Venu Manohar Rao       | 371600                  | 03.83                                                                    | 2.71                                                                      |

| Sr. No.                   | Name of the Shareholder       | Number of Equity Shares | Total shareholding as a percentage of total number of shares (Pre-Issue) | Total shareholding as a percentage of total number of shares (Post-Issue) |
|---------------------------|-------------------------------|-------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------|
| 7                         | Mr. Chennameneni Vamsheedhar  | 100000                  | 01.03                                                                    | 0.73                                                                      |
| 8                         | Mr. Chennameneni Mithun Chand | 76000                   | 0.78                                                                     | 0.55                                                                      |
| <b>Our Promoter Group</b> |                               |                         |                                                                          |                                                                           |
| 9                         | Ms. Chennameneni Padmaja      | 20000                   | 0.21                                                                     | 0.15                                                                      |
| 10                        | Dr. C. Gopal Rao              | 12500                   | 0.13                                                                     | 0.09                                                                      |
| 11                        | Dr. C Shobha Rani             | 12500                   | 0.13                                                                     | 0.09                                                                      |
| 12                        | Mr. Gouthareddy Shanker Reddy | 5000                    | 0.05                                                                     | 0.04                                                                      |
| 13                        | Ms. Chennameneni Madhavi      | 5000                    | 0.05                                                                     | 0.04                                                                      |

14. The total number of members of our Company as on the date of filing this Red Herring Prospectus with RoC is 137.

15. Our Company has not raised any bridge loan against the proceeds of this Issue.

16. There would 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 RoC until the Equity Shares offered through this Red Herring Prospectus have been listed.

17. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise, except that if we enter into acquisition(s) or joint venture(s), we may consider additional capital to fund such activities or to use Equity Shares as a currency for acquisition or participation in such joint ventures.

18. Our Company has not revalued its assets since its incorporation.

19. Our Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for the following:

| Date of Issue      | No. of Equity Shares | Issue Price (Rs.) | Reasons for Issue                   | Benefits accrued to the Company                                                                          |
|--------------------|----------------------|-------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------|
| August 4, 2006     | 22,50,000            | NIL               | Bonus @ 1:1                         | N.A.                                                                                                     |
| September 20, 2006 | 5,00,000             | NIL               | Acquisition of M/s. Kaveri Agriteck | Acquisition of Microteck Division carrying out manufacture and R & D of Micro-Nutrients and Bio-products |

20. Our Company has not made any public issue since its incorporation.

21. Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of our Company and our Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time.

22. As on the date of filing of this Red Herring Prospectus with the SEBI, there are no outstanding warrants, options or other financial instruments, which would entitle our Promoters or shareholders of our Company or any other person an option to receive Equity Shares of our Company.

23. The shares locked in by our Promoters are not pledged to any party. The locked-in Equity Shares held by our Promoters can 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 such loan.

**24.** Only Eligible Employees would be eligible to apply on a competitive basis in this Issue under the Employee Reservation Portion. Bids by Eligible Employees can also be made in the “Net Issue to the Public” and the same shall not be treated as multiple Bids. In case of under-subscription in the Employee Reservation Portion, it would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of our Company, in consultation with 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 at the discretion of our Company in consultation with the BRLMs. Such inter-se spillover if any would be effected in accordance with applicable laws, rules, regulations and guidelines.

**25.** Our Company does not have any employee stock option plan or scheme.

**26.** No payment, direct or indirect in the nature of discount, commission, and allowance or otherwise shall be made either by us or our Promoters to the persons who receive allotments, if any, in this Issue.

**27.** The Equity Shares which are subject to lock-in shall carry the inscription “non-transferable” and the non-transferability details shall be informed to the depositories. The details of lock-in shall also be provided to the stock exchanges, where the shares are to be listed, before the listing of the securities.

**28.** Under-subscription, if any, in any category other than the QIB portion would be met with the spill over from any other category at the sole discretion of the Company in consultation with the BRLMs. However if the aggregate demand by Mutual Funds is less than 95,000 shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be first added to the QIB portion and be allotted proportionately to the QIB bidders.

**29.** Allotment of Equity Shares at a price lower than the Issue Price within the last 12 months.

| <b>Date</b>        | <b>Number of shares</b> | <b>Face Value</b> | <b>Issue Price</b> | <b>Details</b>                                        |
|--------------------|-------------------------|-------------------|--------------------|-------------------------------------------------------|
| August 4, 2006     | 22,50,000               | 10                | -                  | Bonus @ 1:1                                           |
| September 20, 2006 | 45,00,000               | 10                | 10                 | Further allotment to Promoters and other shareholders |
| September 20, 2006 | 5,00,000                | 10                | -                  | Acquisition of M/s. Kaveri Agriteck                   |
| February 15, 2007  | 2,00,000                | 10                | 150                | Private placement                                     |

## OBJECTS OF THIS ISSUE

The objects of this Issue are

1. Acquisition of farmland for R&D near Hyderabad, Alwar and Ahmedabad
2. Setting up of marketing offices & godowns in Delhi, Lucknow, Jaipur, Ahmedabad and Aurangabad
3. Setting up of corn cob drying plants in Medak District, Andhra Pradesh and Bellary, Karnataka
4. Setting up of a biotechnology lab at Gundla Pochampally near Hyderabad
5. Upgradation of existing seed processing plants at Kandlakoi, Gundla Pochampally, Gatla Narsingapur and Bellary
6. Setting up of a seed processing plant in Medak District near Hyderabad
7. Meeting working capital requirements
8. Listing of our securities on Stock Exchanges
9. Meeting Issue related expenses

The proceeds from this Issue after deducting the Issue related expenses are referred to as “Net Proceeds from the Issue”. We believe that listing will enhance our brand name, provide liquidity to our existing shareholders and create a public market for our Equity Shares in India. The Main Objects and Objects Incidental or Ancillary to the Main Objects as set out in our MoA enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. The fund requirement below is based on our current business plan.

***Note: We have estimated the requirement of plant, equipment and machinery enumerated below based on Quotations and /or our internal estimates based on prevailing market prices of manufacturers/ suppliers of equipment. We have estimated the cost of the land and building based on the valuation certificate dated July 31, 2007 obtained from Mr. Y.R. Shankar Kumar Reddy a Chartered Engineer and professional valuer. Wherever we have relied upon quotations, we have specified the necessary details in relation to the date and supplier. Further, our Company does not propose to acquire any land from our Promoters or our Promoter Group from the Issue Proceeds.***

***All the plant and machinery required to be purchased pursuant to the objects of this Issue is to be sourced from domestic suppliers and no imports are currently proposed. Further, all the plant and machinery required to be purchased pursuant to the objects of this Issue is proposed to be new plant & machinery, and there is no intention on our part to purchase any second hand plant or machinery.***

### Fund Requirement

The funds required for the execution of the proposed expansion plan and other incidental expenses in pursuit of raising necessary funds is as follows:

| Sr. No. | Particulars                                                                                                    | Amount (in Rs. Lakhs) |
|---------|----------------------------------------------------------------------------------------------------------------|-----------------------|
| 1       | Acquisition of farmland for R&D near Hyderabad, Alwar and Ahmedabad                                            | 2000.00               |
| 2       | Setting up of marketing offices & godowns in Delhi, Lucknow, Jaipur, Ahmedabad and Aurangabad                  | 1200.75               |
| 3       | Setting up of corn cob drying plants in Medak District, and Bellary                                            | 420.00                |
| 4       | Setting up of a biotechnology lab at Gundla Pochampally near Hyderabad                                         | 204.47                |
| 5       | Upgradation of existing seed processing plants at Kandlakoi, Gundla Pochampally, Gatla Narsingapur and Bellary | 916.68                |
| 6       | Setting up of a seed processing Plant in Medak District near Hyderabad                                         | 587.78                |
| 7       | Working capital Margin requirements*                                                                           | 1000.00               |
| 8       | Issue Expenses*                                                                                                | [●]                   |
|         | <b>TOTAL</b>                                                                                                   | <b>[●]</b>            |

***\* Issue expenses, and consequently total funds required would be updated prior to filing the Prospectus with RoC. So far the Company has incurred a sum of Rs. 85.27 lakhs towards issue expenses.***

## Means of Finance

The net proceeds of this Issue would be used to meet all or any of the requirements described above:

| Sr. No. | Particulars                   | Amount (in Rs. Lakhs) |
|---------|-------------------------------|-----------------------|
| 1       | Public Issue of Equity Shares | [•]                   |
| 2       | Internal Accruals*            | [•]                   |
|         | <b>Total</b>                  | <b>[•]</b>            |

\* As per our Restated Financial Statements for the financial year ended March 31, 2007, our internal accruals are Rs. 947.18 Lakh.

We undertake that firm arrangements of finance through verifiable means have been made towards 75% of the stated means of finance, excluding the amount to be raised through this proposed Issue.

Any shortfall in the IPO proceeds to meet the objects of this Issue would be met by our internal accruals.

### 1. Acquisition of farmland for R&D

The main purposes of acquiring land are for breeding, inbred line development, breeder and foundation seed multiplication, and grow out test facilities. We need to invest in land to expand our R&D activities. We already have over 270 acres of land for R&D around Hyderabad and in Karnataka. We are planning to purchase another 50 acres at the cost of Rs. 6.00 lakhs per acre in Bellary, Karnataka out of the proceeds of the preferential allotment made to India Emerging Capital Private Limited. However, in order to conduct location specific research in different climatic conditions, we have also planned to acquire land near Hyderabad, Alwar and Ahmedabad.

The seed market is a very dynamic one. Once a hybrid is developed and introduced in the market, its acceptability gradually declines from year to year. Therefore, we need to consistently introduce different high quality hybrids in the market to ensure sustainable growth levels in our revenues. Each new hybrid developed attracts the attention of farming community. This proposed acquisition would enable us to test and develop many varieties of hybrids to meet the ever growing market requirements.

We are in the process of identifying specific locations. In this regard, we are negotiating with various vendors. However, since further land acquisitions are to be made out of the Issue proceeds, we have not yet entered into any specific agreements for the proposed acquisition of land as transactions for land acquisition have to be typically completed as soon as possible due to vendors availing multiple sale options and frequent price changes. We expect to finalize the transactions contemplated herein only, once we have access to the Issue proceeds.

The following is the break-up of land proposed to be acquired and their estimated cost as per the valuation certificate dated July 31, 2007 obtained from Mr. Y.R.Shankar Kumar Reddy, a professional valuer and Chartered Engineer.

| Sr. No. | Location                | Area (in Acres) | Cost per Acre (in Rs. Lakhs) | Amount (in Rs. Lakhs) (A) | Development charges @ Rs. 1.5 lakh per acre (B) | Total Amount (in Rs. Lakhs) (A) +(B) |
|---------|-------------------------|-----------------|------------------------------|---------------------------|-------------------------------------------------|--------------------------------------|
| 1       | Near Hyderabad          | 100             | 12.00                        | 1200.00                   | 150.00                                          | 1350.00                              |
| 2       | Near Alwar, Rajasthan   | 50              | 05.00                        | 250.00                    | 75.00                                           | 325.00                               |
| 3       | Near Ahmedabad, Gujarat | 50              | 05.00                        | 250.00                    | 75.00                                           | 325.00                               |
|         | <b>Total</b>            | <b>200</b>      |                              | <b>1700.00</b>            | <b>300.00</b>                                   | <b>2000.00</b>                       |

### 2. Setting up of marketing offices and godowns

In the recent past, we have forayed into Northern and Western markets through distributors and dealers. We believe that we must have marketing offices and godowns in these areas whereby this expansion will enable us to increase our market share in these regions particularly in the North. The rationale behind setting up these marketing offices and godowns can be summarized hereunder:

- Monsoon is unpredictable and the duration of sowing season is limited;

- ii) To avoid transportation delays and strengthen logistics; and
- iii) To provide better service to the farmers.

The challenge in the agri-inputs business lies in reaching a geographically dispersed end-user at the right time at the right place with the right product. By setting up these offices and godowns we will be in a better position for meeting customer requirements on time. The following are the places where the marketing offices and godowns are proposed to be set up.

| Particulars                                    | Cost of Land                              | Cost of Marketing Office cum guest house | Cost of Godown                       | Cost of Cold Storage              | Total Cost ( in Rs. Lakhs) |
|------------------------------------------------|-------------------------------------------|------------------------------------------|--------------------------------------|-----------------------------------|----------------------------|
| Delhi                                          | -                                         | 2000 sq. ft. @ Rs.12000/- per sq. ft.    | -                                    | -                                 | 240.00                     |
| Jaipur - Industrial Area<br>Delhi Highway Road | 2000 sq. yards @ Rs.5500/- per sq. yard   | 3500 sq. ft. @ Rs.1400/- per sq. ft.     | 7000 sq. ft. @ Rs. 500/- per sq. ft. | -                                 | 194.00                     |
| Lucknow –Transport Area                        | 2500 sq. yards @ Rs. 5000/- per sq. yard  | 3500 sq. ft. @ Rs.1250/- Per sq. ft.     | 7000 sq. ft. @ Rs.500/- per sq. ft.  | -                                 | 203.75                     |
| Aurangabad -                                   | 2000 sq. yards @ Rs. 10500/- per sq. yard | 4000 sq. ft. @ Rs.1400/- per sq. ft.     | 7000 sq. ft. @ Rs.500/- per sq. ft.  | -                                 | 301.00                     |
| Ahmedabad – Gandhi Nagar Circle                | 2000 sq. yards @Rs.6000/- Per sq. yard    | 3800 sq. ft. @ Rs.1500/- per sq. ft.     | 7000 sq. ft. @ Rs.500/- per sq. ft.  | 1000 sq. ft. @ 5000/- per sq. ft. | 262.00                     |
| <b>Total</b>                                   |                                           |                                          |                                      |                                   | <b>1200.75</b>             |

However, since the cost of setting up of these marketing offices and godowns are to be met out of the Issue proceeds, we have not yet definitively identified or entered into any written agreement or arrangement for setting up any of these proposed marketing offices and godowns. We expect to finalize the transactions contemplated herein only, once we have access to the Issue proceeds.

### 3. Setting up of corn cob drying plant

The process of cob drying improves the germination, vigour and viability of the corn seed which in turn improves and contributes to the yield of corn. Because of the increased viability, we believe that we will be able to cater to the distant markets like Bihar, Jharkhand *etc.* The approximate combined input capacity of the cob drying facilities at our Gundla Pochampally Plant and Eluru Plant is 3150 tons/ year as calculated on the basis of the current harvesting season of two months. The actual output is typically expected to be 50% to 60% of the input. We are planning to set up two more corn cob drying plants with a capacity of 6 tons/hour each in Medak District, Andhra Pradesh and in Bellary, Karnataka, taking the total input capacity of our corn cob drying plants to 10350 tons/year.

The estimated cost of land, building and plant & machinery is as follows.

| Particulars                                                                                                                                                             | Manufacturer/Supplier                                                                           | Date of Qotation | Amount (in Rs. Lakhs) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------|-----------------------|
| <b>(i) BELLARY</b>                                                                                                                                                      |                                                                                                 |                  |                       |
| Land-2 Acres already purchased at Survey No 93A Kakka Bevinapalli (V), Bellary tq, Bellary District, Karnataka*                                                         | -                                                                                               | -                | NIL                   |
| Building 10000 sq. ft. @300 sq.ft                                                                                                                                       | -                                                                                               | -                | 30.00                 |
| Seed Drying Plant & Machinery consisting of 40 bins @ Rs. 3,50,000 per bin amounting to Rs. 140 lakhs and Rs. 10,00,000/- towards taxes, packing and forwarding charges | Shiri Agro Industries, 5-9-264, R.G.Nagar, Near Prashant Nagar, Kukatpally, Hyderabad - 500 072 | January 31, 2007 | 150.00                |
| Utilities                                                                                                                                                               | Radhika Transformers                                                                            | January 31, 2007 |                       |

| Particulars                                                                                                                                                            | Manufacturer/Supplier                                                                           | Date of Qotation | Amount (in Rs. Lakhs) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------|-----------------------|
| -Two Transformers 315 KVA of Rs.425000/- each- Rs.8,50,000/-                                                                                                           | Private Limited, 5-246/4, H.P.C. Road, Moosapet, Hyderabad - 500 018                            |                  | 10.00                 |
| -Gas Bullet - Rs. 1,50,000/-                                                                                                                                           | -                                                                                               |                  |                       |
| <b>TOTAL (A)</b>                                                                                                                                                       |                                                                                                 |                  | <b>190.00</b>         |
| <b>(ii) Medak District, AP</b>                                                                                                                                         |                                                                                                 |                  |                       |
| Land 2 Acres @ Rs.20/- lakhs per acre                                                                                                                                  | -                                                                                               | -                | 40.00                 |
| Building 10000 Sq Ft @ Rs. 300 sq.ft                                                                                                                                   | -                                                                                               | -                | 30.00                 |
| Seed Drying Plant & Machinery consisting of 40 bins @ Rs. 3,50,000 per bin amounting to Rs.140 lakhs and Rs. 10,00,000/- towards taxes ,packing and forwarding charges | Shiri Agro Industries, 5-9-264, R.G.Nagar, Near Prashant Nagar, Kukatpally, Hyderabad - 500 072 | August 10, 2007  | 150.00                |
| UTILITIES<br>-Two Transformers 315 KVA of Rs. 425000/- each- Rs. 8,50,000/-                                                                                            | Radhika Transformers Private Limited, 5-246/4, H.P.C. Road, Moosapet, Hyderabad - 500 018       | January 31, 2007 | 10.00                 |
| -Gas Bullet - Rs. 1,50,000/-                                                                                                                                           | -                                                                                               | -                |                       |
| <b>TOTAL (B)</b>                                                                                                                                                       |                                                                                                 |                  | <b>230.00</b>         |
| <b>TOTAL (A) + (B)</b>                                                                                                                                                 |                                                                                                 |                  | <b>420.00</b>         |

\* The land at Survey No 93A Kakka Bevinapalli (V), Bellary tq, Bellary District, Karnataka admeasuring 5.22 acres was purchased by our Company from our Promoter, Mr. Gundavaram Venkata Bhaskar Rao vide Sale Deed dated June 24, 2005 for a consideration of Rs. 83,25,000/-. Our Company intends utilizing 2 acres of the said land towards the corn cob drying plant at Bellary.

#### 4. Setting up of biotechnology lab

Existing lab situated at Gundla Pochampally near Hyderabad, houses the Microteck division which includes micronutrients, biotechnology and bio-products. The Microteck division has state of the art technological equipment to undertake research in all the three areas. We are planning to invest in the research and testing facilities for the development of micronutrients and biopesticides.

The biotechnology lab will be set up by way of an addition of a new floor to the existing bio-technology lab building at Gundla Pochampally. This new floor will measure 7500 sq.ft.

The estimated cost of building and plant & machinery is as follows:

| Particulars                        | Amount (in Rs. Lakhs) |
|------------------------------------|-----------------------|
| Building 7500 sq. ft. @1200 sq.ft. | 90.00                 |
| Testing equipment                  | 114.47                |
| <b>Total</b>                       | <b>204.47</b>         |

The following is the detailed break-up of the equipment required and its cost as per quotation dated August 08, 2007 obtained from the supplier Icon Biosystems, #3-5-579, Flat No. 504, Sai Citadel Apts. (Space time), Vittalwadi Road, Himayath Nagar, Hyderabad - 500 029, Andhra Pradesh.

| Sr. No.   | Name of the Instrument     | Nature of Machinery | Quantity (Nos) | Cost/unit (in Rs.) | Total cost (in Rs Lakhs) |
|-----------|----------------------------|---------------------|----------------|--------------------|--------------------------|
| <b>I)</b> | <b>Bio-control Lab</b>     |                     |                |                    |                          |
| 1         | Fermentor (500 L capacity) |                     | 2              | 11,00,500          | 22.01                    |

| Sr. No.     | Name of the Instrument                                | Nature of Machinery | Quantity (Nos) | Cost/unit (in Rs.) | Total cost (in Rs Lakhs) |
|-------------|-------------------------------------------------------|---------------------|----------------|--------------------|--------------------------|
| 2           | Fermentor (500 L capacity)                            |                     | 2              | 23,00,450          | 46.01                    |
| 3           | Pedestal mixer                                        |                     | 3              | 17,500             | 00.53                    |
| 4           | Industrial centrifuges                                |                     | 2              | 43,500             | 00.87                    |
| 5           | Microscope                                            |                     | 1              | 40,790             | 00.41                    |
| 6           | Horizontal autoclaves (-450 (dia) * 600(h)            |                     | 3              | 6,70,410           | 20.11                    |
| 7           | Vertical autoclave - 450(dia) * 600 (h)               |                     | 3              | 91,125             | 02.73                    |
| 8           | Deepfreezer (280 - 300 Ltrs)                          |                     | 3              | 1,30,000           | 3.90                     |
|             | <b>Total (I)</b>                                      |                     |                |                    | <b>96.57</b>             |
|             |                                                       |                     |                |                    |                          |
| <b>II)</b>  | <b>Biotechnology lab</b>                              |                     |                |                    |                          |
| 1           | PCR                                                   |                     | 1              | 3,00,000.00        | 03.00                    |
| 2           | Gel electrophoresis                                   |                     | 1              | 60,000.00          | 00.60                    |
| 3           | Fumehood                                              |                     | 1              | 60,000.00          | 00.60                    |
| 4           | Gel documentation unit                                |                     | 1              | 2,70,000.00        | 02.70                    |
| 5           | Deep freezer (-36 degC) Hor/Ver)                      |                     | 1              | 1,56,000.00        | 01.56                    |
|             | with Two compressors                                  |                     |                |                    |                          |
| 6           | Microwave oven                                        |                     | 1              | 60,000.00          | 00.60                    |
| 7           | Microcentrifuge                                       |                     | 1              | 85,675.00          | 00.85                    |
| 8           | PH meter                                              |                     | 1              | 17,885.00          | 00.18                    |
| 9           | UPS backup system                                     |                     | 1              |                    |                          |
|             | <b>Total (II)</b>                                     |                     |                |                    | <b>10.09</b>             |
|             |                                                       |                     |                |                    |                          |
| <b>III)</b> | <b>Micronutrient &amp; Soil testing lab</b>           |                     |                |                    |                          |
| 1           | High speed refrigerated research centrifuge           |                     | 1              | 1,12,354.00        | 1.12                     |
| 2           | Water bath 30x15x20 cms (medium)                      |                     | 1              | 31,500.00          | 0.32                     |
| 3           | Kjeldahi digestion distillation unit for N estimation |                     | 1              | 6,00,000.00        | 6.00                     |
| 4           | Fume hood chamber                                     |                     | 1              |                    |                          |
| 5           | Vacuum pump                                           |                     | 1              | 36,850.00          | 0.37                     |
| 6           | Miscellaneous                                         |                     |                |                    |                          |
|             | <b>Total (III)</b>                                    |                     |                |                    | <b>7.81</b>              |
|             |                                                       |                     |                |                    |                          |
|             | <b>Grand Total (I) +(II) + (III)</b>                  |                     |                |                    | <b>114.47</b>            |

## 5. Upgradation of existing Seed Processing Plants

Our existing plants are semi-automatic, where the requirement of labour is higher and output is lower as compared to automated plants. Since the duration of season is short, automatic plants help in processing the seeds faster and better. Each upgraded processing line will have an input capacity of 4 tons per hour taking the total input capacity of the plants to 30000 tons a year from the existing input capacity of 18000 tons a year.

The main benefits arising out of upgradation of plants are:

- Avoidance of manual errors leading to increase in quality of process;
- The dependence on labour will be drastically reduced and we estimate we would be able to reduce labour cost substantially;
- Custom made processing for speciality hybrids

The estimated cost of plant & machinery is as follows.

| Particulars                                                     | Amount (in Rs. Lakhs) |
|-----------------------------------------------------------------|-----------------------|
| Kandlakoi Plant-<br>2 seed processing lines @ 152.78 lakhs each | 305.56                |
| Gundla Pochampally plant                                        | 152.78                |
| Gatla Narsingapur plant                                         | 152.78                |

| Particulars                                               | Amount (in Rs. Lakhs) |
|-----------------------------------------------------------|-----------------------|
| Bellary -<br>2 seed processing lines @ 152.78 lakhs each. | 305.56                |
|                                                           |                       |
| <b>Total</b>                                              | <b>916.68</b>         |

Cost of a Single Line of machinery

| Type of Machine                             | Manufacturer                                                                                                                   | Date of the quotation | Amount (in Rs. Lakhs) |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Main Seed Processing Machine                | Fowler Westrup (India) Private Limited -<br>249 & 250, Bommasandra Industrial Area, 3 <sup>rd</sup> Phase, Bangalore - 560 099 | July 27, 2007         | 109.28 **             |
| Automatic Seed Coating Machine Online Dryer | Reliance Automation Solutions, 5-5-35/33/2, NCS Complex, LE, Prashantnagar, Kukatpally, Hyderabad - 500 072                    | July 25, 2007         | 5.75*                 |
| Online Dryer                                | -do-                                                                                                                           | July 25, 2007         | 11.50*                |
| Bagging machine model Auto wrap BD 16/35    | Nichrome India Limited, Safire park Galleria 4, Pune - Mumbai Road, /Shivaji Nagar, Pune - India, - 411005,                    | July 26, 2007         | 17.25 *               |
| Semi-Automatic Filing & Sealing Machine     | S.R.Packaging Systems, Padmini Complex, Block No.1,9-382/3, Industrial Estate, Kushaiguda, Hyderabad - 500 062                 | January 31, 2007      | 9.00 *                |
| <b>Total</b>                                |                                                                                                                                |                       | <b>152.78</b>         |

\* Exclusive of Taxes

\*\* Inclusive of Taxes

*Note: cost of plant & machinery includes installation and commissioning charges.*

## 6. Setting up of new seed processing plant

With the farming community looking for higher yields through hybridization, we believe that the market for high quality hybrids is increasing day by day. We need to build up capacities in order to meet our current demand and expand our market into other areas, especially North and some parts of East India. Hence, we plan to set up another seed processing plant to meet the growing demand for seeds like corn, sunflower, paddy, mustard, etc. We are in negotiations with various vendors for finalizing a specific location in Medak District near Hyderabad for setting up this plant. This plant is expected to have one single line of machinery which will have an input capacity of 4 tons per hour.

The estimated cost of land, building and plant & machinery is as follows:

| Particulars                                             | Amount (in. Rs Lakhs) |
|---------------------------------------------------------|-----------------------|
| Land -8 Acres @ Rs.20 lakhs per Acre                    | 160.00                |
| Building 50000 sq. ft. @ Rs.400 per sq.ft.              | 200.00                |
| Plant & Machinery                                       | 152.78                |
| Staff Quarters covering 15000 sq.ft @ Rs. 500 per sq.ft | 75.00                 |
| 16 quarters at 750 Sq.Ft per quarter- 12000 sq.ft       |                       |
| 20 Bachelor rooms at 150 Sq.Ft per room-3000 sq.ft      |                       |
| <b>Total</b>                                            | <b>587.78</b>         |

## Cost of plant & machinery

| Type of Machine                             | Manufacturer                                                                                                               | Date of the quotation | Amount (in Rs. Lakhs) |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Main Seed Processing Machine                | Fowler Westrup (india) Pvt. Limited-<br>249 & 250, Bommansandra Industrial Area, 3 <sup>rd</sup> Phase, Bangalore- 560 099 | July 27, 2007         | 109.28 **             |
| Automatic Seed Coating Machine Online Dryer | Reliance Automation Solutions, 5-5-35/33/2, NCS Complex, LE, Prashantnagar, Kukatpally, Hyderabad- 500 072                 | July 25, 2007         | 5.75*                 |
| Online Dryer                                | -do-                                                                                                                       | July 25, 2007         | 11.50*                |
| Bagging machine model Auto wrap BD 16/35    | Nichrome India Limited, Safire park Galleria 4, Pune- Mumbai Road, /Shivaji Nagar, Pune- India, -411005,                   | July 26, 2007         | 17.25 *               |
| Semi-Automatic Filing & Sealing Machine     | S.R.Packaging Systems, Padmini Complex, Block No.1,9-382/3, Industrial Estate, Kushaiguda, Hyderabad- 500 062              | January 31, 2007      | 9.00 *                |
| <b>Total</b>                                |                                                                                                                            |                       | <b>152.78</b>         |

Since the cost of setting up of the seed processing plant is to be met out of the Issue proceeds, we have not yet definitively identified or entered into any written agreement or arrangement for acquisition of the land required for this seed processing plant, as transactions for land acquisition have to be typically completed as soon as possible due to vendors availing multiple sale options and frequent price changes. We expect to finalize the land acquisition only once we have access to the Issue proceeds.

## 7. Working Capital

Our business model requires an advance investment with farmers for producing the seeds. Normally a 50% advance is given and the balance is paid on receipt of raw hybrid seeds. The next stage involves testing, processing of raw hybrid seed and packing. The packing cost forms a significant component of our working capital.

The following is the detailed calculation of projected working capital required for the financial year 2007-08  
(Rs. in Lakhs)

| Particulars                        | 2006-07 |                | 2007-08 |                |
|------------------------------------|---------|----------------|---------|----------------|
| <b>Current Assets</b>              |         |                |         |                |
| Inventories                        | 1288.00 |                | 2134.00 |                |
| Sundry Debtors                     | 1718.00 |                | 2475.00 |                |
| Cash & Bank Balances               | 34.00   |                | 54.00   |                |
| Other Current Assets               | 21.00   |                | 42.00   |                |
| Loans & Advances                   | 391.00  |                | 817.00  |                |
| <b>Total (A)</b>                   |         | <b>3452.00</b> |         | <b>5522.00</b> |
| <b>Current Liabilities</b>         |         |                |         |                |
| Sundry Creditors                   | 960.00  |                | 322.00  |                |
| Advance against Sales              | 990.00  |                | 1505.00 |                |
| Creditor for Expenses              | 83.00   |                | 86.00   |                |
| Security deposits                  | 72.00   |                | 74.00   |                |
| Provisions                         | 24.00   |                | 38.00   |                |
| <b>Total (B)</b>                   |         | <b>2129.00</b> |         | <b>2025.00</b> |
| <b>Net Working Capital (A)-(B)</b> |         | <b>1323.00</b> |         | <b>3497.00</b> |
| <b>Sources Of Working Capital</b>  |         |                |         |                |

| Particulars                                                                      | 2006-07 |                | 2007-08 |                |
|----------------------------------------------------------------------------------|---------|----------------|---------|----------------|
| Margin for Working Capital @ 28.59%<br>(Public Issue proceeds)                   |         | 0.00           |         | 1000.00        |
| Internal Sources (Retained Profit) / Open<br>Cash Credit arrangements from Banks |         | 1323.00        |         | 2497.00        |
| <b>Total</b>                                                                     |         | <b>1323.00</b> |         | <b>3497.00</b> |

## 8. Meeting Public Issue Expenses

(in Rs. Lakhs)

| Activity Estimated                                        | Estimated Amount* | % of Total Expenses* | % of Total Issue Size* |
|-----------------------------------------------------------|-------------------|----------------------|------------------------|
| Lead Management Fees, Underwriting and Selling Commission | [•]               | [•]                  | [•]                    |
| Advertisement and Marketing expenses                      | [•]               | [•]                  | [•]                    |
| Printing and Stationery                                   | [•]               | [•]                  | [•]                    |
| Others (Registrars fee, legal fee, listing fee, etc)      | [•]               | [•]                  | [•]                    |
| <b>Total estimated Issue expenses</b>                     | [•]               | [•]                  | [•]                    |

\* Will be incorporated on finalization of Issue Price and prior to filing Prospectus with RoC.

**Note:** So far the Company has incurred a sum of Rs. 85.27 lakhs towards issue expenses.

All the expenses with respect to this Issue would be borne by our Company.

## Implementation Schedule

Details of schedule of implementation are as follows:

| Sr.No    | Activity                               | R & D Farms |        | Marketing Office |        | Cob Drying Plant |     | Seed Processing Plant |     | Bio-technology Lab |     |
|----------|----------------------------------------|-------------|--------|------------------|--------|------------------|-----|-----------------------|-----|--------------------|-----|
|          |                                        | Start       | End    | Start            | End    | Start            | End | Start                 | End | Start              | End |
| <b>1</b> | <b>Farmland for R&amp;D</b>            |             |        |                  |        |                  |     |                       |     |                    |     |
|          | Near Hyderabad - 100 Acres             | Oct-07      | Dec-07 |                  |        |                  |     |                       |     |                    |     |
|          | Near Alwar - 50 Acres                  | Oct-07      | Dec-07 |                  |        |                  |     |                       |     |                    |     |
|          | Near Ahmedabad - 50 Acres              | Jan-07      | Mar-08 |                  |        |                  |     |                       |     |                    |     |
| <b>2</b> | <b>Marketing offices &amp; Godowns</b> |             |        |                  |        |                  |     |                       |     |                    |     |
| (i)      | <b>Delhi-</b>                          |             |        |                  |        |                  |     |                       |     |                    |     |
|          | Office-cum Guest House                 |             |        | Jan-08           | Mar-08 |                  |     |                       |     |                    |     |
| (ii)     | <b>Jaipur-</b>                         |             |        |                  |        |                  |     |                       |     |                    |     |
|          | Land                                   |             |        | Oct-07           | Dec-07 |                  |     |                       |     |                    |     |
|          | Office-cum Guest House & Godown        |             |        | Jan-08           | Jun-08 |                  |     |                       |     |                    |     |
| (iii)    | <b>Lucknow-</b>                        |             |        |                  |        |                  |     |                       |     |                    |     |
|          | Land                                   |             |        | Dec-07           | Jan-08 |                  |     |                       |     |                    |     |
|          | Office-cum Guest House & Godown        |             |        | Jan-08           | Jun-08 |                  |     |                       |     |                    |     |
| (iv)     | <b>Ahmedabad-</b>                      |             |        |                  |        |                  |     |                       |     |                    |     |
|          | Land                                   |             |        | Dec-07           | Jan-08 |                  |     |                       |     |                    |     |

| Sr.No    | Activity                                      | R & D Farms |  | Marketing Office |        | Cob Drying Plant |        | Seed Processing Plant |        | Bio-technology Lab |        |
|----------|-----------------------------------------------|-------------|--|------------------|--------|------------------|--------|-----------------------|--------|--------------------|--------|
|          | Office-cum Guest House, Godown & Cold storage |             |  | Jan-08           | Jun-08 |                  |        |                       |        |                    |        |
| (v)      | <b>Aurangabad-</b>                            |             |  |                  |        |                  |        |                       |        |                    |        |
|          | Land                                          |             |  | Oct-07           | Dec-07 |                  |        |                       |        |                    |        |
|          | Office-cum Guest House & Godown               |             |  | Jan-08           | Jun-08 |                  |        |                       |        |                    |        |
| <b>3</b> | <b>Corn Cob Drying Plants</b>                 |             |  |                  |        |                  |        |                       |        |                    |        |
| (i)      | <b>Hyderabad</b>                              |             |  |                  |        |                  |        |                       |        |                    |        |
|          | Land                                          |             |  |                  |        | Oct-07           | Nov-07 |                       |        |                    |        |
|          | Building                                      |             |  |                  |        | Nov-07           | May-08 |                       |        |                    |        |
|          | Seed Drying Plant, Equipments & Utilities     |             |  |                  |        | Apr-08           | May-08 |                       |        |                    |        |
| (ii)     | <b>Bellary</b>                                |             |  |                  |        |                  |        |                       |        |                    |        |
|          | Land-Acquired                                 |             |  |                  |        |                  |        |                       |        |                    |        |
|          | Building                                      |             |  |                  |        | Oct-07           | Mar-08 |                       |        |                    |        |
|          | Seed Drying Plant, Equipments & Utilities     |             |  |                  |        | Feb-08           | May-08 |                       |        |                    |        |
| <b>4</b> | <b>Biotechnology Lab</b>                      |             |  |                  |        |                  |        |                       |        |                    |        |
|          | Building                                      |             |  |                  |        |                  |        |                       |        | Sep-07             | Dec-07 |
|          | Equipments                                    |             |  |                  |        |                  |        |                       |        | Oct-07             | Dec-07 |
| <b>5</b> | <b>Upgradation of Seed Processing Plant</b>   |             |  |                  |        |                  |        |                       |        |                    |        |
|          | Kandlakoi                                     |             |  |                  |        |                  |        | Oct-07                | Nov-08 |                    |        |
|          | Gundla Pochampally                            |             |  |                  |        |                  |        | Oct-07                | Nov-08 |                    |        |
|          | Gatla Narsingapur                             |             |  |                  |        |                  |        | Oct-07                | Nov-08 |                    |        |
|          | Bellary                                       |             |  |                  |        |                  |        | Oct-07                | Nov-08 |                    |        |
| <b>6</b> | <b>New Seed Processing Plant At Hyderabad</b> |             |  |                  |        |                  |        |                       |        |                    |        |
|          | Building                                      |             |  |                  |        |                  |        | Oct-07                | Feb-08 |                    |        |
|          | Seed Processing Plant                         |             |  |                  |        |                  |        | Jan-08                | Mar-08 |                    |        |
|          | Staff Quarters                                |             |  |                  |        |                  |        | Oct-07                | Mar-08 |                    |        |

(Jan- January, Feb- February, Mar- March, Apr-April, Jun- June, Aug-August, Sep- September, Oct-October, Nov-November, Dec-December)

In view of the dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our fund requirement and consequent utilisation of proceeds from the Issue may also change. In case of any variations in the actual utilisation of funds earmarked for the above activities, any increased fund deployment for a particular activity will be met from our internal accruals.

### Statement Showing the Deployment of Funds

The quarter-wise break-up for utilization of Issue proceeds of the above mentioned capital expenditure programme is the financial year as given hereunder:

(Rs. in Lakhs)

| Sr.No.   | PARTICULARS                            | Quarter 3 | Quarter 4 | Quarter 1 | Quarter 2 | Total   |
|----------|----------------------------------------|-----------|-----------|-----------|-----------|---------|
|          |                                        | Oct-Dec   | Jan-Mar   | Apr-Jun   | July-Sep  |         |
| <b>1</b> | <b>AGRICULTURAL R &amp; D FARM</b>     |           |           |           |           |         |
|          | 200 Acres of Land as detailed below    |           |           |           |           |         |
|          | - 100 Acres at Hyderabad               | 1200.00   |           |           |           | 1200.00 |
|          | - 50 Acres at Alwar in Rajasthan       | 250.00    |           |           |           | 250.00  |
|          | - 50 Acres at Ahmedabad                |           | 250.00    |           |           | 250.00  |
|          | - Development Charges for 200 Acres    | 150.00    | 150.00    |           |           | 300.00  |
| <b>2</b> | <b>SETTING UP OF MARKETING OFFICES</b> |           |           |           |           |         |
|          | <b>Delhi</b>                           |           |           |           |           |         |
|          | Office Cum Guest House                 | 100.00    | 140.00    |           |           | 240.00  |
|          |                                        |           |           |           |           |         |
|          | <b>Jaipur</b>                          |           |           |           |           |         |
|          | Land 2000 Sq Yards                     | 110.00    |           |           |           | 110.00  |
|          | Office Cum Guest House 3500 Sft        |           | 35.00     | 14.00     |           | 49.00   |
|          | Gowdon 7000 Sft                        |           | 25.00     | 10.00     |           | 35.00   |
|          |                                        |           |           |           |           |         |
|          | <b>Lucknow</b>                         |           |           |           |           |         |
|          | Land 2500 Sq Yards                     | 100.00    | 25.00     |           |           | 125.00  |
|          | Office Cum Guest House 3500 Sft        |           | 15.00     | 28.75     |           | 43.75   |
|          | Gowdon 7000 Sft                        |           | 25.00     | 10.00     |           | 35.00   |
|          |                                        |           |           |           |           |         |
|          | <b>Aurangabad</b>                      |           |           |           |           |         |
|          | Land 2000 Sq Yards                     | 210.00    |           |           |           | 210.00  |
|          | Office Cum Guest House 4000 Sft        |           | 43.00     | 13.00     |           | 56.00   |
|          | Gowdon 7000 Sft                        |           | 25.00     | 10.00     |           | 35.00   |
|          |                                        |           |           |           |           |         |
|          | <b>Ahmedabad</b>                       |           |           |           |           |         |
|          | Land 2000 Sq Yards                     | 100.00    | 20.00     |           |           | 120.00  |
|          | Office Cum Guest House 3800 Sft        |           | 27.00     | 30.00     |           | 57.00   |
|          | Gowdon 7000 Sft                        |           | 25.00     | 10.00     |           | 35.00   |
|          | Cold Storage 1000 Sft                  |           | 10.00     | 40.00     |           | 50.00   |
|          |                                        |           |           |           |           |         |
| <b>3</b> | <b>COB DRYING PLANT</b>                |           |           |           |           |         |
|          | <b>AT BELLARY</b>                      |           |           |           |           |         |
|          | 2 Acres of Land                        |           |           |           |           | NIL     |
|          | (Already acquired)                     |           |           |           |           |         |
|          | 10,000 Sq Feet Building                | 20.00     | 10.00     |           |           | 30.00   |
|          | Seed Drying Plant & Equipment          |           | 120.00    | 30.00     |           | 150.00  |
|          | Utilities                              |           | 10.00     | 10.00     |           | 20.00   |
|          |                                        |           |           |           |           |         |
|          | <b>AT HYDERABAD</b>                    |           |           |           |           |         |
|          | 2 Acres of Land                        | 40.00     |           |           |           | 40.00   |
|          | 20000 Sq Feet Building                 | 10.00     | 15.00     | 5.00      |           | 30.00   |
|          | Seed Drying Plant & Equipment          |           | 100.00    | 50.00     |           | 150.00  |
|          | Utilities                              |           | 10.00     | 10.00     |           | 20.00   |

| Sr.No.   | PARTICULARS                                          | Quarter 3      | Quarter 4      | Quarter 1     | Quarter 2     | Total          |
|----------|------------------------------------------------------|----------------|----------------|---------------|---------------|----------------|
| <b>4</b> | <b>BIO-TECHNOLOGY LAB (At Hyderabad)</b>             |                |                |               |               |                |
|          | 7,500 Sq Feet Building                               | 65.00          | 10.00          |               | 15.00         | 90.00          |
|          | Testing Equipment & Furniture                        | 80.00          | 34.47          |               |               | 114.47         |
| <b>5</b> | <b>UPGRADATION OF PRESENT SEED PROCESSING PLANTS</b> |                |                |               |               |                |
|          | Kandlakoi Plant                                      | 152.78         |                |               | 152.78        | 305.56         |
|          | Gundla Pochampally Plant                             | 102.78         |                |               | 50.00         | 152.78         |
|          | Gatla Narsingapur Plant                              | 102.78         |                |               | 50.00         | 152.78         |
|          | Bellary Plant                                        | 205.56         |                |               | 100.00        | 305.56         |
| <b>6</b> | <b>NEW SEED PROCESSING PLANT (At Hyderabad)</b>      |                |                |               |               |                |
|          | 8 Acres of Land                                      | 160            |                |               |               | 160            |
|          | 50,000 Sq Feet Building                              | 125.00         | 60.00          | 15.00         |               | 200.00         |
|          | Plant & Machinery                                    |                |                | 152.78        |               | 152.78         |
|          | Staff Quarters                                       | 25.00          | 30.00          | 20.00         |               | 75.00          |
|          | Total                                                | <b>3308.90</b> | <b>1214.47</b> | <b>458.53</b> | <b>367.78</b> | <b>5349.68</b> |
| <b>7</b> | <b>Margin for Working Capital</b>                    |                | <b>600.00</b>  | <b>400.00</b> | -             | <b>1000.00</b> |
| <b>8</b> | <b>Issue Expenses</b>                                | [•] #          | Nil            | Nil           | Nil           | [•] #          |
|          | <b>Total</b>                                         | [•] #          | <b>1814.47</b> | <b>858.53</b> | <b>367.78</b> | [•] #          |

(Jan- January, Mar- March, Apr-April, Aug-August, Sep- September, Oct-October, Dec-December)

(Source: Estimate by Company's Management)

Quarter 3 & 4 Represents for financial yr 2007-08

Quarter 1 & 2 Represents for financial yr 2008-09

# Will be updated at the time of filing of the Prospectus. So far the Company has incurred a sum of Rs. 85.27 lakhs towards issue expenses.

### Funds Already Deployed

Our Company has incurred a sum of Rs. 85.27 lakhs as on July 31, 2007 towards Issue expenses and the same has been certified by the certificate dated August 01, 2007 given by our Statutory Auditor. Details of the amount incurred and their source of finance as certified are as follows:

#### Funds Deployed

(Rs. in lakhs)

| Sr. No. | Particulars    | Amount |
|---------|----------------|--------|
| 1       | Issue Expenses | 85.27  |
|         | Total          | 85.27  |

#### Sources of finance of funds deployed

(Rs. in lakhs)

| Sr. No. | Particulars       | Amount |
|---------|-------------------|--------|
| 1       | Internal Accruals | 85.27  |
|         | Total             | 85.27  |

### Interim Use of Funds

Pending any use as described above, our Company intends to invest the proceeds of this Issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorised by Board of Directors of the Company or a duly authorised committee thereof.

Any increase in the cost of the project is expected to be funded by internal accruals.

**Monitoring of Utilisation of Funds**

Our Board of Directors will monitor the utilisation of the proceeds of the Issue. We will disclose the utilisation of the proceeds of the Issue under a separate head in our financial statements for fiscal 2008 clearly specifying the purposes for which such proceeds have been utilised. We will also, in our financial statements for fiscal 2008, provide details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue. If any Issue proceeds remain unutilized at the end of fiscal 2008, we shall disclose the aforesaid details for fiscals of 2009 and succeeding years until Issue proceeds are completely utilized. No part of the proceeds of this Issue will be paid by us as consideration to our Promoters, our Directors, key management employees or companies promoted by our Promoters, save and except in the course of normal business.

## **BASIC TERMS OF THIS ISSUE**

The present Public Issue is of 40,00,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share) for cash aggregating to Rs. [●] lakhs (the “Issue”), out of which 2,00,000 Equity Shares have been reserved for Eligible Employees of our Company on a competitive basis (“Employee Reservation Portion”). The Net Issue to the Public shall be 38,00,000 Equity Shares of Rs.10 each for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share) for cash aggregating to Rs. [●] lakhs (the “Net Issue”) The Issue will constitute 29.20 % of the post Issue paid-up capital of the Company and the Net Issue will constitute 27.74 % of the post issue paid -up capital of our Company.

### **Principal Terms and Conditions of the Issue**

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, the terms of this Red Herring Prospectus, Red Herring Prospectus, Prospectus and Bid Cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice, and other documents/certificates that may be executed in respect of this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of this Issue and to the extent applicable.

### **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* in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment. For a description of our Articles of Association, please refer to the section titled ‘*Main Provisions of the Articles of Association of our Company*’ beginning on page no. 213 of this Red Herring Prospectus.

### **Face Value and Issue Price**

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Red Herring Prospectus at a price of Rs. [●] per share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

### **Rights of the Equity Shareholders**

Subject to applicable laws, the equity shareholders shall have the following rights:

- (1) Right to receive dividend, if declared;
- (2) Right to attend general meetings and exercise voting powers, unless prohibited by law;
- (3) Right to vote on a poll either in person or by proxy;
- (4) Right to receive offers for rights shares and be allotted bonus shares, if announced;
- (5) Right to receive surplus on liquidation;
- (6) Right of free transferability; and
- (7) Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For further details on the main provisions of our Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to the section titled ‘*Main Provisions of the Articles of Association of our Company*’ beginning on page no. 213 of this Red Herring Prospectus.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares of our Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of our Company shall only be in dematerialized form for all investors.

Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share.

Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share to the successful Bidders subject to a minimum Allotment of 40 Equity Shares. For details of allocation and allotment, please refer to the chapter titled '*Issue Procedure*' beginning on page no. 189 of this Red Herring Prospectus.

## BASIS OF ISSUE PRICE

The Equity shares being offered are subject to the provision of the Companies Act, 1956, the Memorandum and Articles of Association of our Company, the terms of this Draft Red Herring Prospectus, Red Herring Prospectus and other terms and conditions as may be incorporated in the allotment advice and other documents / certificates that may be executed in respect of the Issue. The Equity Shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, RBI, ROC and/or other authorities as in force on the date of the Issue and to the extent applicable.

Investors should read the following along with the Risk Factors beginning on page no. x and the details about our Company and its financial statements included in this Red Herring Prospectus. The trading price of the Equity shares of our Company could decline due to these risks and the investors may lose all or part of their investments.

## QUALITATIVE FACTORS

- a. Growing demand for hybrid seeds for increasing productivity.
- b. We are one of the leading seed producers in the country. (For a detailed discussion, please refer to the sub-heading '*We are one of the leading seed producers in the country*' under the heading '*Competitive Strengths*' in the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus.)
- c. We are one of the few organized players in the industry. (For a detailed discussion, please refer to the sub-heading '*We are one of the few organized players in the industry*' under the heading '*Competitive Strengths*' in the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus.)
- d. Our Promoters' proven track record for the past 20 years. (For a detailed discussion, please refer to the sub-heading '*Our presence in the industry for over two decades*' under the heading '*Competitive Strengths*' in the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus.)
- e. We have hybrid seeds for a wide range of crops (For a detailed discussion, please refer to the sub-heading '*We have hybrid seeds for a wide range of crops*' under the heading '*Competitive Strengths*' in the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus.)
- f. We own high quality hybrids in corn, sunflower and have a sub-licensing agreement with Mahyco Monsanto Biotech (India) Limited for developing Bt.Cotton. (For a detailed discussion, please refer to the heading '*Products*' in the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus.)
- g. Established brand. (For a detailed discussion, please refer to the sub-heading '*Established brand*' under the heading '*Competitive Strengths*' in the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus.)
- h. Our marketing & distribution network. (For a detailed discussion, please refer to the sub-heading '*Marketing & Distribution*' under the heading '*Competitive Strengths*' in the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus.)
- i. Our R & D facilities and research personnel. (For a detailed discussion, please refer to the sub-heading '*Our Research and Development Capabilities*' under the heading '*Competitive Strengths*' in the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus.)

For a detailed discussion of these factors, please refer to the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus.

## QUANTITATIVE FACTORS

The information presented in this section is derived from Company's restated financial statements prepared in accordance with Indian GAAP.

### 1. Earnings per Share (EPS) (as adjusted for changes in capital)

| Particulars               | Basic EPS<br>(in Rs.) | Diluted EPS<br>(in Rs.) | Weight |
|---------------------------|-----------------------|-------------------------|--------|
| Year ended March 31, 2005 | 5.19                  | 5.19                    | 1      |
| Year ended March 31, 2006 | 8.28                  | 8.28                    | 2      |
| Year ended March 31, 2007 | 15.05                 | 15.05                   | 3      |
| Weighted Average          | <b>11.15</b>          | <b>11.15</b>            |        |

Note:

- The earnings per share has been computed on the basis of restated profits and losses (after extra-ordinary items and prior year adjustments) for the respective years/periods after considering the impact of accounting policy changes, prior period adjustments/re-groupings pertaining to earlier years as per the auditors report (i.e. in accordance with Accounting Standard 20 – “Earnings per share” issued by the Institute of Chartered Accountants of India.).
- The face value of each equity share is Rs.10/-.

## 2. Price Earning (P/E) ratio in relation to the Issue Price of Rs. [●]\*

1. P/E based on the basic EPS of financial year ended March 31, 2007 is 9.96 at the Floor Price and 11.30 at the Cap Price.
2. P/E based on the diluted EPS of financial year ended March 31, 2007, is 9.96 at the Floor Price and 11.30 at the Cap Price.
3. Industry P/E:(pesticides/agrochemicals) as on July 23, 2007

|                           |       |
|---------------------------|-------|
| Highest (Monsanto India)  | 24.50 |
| Lowest (Bayer CropScien.) | 20.09 |
| Industry Composite        | 22.90 |

\* would be calculated after discovery of the Issue price through Book- Building

(Source: Capital Market, Vol.XXII/11, July 30-August 12, 2007, Category “Pesticides/Agrochemicals”)

## 3. Average Return on Net worth (RoNW)

| Particulars               | Average RoNW (%) | Weight |
|---------------------------|------------------|--------|
| Year ended March 31, 2005 | 51.65            | 1      |
| Year ended March 31, 2006 | 40.52            | 2      |
| Year ended March 31, 2007 | 40.11            | 3      |
| Weighted Average          | 42.17            |        |

The average RoNW has been calculated on the basis of the restated profit and losses of the respective years.

## 4. Minimum Return on increased Net Worth required to maintain pre Issue EPS is [●]

## 5. Net Asset Value per Equity Share

| Particulars          | NAV (Rs.) |
|----------------------|-----------|
| As on March 31, 2007 | 27.09     |
| After the Issue      | [●]       |
| Issue Price*         | [●]       |

\*The Issue Price would be determined on the basis of the demand from the investors through the book building process.

## 6. Comparison of Accounting Ratios

| Company                                             | EPS (Rs.) | P/E (as on July 23, 2007) | RONW % | NAV per share (Rs.) |
|-----------------------------------------------------|-----------|---------------------------|--------|---------------------|
| Kaveri Seed Company Limited ( as on March 31, 2007) | 15.05     | -                         | 40.11  | 27.09               |
| <b>Industry Data Category</b>                       |           |                           |        |                     |
| Bayer Cropscien. (as on December 31, 2006)          | 12.40     | 20.09                     | 16.40  | 83.90               |
| Monsanto India (as on March 31, 2007)               | 66.10     | 24.50                     | 20.50  | 434.50              |

(Source: Capital Market, Vol.XXII/11, July 30-August 12, 2007, Category “Pesticides/Agrochemicals”)

**7. The face value of the Equity Shares is Rs.10/- each and the Issue price is [●] of the face value.**

The Issue Price of Rs. [●] has been determined by our Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building. BRLMs believe that the Issue Price of [●] is justified in view of the above qualitative and quantitative parameters. Please refer to the chapter titled '*Risk Factors*' beginning on page no. x of this Red Herring Prospectus and the financials of the Company including important profitability and return ratios, as set out in the section titled '*Financial Statements*' beginning on page no. 112 of this Red Herring Prospectus to have a more informed view.

*Note: The compared ratios and other figures of the Company are drawn from the restated financials of the Company, where as ratios and other figures of other companies are not drawn from any restated financials of the respective companies.*

## STATEMENT OF TAX BENEFITS

To  
The Board of Directors  
Kaveri Seed Company Limited  
513B, S. D. Road, Secunderabad

### Statement of Possible Tax benefits available to the Company and its Share holders

The information provided below sets out the possible tax benefits available to the Company and its shareholders under the tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling conditions, as may be necessary, and is based on business imperatives the Company faces in the future. It may be also kept in mind that the Company may or may not choose to fully utilize the benefits. It may be also noted that the benefits discussed below are not exhaustive and this statement is only intended to provide general information to the investors and is neither designed nor intended to be substitute for professional tax advice.

#### ***D) INCOME TAX***

##### ***A.SPECIAL TAX BENEFITS:***

1. Under Section 35(2AB) of the Act, company is eligible for weighted deduction in respect of in-house research and development expense on the amount spent towards revenue expenditure and capital expenditure other than costs of land and building .
2. Under Section 35(2) of the Act, company is eligible for deduction in respect of expenditure of capital nature on research other than costs of land.

##### ***B.GENERAL TAX BENFITS THAT ARE AVAILABLE TO ALL COMPANIES OR TO THE SHAREHOLDERS OF ANY COMPANY AFTER FULFILLING CERTAIN CONDITIONS AS REQUIRED UNDER THE RESPECTIVE ACT***

##### ***a) To the Company***

1. Under Section 10(34) of the Act, income earned by way of dividend from another domestic company is exempt from tax in the hands of the Company.
2. Capital gains arising on transfer of long-term capital assets, being equity shares in a company or units of equity oriented mutual fund on sale, on which securities transaction tax is paid, are exempt under Section 10(38) of the Act, whereas short-term capital gains are subject to a concessional rate of tax under Section 111A of the Act at the rate of 10% (plus applicable surcharge and education cess). However, minimum alternate tax of 10% (plus applicable surcharge and education cess) of book profit is payable under Section 115JB on such long term capital gains if 10% of book profit computed as per provision of Section 115JB is higher than the total income as per normal provision of the Act.
3. The benefit of exemption from tax under Section 10(38) of the Act on long-term capital gains, or, concessional rate of tax under Section 111A of the Act on short-term capital gains will not be available, where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units would be charged to tax at the concessional 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 in accordance with and subject to the provision of Section 48 of the Act. Under Section 48 of the Act, the long-term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.
4. As per the provisions of Sec 32 (1) (iia) the company is entitled to claim depreciation at the rate of 20% of the actual cost of the eligible plant and machinery in addition to normal depreciation. However such depreciation would be restricted to 50% of the eligible amount in case the asset is used for a period of less than 182 days.
5. As per Section 54EC of the Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset (other than those covered by Section 10 (38)) is exempt from tax, provided that the Company has, at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified

long-term asset for the purposes of Section 54EC of the Act. If only a portion of the capital gains is so invested, then the exemption would be available proportionately.

**b) To the resident shareholders of the Company**

1. As per section 10(34) of the Act, dividends declared, distributed or paid by the Company are exempt from income tax in the hands of the recipient shareholders.

2. Section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date, will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

3. As per Section 54EC of the Act, subject to the conditions specified therein, capital gains arising from the transfer of a long-term capital asset (including Equity Shares of the Company) is exempt from tax, provided that the shareholder has, at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC. If only a portion of capital gains is so invested, then the exemption is available proportionately.

4. As per the provisions of Section 54F of the Act, subject to the conditions specified therein, long-term capital gains accruing to a shareholder, not owning more than one house, being an individual or a Hindu undivided family, on transfer of shares of the Company, shall be exempt from tax, provided the net consideration is utilised in the purchase of a residential house within a period of one year before or two years after the date of transfer of such shares, or in the construction of a residential house within a period of three years from the date of transfer of such shares of the Company. If only a portion of the net consideration is so invested, then the exemption is available proportionately. The exemption is subject to other conditions specified in Section 54F of the Act.

5. Long-term capital gains would accrue to resident shareholders, where the Equity Shares are held for a period of more than 12 months prior to the date of their transfer. In accordance with and subject to the provisions of Section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of the consideration:

(i) Cost of acquisition/improvement of the shares, as adjusted by the Cost Inflation Index notified by the Central Government and

(ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares.

6. Capital gains arising on transfer of long-term capital assets, being equity shares in a company, on sale of which securities transaction tax is paid, are exempt under Section 10(38) of the Act, whereas short-term capital gains are subject to tax under Section 111A of the Act at the rate of 10% (plus applicable surcharge and education cess). However, shareholders being companies are required to pay minimum alternate tax of 10% (plus applicable surcharge and education cess) of book profit under Section 115JB on such long term capital gains if 10% of their book profit computed as per provisions of Section 115JB is higher than the total income as per normal to provisions of the Act. If the shares on which securities transaction tax has been paid are treated as stock-in-trade, liable to tax as business profits at the maximum marginal rate, rebate can be claimed in accordance with provisions of Section 88E of the Act towards such securities transaction tax.

7. The benefit of exemption from tax under Section 10(38) of the Act, on long-term capital gains or, concessional rate of tax under Section 111A of the Act, on short-term capital gains, will not be available, where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities would be charged to tax at the concessional 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, in accordance with and subject to the provision of Section 48 of the Act. In respect of capital gains not chargeable under section 111A, the short term capital gains in respect of shares held for a period of less than 12 months, is added to the total income. Total income, including short-term capital gains, is chargeable to tax as per the relevant rate applicable to the assessee, plus applicable surcharge and education cess.

**c) To the Non-resident Shareholders, including NRIs, OCBs and FIIs.**

1. As per section 10(34) of the Act, dividends declared, distributed or paid by the Company are exempt from income tax in the hands of the recipient shareholders. Section 94(7) of the Act provides that losses arising from the sale/transfer of shares

purchased up to three months prior to the record date and sold within three months after such date, will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

2. As per Section 54EC of the Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset (including Equity Shares of the Company) is exempt from tax, provided that the shareholder has, at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC. If only a portion of capital gains is so invested, then the exemption is available proportionately.

3. As per the provisions of Section 54F of the Act, subject to the conditions specified therein, long-term capital gains accruing to a shareholder, not owning more than one house, being an individual or a Hindu undivided family, on transfer of shares of the Company, shall be exempt from tax, provided the net consideration is utilised in the purchase of a residential house within a period of one year before or two years after the date of transfer of such shares, or in the construction of a residential house within a period of three years from the date of transfer of such shares of the Company. If only a portion of the net consideration is so invested, then the exemption is available proportionately. The exemption is subject to other conditions specified in Section 54F of the Act.

4. Long-term capital gains would accrue to non-resident shareholders, where the equity shares are held for a period of more than 12 months prior to the date of their transfer. In accordance with and subject to the provisions of Section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

(i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government and

(ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares As per the provisions of the first proviso to Section 48 of the Act, capital gains arising from the transfer of equity shares acquired by non-residents in foreign currency are to be computed by converting the cost of acquisition/improvement, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing into the same foreign currency, as was initially utilised in the purchase of equity shares, and the capital gains so computed in such foreign currency shall then be re-converted into Indian currency. Cost indexation benefits will not be available in such cases.

5. Capital gains arising on transfer of long-term capital assets, being equity shares in a company, on sale of which securities transaction tax is paid, are exempt under Section 10(38) of the Act, whereas short-term capital gains are subject to tax under Section 111A of the Act at the rate of 10% (plus applicable surcharge and education cess). However, shareholders being companies are required to pay minimum alternate tax of 10% (plus applicable surcharge and education cess) of book profit under Section 115JB on such long term capital gains if 10% of their book profit computed as per provisions of Section 115JB is higher than the total income as per normal provisions of the Act. Where securities transaction tax has been paid on shares, which are treated as stock-in-trade, liable to tax as business profits at the maximum marginal rate, rebate can be claimed in respect of such securities transaction tax in accordance with provisions of Section 88E of the Act.

6. The benefit of exemption from tax under Section 10(38) of the Act on long-term capital gains or, concessional rate of tax under Section 111A of the Act on short-term capital gains, will not be available where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units would be charged to tax at the concessional rate of 10% (plus applicable surcharge and education cess).

7. As per the provisions of Section 115-I of the Act, Non-Resident Indians have an option to be governed by Chapter XII-A of the Act, according to which:-

i) Under section 115E of the Act, capital gains arising to a Non-Resident on transfer of shares in a Company, subscribed to in convertible foreign exchange and held for a period exceeding 12 months (not covered under Sections 10(38) of the Act) would be taxed at a concessional rate of 10% (without indexation benefit plus surcharge and education cess as applicable).

ii) Under section 115F of the Act, long-term capital gains accruing to a Non-Resident on transfer of shares in a company, subscribed to in convertible foreign exchange (not covered under Sections 10(38) of the Act) would be exempt from income tax, if the net consideration is invested in specified assets as defined in Section 115C(f), or in any saving certificates specified under Section 10(4B), within six months of the date of transfer. If only part of the consideration is so invested, the exemption would be proportionately reduced. The amount so exempted would be chargeable to tax, if the specified assets are transferred or converted within three years from the date of their acquisition.

iii) The aforesaid benefits will apply only in case of transfer of shares of the Company, which is not subject to STT, and hence not exempt from tax under section 10(38).

iv) As per the provisions of Section 115G of the Act, a non-resident Indian is not required to furnish a return of income under Section 139(1) of the Act, if his total income consists only of investment income and / or long term capital gains, arising from investment in shares subscribed to or purchased in convertible foreign exchange and tax has been deducted at source from such income.

v) As per the provisions of Section 115H of the Act, where a non-resident Indian becomes assessable as a resident in India in any previous year, he may furnish a declaration in writing to the Assessing Officer along with his return of income 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 income derived for that year and for subsequent years from the shares of the Bank acquired with convertible foreign exchange, until such assets are converted into money.

vi) As per the provisions of Section 115-I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

8. Capital gains arising to Foreign Institutions Investors (FIIs) on sale of shares on which securities transaction tax is not paid is governed by Section 115AD of the Act. As per Section 115AD of the Act, long-term capital gains arising on transfer of shares purchased by FIIs, are taxable at the rate of 10% (plus applicable surcharge and education cess). Short-term capital gains are, however, taxable at the rate of 30% (plus applicable surcharge and education cess). Cost indexation benefits will not be available. Further, the provisions of the first proviso of Section 48 of the Act, as stated in para 5 above, will not apply.

9. Where any Double Taxation Avoidance Agreement (DTAA) entered into by India with any other country or agreement entered into by specified association in India with any specified association in the specified territory outside India which is notified by the Central Government under Section 90 and 90A provides for a concessional tax rate or exemption in respect of income from the investment in the Company's shares, those beneficial provisions shall prevail over the provisions of the Act in that regard.

#### **d) Mutual Funds**

As per the provisions of Section 10(23D) of the Act, any income from investments in the shares of the Company, or income by way of short term or long term capital gains arising from transfer of such shares, earned by mutual funds registered under the Securities and Exchange Board of India Act, 1992, or Regulations made thereunder, or mutual funds set up by Public Sector Banks or Public Financial Institutions and Mutual Funds authorised by the Reserve Bank of India, would be exempt from income tax, subject to the conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

### **II) WEALTH TAX**

Shares are not treated as assets within the meaning of Section 2(ea) of the Wealth Tax Act, 1957. Hence wealth tax will not be applicable on shares of the Company in the hands of shareholders.

### **III) GIFT TAX**

The Gift Tax Act, 1958, ceased to apply to gifts made on or after October 1, 1998. Gifts of shares of the Company would, therefore, be exempt from gift-tax.

The above information is true and fair to the best of our knowledge and information.

**For P. R. REDDY & CO**

*Chartered Accountants*

(P. RAGHU NADHA REDDY)

Partner

Membership No.23758

Place: Hyderabad

Date: 01-08-2007

## SECTION IV – ABOUT US

### INDUSTRY OVERVIEW

#### General

Agriculture remains a pivotal part of the Indian economy despite the emergence of other sectors and decreasing GDP share, due to the twin factors of food security and employment generation. The agri-inputs industry produces products that provide essential support to modern agriculture. Seeds are one of the most critical inputs in agricultural production. Improvements in quality and production of seeds along with an improved agronomy have brought about several modern agricultural productivity improvements, including increased food production to keep pace with increased domestic as well as global demand from population and economic growth. Since rapid urbanization and development over the last few decades has reduced the total area of land under cultivation, substantially higher crop yields and multiple cropping have become increasingly important for meeting domestic as well as global demand for food. The demand for seeds and other agri-inputs that augment production of crops is expected to continue.

#### Market Scenario in India

The Indian seed industry has had a long history spreading over more than a century. It initially began with trading in vegetable and flower seeds in the early part of this century. Seed related reforms pertaining to hybridization began in the early 1980's, when the GoI decided to provide public-bred breeder seed to private companies for multiplication and distribution. Further, starting in the mid-1980's accessibility to research institutions, both international and national was provided to private seed firms for directly obtaining breeder seed. The seed related reforms initiated in 1980's thus catalysed growth of the private seed sector in the country. As a consequence, the Indian seed industry is experiencing quantitative and qualitative changes in composition, market expansion and production technologies. Along with the increasing size of the seed market, its composition is also rapidly changing, with more and more private companies not only intensifying but also diversifying their market as well as product coverage.

The Indian seed market is among the top ten largest in the world, estimated to be about US\$1 billion in 2005. (*Source: ISF Secretariat*) Aside from our Company, the notable seed companies in India include Pioneer, Mahyco, Monsanto India, ProAgro, Syngenta and Nuziveedu Seeds.

The Government is concerned about the stagnation in the production and productivity of pulses. A critical deficiency is the availability and quality of certified seeds. Government therefore proposes to expand the Integrated Oilseeds, Oil palm, Pulses and Corn Development programme. There will be a sharper focus on scaling up the production of breeder, foundation and certified seeds. The Indian Institute of Pulses Research (IIPR), Kanpur, the National and State level seeds corporations, agricultural universities, ICAR centres, KRIBHCO, IFFCO and NAFED as well as large private sector companies will be invited to submit plans to scale up the production of seeds. Government will fund the expansion of IIPR, Kanpur, and offer the other producers a capital grant or concessional financing in order to double the production of certified seeds within a period of three years. (*Source: Union Budget 2007-08: Finance Minister's speech*)

In India, a limited generation system, which is characterized by three generations – breeder, foundation and certified seeds, is used for seed multiplication. The details of the production/distribution of each generation since 2000 are provided below:

| Year    | Production of Breeder Seed in millions tons | Production of Foundation Seed in millions tons | Distribution of Certified/Quality seed in millions tons |
|---------|---------------------------------------------|------------------------------------------------|---------------------------------------------------------|
| 2000-01 | 426.90                                      | 0.0591                                         | 0.8627                                                  |
| 2001-02 | 454.85                                      | 0.0544                                         | 0.9180                                                  |
| 2002-03 | 488.58                                      | 0.0614                                         | 0.9380                                                  |
| 2003-04 | 500.43                                      | 0.0655                                         | 1.0000                                                  |
| 2004-05 | 510.00*                                     | 0.0700                                         | 1.2740                                                  |
| 2005-06 | 520.00*                                     | 0.0740#                                        | 1.3850#                                                 |

\* anticipated

# Target

(*Source: Performance Budget, 2005-06, Ministry of Agriculture, Department of Agriculture and Cooperation, Government of India*)

The production data shown in the table above indicates that the Indian seed market has entered a period of high growth. Historically, the Indian seed market had been dominated by public sector players. Private companies began playing an active role in the industry after the introduction of the Seed Policy in 1988. It is estimated that about 46% of the seed commercially sold in India is produced by private sector seed companies.

(Source: Performance Budget, 2005-06, Ministry of Agriculture, Department of Agriculture and Cooperation, Government of India)

The GoI has recognized that increased agricultural productivity is an urgent social need and that, as in other industries in India, the entrepreneurial approaches of the private sector can substantially help to achieve this objective. In 2002, the GoI formulated the National Seeds Policy to replace the New Policy on Seeds Development, 1988 and thereby lay down the foundation for comprehensive reforms in the seeds sector to encourage the involvement of the private sector in the seed industry, including revisions to the legislative framework to introduce a *sui generis* system for intellectual property protection of plant varieties and provisions for tax rebates and concessions on expenditure for in-house research and development of new varieties. As a result, a majority of the world's multinational agricultural businesses have established a presence to a greater or lesser extent in the rapidly growing Indian market.

The major crops produced in India are paddy, wheat, jowar, bajra, corn, ragi, barley, small millets, pulses, cotton, jute, mesta and sugarcane. According to the Ministry of Agriculture, the target production of these crops in 2006-07 was as follows:

| (Million Tons) |                                        |                 |               |               |
|----------------|----------------------------------------|-----------------|---------------|---------------|
| Sr. No.        | Name of the Crop                       | Kharif (Summer) | Rabi (Winter) | Total         |
| 1              | Rice                                   | 80.78           | 12.02         | 92.80         |
| 2              | Wheat                                  | -               | 75.53         | 75.53         |
| 3              | Jowar                                  | 4.28            | 3.33          | 7.61          |
| 4              | Bajra                                  | 8.55            | -             | 8.55          |
| 5              | Corn                                   | 12.54           | 2.85          | 15.39         |
| 6              | Ragi                                   | 2.79            | -             | 2.79          |
| 7              | Barley                                 | -               | 1.65          | 1.65          |
| 8              | Small Millets                          | 0.53            | -             | 0.53          |
| 9              | Total Coarse Cereals                   | 28.69           | 7.83          | 36.52         |
| 10             | Pulses                                 | 5.78            | 9.37          | 15.15         |
|                | <b>Total Food grains</b>               | <b>115.25</b>   | <b>104.75</b> | <b>220.00</b> |
| 11             | Cotton*                                | 185.00          | -             | 185.00        |
| 12             | Jute#                                  | 101.20          | -             | 101.20        |
| 13             | Mesta#                                 | 11.60           | -             | 11.60         |
| 14             | Sugarcane Continued in Kharif and Rabi |                 |               | 270.00        |

\* lakh bales of 170 kg each

# lakh bales of 180 kg each

(Source: Annual Report, 2006-07, Ministry of Agriculture, Department of Agriculture and Cooperation, Government of India)

The Indian market is highly receptive to new technology, with insect resistant cotton being the first example of a genetically modified organism. Commentators believe that the GoI and regulators are committed to the careful adoption of traits that can deliver significant benefits to a human population that is highly reliant on productive agriculture for its future health and prosperity. The Department of Agriculture & Cooperation appointed a task force on the application of biotechnology in agriculture under Dr. M.S. Swaminathan, which submitted a report in June 2004 containing the following major recommendations:

1. The bottom line of the national agricultural biotechnology policy should be the economic well being of farm families, food security of the nation, health security of the consumer, protection of the environment and security of the national and international trade in farm commodities;
2. Transgenic research should not be undertaken where India's national trade may be affected (e.g., Basmati rice, soybean or Darjeeling Tea); and
3. Research and extension system should be sensitive to the biodiversity, conservation and social economic context of the composite agrarian systems.

(Source: Annual Report, 2004-05, Ministry of Agriculture, Department of Agriculture and Cooperation, Government of India)

## **Industry Drivers**

As key agricultural inputs, seed products have the following common industry drivers:

### *Population growth*

A fundamental driver for the increase in demand for crops is global population growth. The United Nations projects that world population will increase from 6.1 billion people in 2000 to 7.2 billion people in 2015.

India's population is also projected to grow at a rapid pace from 934 Million in 1966 to 1264 Million by 2016, as per report of Planning Commission titled "*Population Growth – Trends, Projections, Challenges and Opportunities*".

### *Economic growth*

As people become wealthier, they consume more and higher quality food. The International Food Policy Research Institute forecasts a 40% increase in demand for grain by 2020.

### *Land availability*

Arable land is scarce in many parts of the world and under pressure from urbanization and industrial uses. Accordingly, there is continual pressure to increase the productivity of available resources.

### *Sustainability*

Without significant increase in productivity, more land will have to be brought under irrigation and multiple cropping, which may have a potentially severe adverse impact on biodiversity and the environment.

### *Technology*

Innovations that provide new benefits can spur significant market growth. These may relate to conventional seeds, but increasing derivations from biotechnology can confer valuable new traits upon seeds and significant improvements in crop management.

### *Hybridization*

Increasing awareness of the benefits of high-quality hybrid seeds and improved farming practices will encourage quantum shifts in grower preferences.

### *Food preferences*

Shifting consumer food preferences will affect selection of crops and the seed industry.

In addition to these drivers, the seed industry is influenced by commodity prices and weather. Changes in commodity crop prices influence a farmer's decision to purchase yield-enhancing products as the value of any increased yield is correspondingly affected. Erratic weather can affect crop performance at all levels. The market for seeds is in turn affected on a regional basis as farmers choose crops and hybrids that best suit changed local weather conditions.

Furthermore, the modern innovations like biofuels (such as ethanol) will be driving the demand for crops used in their production. Oilseed crops, such as mustard and soyabean, are used to produce biodiesel. Corn and sugar cane are examples of crops used to produce ethanol. Any increase in the use of biofuels is expected to lead to a higher demand for the seeds of the relevant crops.

## **Seed Products**

There are thousands of seed hybrids and varieties in the market, presenting numerous combinations of desirable traits. Farmers make their choices of crops and varieties to grow depending upon local growing conditions and demand in the market for such products. Seeds developed for and adapted to different geographical segments will provide different advantages to the farmer, such as:

- better yield;
- higher pest & disease tolerance;
- herbicide tolerance;

- germination ;
- maturity ;
- keeping quality; and
- drought tolerance.

Historically, breeders have improved seed genetics by crossing plants to create traits that are beneficial to the farmer, such as the traits listed above. Yield, however, is the most sought after trait because growers want to maximize the use of their arable land. The basic genetic material containing these desirable traits for a plant is called its germplasm. Quality germplasm has traditionally been the most important aspect of the seed business. Modern genomics and biotechnology tools have allowed more precise and rapid identification of beneficial genetic material and the creation of hybrids with substantial improvements in the traits that benefit the grower.

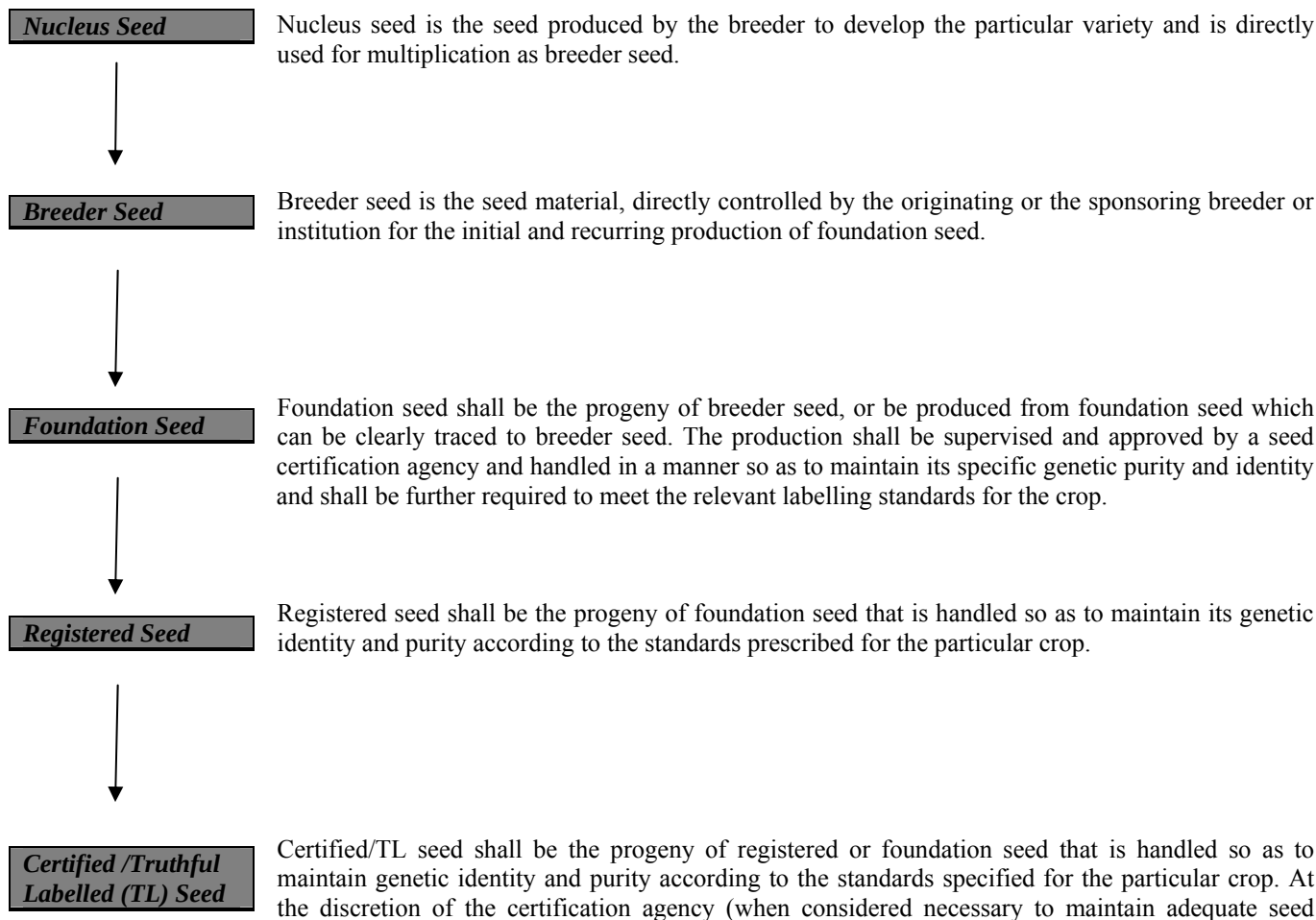
## Seed Types

There are two types of seed that are available to farmers – varieties [*e.g.*, open pollinated (OP) and self pollinated (SP) varieties] and hybrids developed through controlled pollination of selected parents.

Compared to hybrids, the yields from varieties are lower but the farmer can save and re-use the seed from year to year for several generations. The downside of using farmers' saved seed of OP and SP varieties is that there is some degeneration of uniformity, yield potential and quality from one generation to the next when such seeds are reused. Hybrid seeds compared to OP seeds usually do not perform well when used by the farmer from saved seed in the next generation and must be repurchased every year. The loss in yield can be very significant.

### OP and SP Seed Production

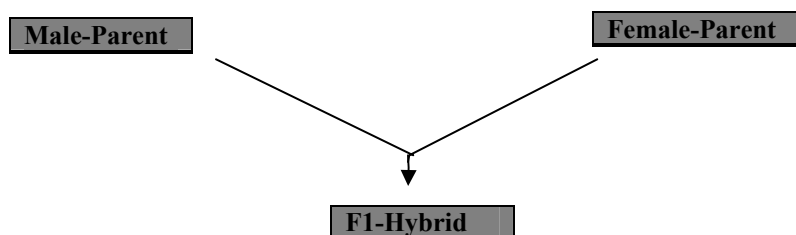
Seed programs generally adhere to the four-generation system of seed multiplication, namely, breeder, foundation, registered and certified seed.



supplies) Certified/TL seed is the one which is sold to the farmer.

### *Hybrid Seed Production*

The development of seed crops takes place in several steps. The process begins with trait selection – choosing plants that have desirable characteristics, such as high yield, nutritional content, flavor, size or tolerance to certain diseases and pests. Trait selection requires an extensive pool of germplasm and significant research and development capabilities. Seed companies produce both hybrid and OP seeds. OP seeds are pollinated by natural means and produce progeny with no significant variation from their component lines. In many crops, this type of nucleus seed is the seed produced by the breeder to develop the particular variety and is directly used for multiplication as breeder seed. Breeder seed is the seed material directly controlled by the originating or the sponsoring breeder or institution for the initial and recurring production of seeds to maintain traits indigenous to a specific parent line. In contrast, hybrid seeds are the first generation progeny of two different parent lines. Hybrid seeds are produced by crossbreeding two genetically dissimilar parent plant lines. The hybrid seed production depends on the crop variety. Hybrid seed is produced after crossing a male and a female.



The progeny of hybrid seeds (*i.e.*, the F1 shown in the illustration above) that results from the crossing is sold to the farmer. The F1 hybrid seed possesses the hereditary characteristics determined by the selected traits of the parent lines and also would normally contain enhanced performance characteristics superior to the parent lines. The yield benefit is a result of hybrid vigor or heterosis, a naturally occurring characteristic across the biological world. Crops produced from these seeds exhibit a higher degree of uniformity and produce higher yields. However, second generation seed produced by a hybrid will not inherit the enhanced performance characteristics of its hybrid parent. Thus, crops produced from seeds saved from hybrid crops do not display the same performance. As a result, hybrid crop farmers must purchase new hybrid seeds everytime in order to benefit from hybrids. The demand for hybrid seeds has been increasing in recent years.

Seed companies can typically demand a premium for their proprietary hybrid seeds. This is because these seeds are generally the only alternative for farmers looking for certain traits, such as increased yields, tolerance *etc.* Farmers worldwide have recognized the value of hybrids (including high yields and disease tolerance) and are beginning to switch over to hybrids from OP seeds.

The benefits of hybrid seeds are such that there is economic advantage to growers who purchase hybrid seed each year. Sales of hybrids are less susceptible to erosion due to farm-saving of seed. Successful hybrids have been evolved and commercialized in many crops.

### **Biotechnology**

The arrival of biotechnology, of which the first commercially significant products appeared on the market in the mid-1990's, has had a significant impact on both the crop protection and seed industries.

In the case of crop protection, biotechnology has affected the composition of the market for some crops, mainly soybeans and some other oilseeds in several countries, by causing a shift from the use of selective herbicides to nonselective herbicides that can be used on herbicide-tolerant crops that have been developed through biotechnology. The impact of pest-tolerant crops is also being felt on the insecticide market. Biotechnology also provides tools that support the invention of novel, active ingredients by enabling identification of new targets through the use of tests that allow large numbers of potentially useful substances to be screened and the use of genomic technology to define the mode of action of chemicals at an earlier stage than is currently achievable.

The introduction of improved traits in crops using bio-tech tools, has enhanced the value of the seed market significantly by allowing products which command premium due to their unique qualities. Biotechnology can be used both to facilitate traditional breeding processes to develop new varieties by using genetic markers to follow the incorporation of desired traits and to introduce new plant varieties that are genetically modified to express traits desirable to the grower, such as high oil or

vitamin content and increased levels of health-beneficial dietary components, and traits that are beneficial to the grower, such as resistance to pests, diseases and selective herbicides.

Additional traits that benefit the grower and the consumer are under development. Biotechnology revolution is poised to bring about further changes in the market and create significant new market opportunities in the near future.

Since the commercialization of biotech crops in 1996, farmers have consistently increased their plantings of biotech crops by double-digit growth rates every single year. During the nine-year period from 1996 to 2006, the global area for biotech crops increased from 1.7 million hectares in 1996 to 102 million hectares in 2006, with an increasing proportion being grown by developing countries. More than one-third (40%) of the global biotech crop area in 2006, equivalent to 40.90 million hectares, was grown in developing countries where growth continues to be strong. It is noteworthy that the absolute growth in biotech crop area between 2005 and 2006 was substantially higher for developing countries (7 million hectares or 20% growth) than for industrial countries (5 million hectares or 9% growth). The increased hectareage and impact of the five principal developing countries (China, India, Argentina, Brazil and South Africa) growing biotech crops is an important trend with implications for the future adoption and acceptance of biotech crops worldwide. [Source: ISAAA Briefs No. 35-2006: *Global Status of Commercialized Biotech/GM Crops: 2006*(<http://www.isaaa.org/kc/cropbiotechupdate/2007/01/18.htm>)]

In 2006, the global market value of biotech crops, forecasted by Cropnosis, was US\$6.15 billion representing 21% of the approximately \$30 billion global commercial seed market. The global value of the biotech crop market was estimated as US\$6.8 billion for 2007. [Source: ISAAA Briefs No. 35-2006: *Global Status of Commercialized Biotech/GM Crops: 2006* <http://www.isaaa.org/resources/publications/briefs/35/executivesummary/default.html>]

### **Genetically Modified Crops**

When a gene from one organism is purposely transferred or moved to improve or change the characteristics of another organism in a laboratory, the result is a genetically modified organism. It is also called “transgenic”, for transfer of genes.

There are different methods of manipulating genetics to introduce improved or more desirable traits. This technique is applied in the controlled environment of a laboratory where genes that express the desired trait are physically moved or added to a new plant to enhance the trait in that plant. Plants produced with this technology are transgenic. For example, this process has been performed many times on different species of crops to produce insect or herbicide resistant plants. Such crops are referred to as Genetically Modified Crops (“GM crops”). More recently with the advancement of technology, molecular markers are being extensively used to speed up the technology.

With traditional breeding, plants often exchange large, unregulated chunks of their genomes. This can lead to both useful and unwanted traits in the offspring. The unwanted traits can be unsafe. Breeders sometimes have to crossbreed many plants over multiple generations to produce the desired trait. Biotechnology, on the other hand, allows new traits to be introduced in a far more specific manner and without the complications from undesirable genes and extensive crossbreeding. Biotechnology also allows traits from any source to be applied.

Many GM crops grown today have been developed to resist certain insects / pests with positive environmental effects. There are genetically modified plants being developed today to produce specific vitamins, resist plant viruses and even produce products for medical uses. However, in many parts of the world the planting of GM crops is currently not allowed pending concrete scientific data on its long term impact on the environment and human safety.

### **Production**

Seed, being a biological entity has to be grown and cannot be manufactured.

Generally, large sized seed crops are produced locally in order to facilitate transport. Industrial processes are used when sorting, cleaning, packaging, or treating and coating the seed, which are generally performed at centralized processing facilities.

As seed production requires long lead times, making accurate forecasts of demand is important for seed companies. In the case of hybrids, for example, breeder seed must be developed initially and then multiplied into sufficient levels of foundation (parent) seed to produce a hybrid seed. Each step in the process requires a growing season.

Seed firms with a marketable seed product typically contract out the production and multiplication processes to independent farmers, farmer's associations, and private firms. Breeders provide contract growers with the foundation seed (parent seed stock produced from the original seed developed by plant breeders) to produce the marketable seed.

The production through contract growers is closely managed by seed firms to ensure that there is no genetic contamination and the desirable plant characteristics are carried through to subsequent generations by preventing open pollination, disease or pest infestation and other types of problems that could affect hybrid quality. Contract growers are carefully selected by seed firms and are provided with technical assistance and supervision. Seed firms closely control and monitor all stages of seed production, from planting to harvest.

The following table represents the seeds produced for the respective financial years.

*(In quintals)*

| Crops            | FY01    | FY02    | FY03    | FY04     | FY05     |
|------------------|---------|---------|---------|----------|----------|
| Wheat            | 6980.97 | 9349.37 | 8827.78 | 12498.8  | 13502.2  |
| Paddy            | 2244.76 | 1228.9  | 1765.91 | 1518.35  | 2571.53  |
| Sorghum          | 158.62  | 90.5    | 69.51   | 105.47   | 86.55    |
| Corn             | 51.71   | 102.88  | 79.28   | 116.58   | 115.96   |
| Bajra            | 1.55    | 1.82    | 3.2     | 3.2      | 1.8      |
| Barley           | 61.6    | 194.2   | 306.3   | 443.1    | 701.33   |
| Gram             | 3122.62 | 4310.43 | 4778.56 | 4694.92  | 5448.7   |
| Uradbean         | 287.75  | 321.09  | 328.12  | 305.34   | 178.09   |
| MoongBean        | 361.08  | 268.63  | 366.12  | 300.08   | 360.23   |
| PigeonPea        | 294.54  | 182.54  | 319.93  | 391.8    | 289.6    |
| Groundnut        | 2804.7  | 3722.87 | 3722.66 | 5297.48  | 5415.6   |
| Rapeseed/Mustard | 77.51   | 114.59  | 108.99  | 173.87   | 179.28   |
| Cotton           | 317.39  | 180.11  | 130.8   | 262.9    | 196.47   |
| Soyabean         | 5663.43 | 9186.64 | 8346.5  | 12279.55 | 12629.79 |
| Sunflower        | 31.68   | 33.16   | 23.72   | 55.66    | 41.3     |
| Jute             | 18.58   | 11.51   | 7.65    | 8.31     | 5.23     |
| Safflower        | 78.7    | 66.52   | 39.35   | 105.11   | 75.61    |
| Castor           | 24.66   | 141.8   | 62.2    | 106.58   | 105.12   |

[Source: Agricultural Research Data Book-2006 (IASRI)]

### Seed Conditioning

After harvest the seed has to be conditioned to render it fit for sale to farmers. The conditioning process typically includes drying, cleaning and sorting the seed, treating the seed with insecticides and fungicides and packaging the seed for distribution and sale. Seed is also subject to inspection under various government programs to ensure that the final product meets certain quality standards. This inspection may include tests for purity, germination, presence of noxious weed seeds and moisture content.

### Marketing and Distribution

Marketing and distribution channels are generally localized. Seed companies create awareness about their products among farmers. Large seed firms play a direct role in marketing and distributing their end product to regional, national and international markets. Many firms also license or outsource marketing and distribution to private firms and individuals to improve access to local markets. In addition to company sales, distribution is typically run by local distributors including *inter alia* independent agents, such as farmer-dealers, farmers' associations, and private wholesalers and retailers. Different distribution channels are used in different regions and markets.

### Seed Pricing

The market price of seed incorporates the costs associated with research and development, production, processing, marketing and distribution. In the long run, the price must be responsive to the farmers' willingness to purchase while at the same time ensuring a profit margin that provides an attractive return on capital to the seed company. Furthermore, pricing depends on the competitiveness of the particular seed market, availability of similar seed products and the pricing behavior of those firms that hold large shares of the market.

Research and development typically forms a significant cost component of product development, particularly for development of proprietary hybrids.

Seed production is another significant cost component, depending on the seed producability and techniques and labour involved during production. Production costs include contracting with farmers to grow seed for exclusive resale to the seed firm. Seed companies typically pay contract growers a margin above the commodity market price for the seed to provide enough incentive for contract growers to maintain optimal growing conditions for production of a quality product.

Seed conditioning and treatment is another cost element of the seed price. This process benefits from scale economies arising from the use of certain capital equipment.

Advertising, promotion and distribution are other major costs. These costs vary with the stage of the product cycle and, depending on the regional market, can account for more than 10% to 20% of the seed price. Advertising and promotion are necessary to distinguish a seed company's product from other firms' products in the market, to educate customers on the best crop management practices to ensure optimum utilization of the genetic potential. Distribution costs include costs of transportation and communication between production facilities, wholesalers, retailers and farmers, as well as storage costs (including financial costs) if seed is held as inventory between seasons.

## **Key Crops**

### *Sunflower*

Sunflower is an oilseed crop. Commercially available sunflower varieties contain a considerable percentage of oil in the seed, with the majority used in vegetable oil, margarine and for industrial purposes. Sunflower cake is also used as poultry and animal feed.

The oil from the sunflower accounts for the majority of the value of the sunflower crop. Sunflower oil is generally considered a "healthy oil" because of its light color, high level of unsaturated fatty acids and lack of linoleic acid, bland flavor and high smoke points. The primary fatty acids in the oil are oleic and linoleic. The primary use of sunflower oil is as a salad and cooking oil or in margarine.

Major states producing sunflower are Karnataka, Andhra Pradesh and Maharashtra. The approximate area under hybrid cultivation is 1.4 M Ha approximately. (*Source: Company data as on December 31, 2006*)

### *Grain Sorghum*

Grain sorghum is grown mainly for human consumption. The dry stock of the plant is used as animal feed. It is highly drought resistant and produces attractive and sustainable yields compared to other crops. It is also being considered as a source of raw material for ethanol production. If successful, it would have a significant impact on the area under grain sorghum cultivation.

Major states producing grain sorghum are Maharashtra, Karnataka and Madhya Pradesh. The approximate area under hybrid cultivation is 1 M Ha. (*Source: Company data as on December 31, 2006*)

### *Cotton*

Cotton requires intensive use of pesticides as various pests cause extensive damage. Over the past 40 years, many pests have developed resistance to pesticides. So far, the only successful approach to engineering crops for insect tolerance has been the addition of the Bt. toxin, a family of toxins originally derived from soil bacteria. The Bt. toxin contained in the Bt. crops is no different from other chemical pesticides, but causes much less damage to the environment. These toxins are effective against a variety of economically important crop pests but pose no hazard to non-target organisms like mammals and fish. Three Bt. crops are now commercially available: corn, cotton and potato. Cotton is currently the most popular of the Bt. crops. The Bt. gene was isolated and transferred from a certain bacteria into cotton. This cotton line was subsequently crossed with Indian cotton to introduce the gene into native varieties. Bt. cotton was launched commercially in India in 2002.

The Bt. cotton variety contains a foreign gene obtained from a certain bacterium. This bacterial gene, introduced genetically into the cotton seeds, protects the plants from bollworm, a major pest of cotton. A bollworm feeding on the leaves of a Bt. cotton plant becomes lethargic and sleepy, thereby causing less damage to the plant.

Advantages of the Bt. variety of cotton include a higher yield and fewer sprays of chemical pesticide than the normal cotton variety. According to the Director General of the Indian Council of Agricultural Research, India uses about half of its

pesticides on cotton to fight the bollworm menace. The use of Bt. cotton has led to an increase in cotton yield in countries where it is grown.

From the total area under cotton cultivation in the country, the proportionate area used for cultivation of Bt.Cotton has increased from 6.2% in 2004-05 to 39% in 2006-07. According to a study conducted by IRMB International, of total 91.32 lakh hectares under cotton cultivation in India, about 35.61 lakh hectares is under certified Bt.Cotton cultivation. The overall cotton production in the country has also increased from 19.2 million bales in 2005-06 to 21 million bales in 2006-07. The study also reveals that Bt. Cotton seeds were able to provide better return on investment to farmers compared to other hybrids.

*(Source: Economic Times Edition 1<sup>st</sup> February, 2007)*

Major states producing cotton are Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Punjab and Tamilnadu. The approximate area under hybrid cultivation is 5 M Ha. The demand for Bt. cotton is increasing every year with the farmers looking for higher yield. *(Source: Company data as on December 31, 2006)*

### *Corn*

Corn is grown in almost all the major cropping regions throughout the world. It is one of the most important crops for food, animal feed and industrial use in the world. Corn hybrids are produced as single crosses, double crosses and three way crosses. Of late single crosses are becoming popular because of their high yielding potential. Corn is also being tried as a potential source of ethanol.

Major corn producing states are Andhra Pradesh, Karnataka, Bihar, Maharashtra and Uttar Pradesh. The approximate area under cultivation is 6.20 M Ha out of which only 1/3<sup>rd</sup> i.e. 2.75 M Ha are under hybrids. The hybridization level in the southern states is estimated to be more than 95%, whereas in areas under northern states and eastern states, the hybridization levels are less than 40%. Rajasthan is estimated to have the lowest level of hybridization at less than 5%. *(Source: Company data as on December 31, 2006)*

### *Paddy*

The initial hiccups in the paddy hybridisation program were poor level of heterosis, non-availability of suitable germplasm, high cost of seed production, cooking quality and taste. However, hybrid paddy now yields more than the best of the inbred varieties upon which the bulk of paddy production of tropical Asia depends.

The approximate area under cultivation is 42 M Ha approximately out of which less than 1 M Ha is under hybridization. This poses a big opportunity in terms of its growth potential. Major states consuming hybrid paddy are Haryana, Bihar, Jharkhand & Uttar Pradesh. *(Source: Company data as on December 31, 2006)*

## **Seed Industry – High Barriers to Entry**

In order to develop products in the seed industry, companies need access to an extensive germplasm bank and adequate capital to develop products over long periods of time. The development of a rich germplasm bank requires the accumulation of genetic material over a period of years. Germplasm is scarce, expensive and must be refined properly to meet the breeding objectives. Furthermore, development cycles can last for about five to twelve years prior to launching a commercially viable product. Seed companies need to invest heavily in creating research and development facilities which is a must to maintain a full product pipeline. Success in the seed industry requires national distribution, building brand equity and achieving economies of scale in mass production.

## **R&D**

Increased possibilities presented by new technologies and the faster introduction of traits through these technologies, as well as anticipated demand, have made research and development critical to the seed industry. Hybrid life cycles are getting shorter due to technological advancements and growing competition. This has created an urgent need to have in the pipeline an assortment of hybrids which can successfully replace the current hybrids as also protect and further enhance market share. The seed industry develops seeds embodying improvements, such as higher yields, tolerance to disease and pests, and traits specific to regional agroclimatic conditions and other value additions in terms of quality and nutrition. A hybrid's success in the market depends primarily on its improved and unique traits, which are achieved through constant efforts from R&D. Successful R&D requires coverage of a broad range of technological platform. Because of the multi dimensional nature of the research being conducted, and also to utilize external professional expertise to expedite the process, partnerships with external collaborators, such as academic institutions and other research bodies, have become the norm in the industry.

R&D efforts are generally centered on a number of aspects of seeds including:

*Germplasm development:* A germplasm platform is central to seed research and development. Improvement of the core genetic makeup of the plant is the result of breeding techniques integrating modern technology.

*Molecular Marker technologies:* Marker technologies allow more accurate plant breeding through the use of DNA fingerprints. Through this technology, genetic traits can be more efficiently identified to speed up the selection process as well as launch in the market.

*Application of biotechnology:* Through biotechnology, genetic traits can be introduced directly into the germplasm without the necessity of cross breeding over multiple generations. In addition, genetic traits from other organisms can be introduced with beneficial results.

*Seed technology:* Seed technologies include seed pelleting, priming and coating technologies and seed treatments. These technologies ensure that the seeds produced are of high germination, vigour and viability.

*Seed quality:* Seed, being a biological entity, has its own intricacies of ensuring quality. Seed quality parameters mainly are germination, genetic purity, physical purity and vigour. It is of increasing importance to ensure global quality standards by employing the most advanced methods during seed production, processing, packing, transportation and storage.

## **Organic farming**

Repeated warnings about the harmful use of chemical fertilisers were grossly ignored in the euphoria of the Green Revolution. The incessant use of chemicals eroded the soil fertility and polluted the ground water reserve. The agriculture productivity remains constant despite use of chemical fertilisers. This question is haunting the farming community.

Though, increase in fertiliser consumption has significantly contributed to the sustainable production of foodgrains, many health problems have surfaced in the last three decades. The NPK consumption has also increased from 0.7 lakh to 167 lakh million tonnes since 1951-52.

Every year 5.33 million tons of soil erodes in India and with it 53.3 lakh tons of NPK flows away. The three major components of bio farming are integrated plant protection, integrated pest control and soil and water management. A task force on organic farming set up by the Government of India defines bio farming as a holistic production management system, which promotes an agro eco-system of health including bio-diversity, biological activity.

The immense commercialisation of agriculture has also had a very negative effect on the environment. The use of pesticides has led to enormous levels of chemical buildup in our environment, in soil, water, air, in animals and even in our own bodies. Fertilisers have a short-term effect on productivity but a longer-term negative effect on the environment where they remain for years after leaching and running off, contaminating ground water and water bodies. The use of hybrid seeds and the practice of monoculture have led to a severe threat to local and indigenous varieties, whose germplasm can be lost for ever. All this for "productivity"!

*(Source: Article by Raman Gujral, Regional Co-ordinator, Entrepreneurship Development Institute of India.)*

The thrust on organic farming has lead to the increased importance of micro-nutrients and bio products since these products serve the very purpose of organic farming. The market for these products is very encouraging. However, there is very limited statistical data available for this industry.

## **Regulation**

The development, testing and commercialization of seeds are subject to legislation and regulation in India. These regulations may govern genetic exclusivity, environmental concerns, product viability, performance and labeling. Seed companies must generally comply with the country's quality standards for seed products before they can do business. While compliance with the laws and regulations of the country adds a cost of doing business to the industry, the industry also depends on the protections afforded by the intellectual property laws of the relevant countries to be able to recover its investment in research and development. Strong and effective intellectual property laws encourage new product development by preventing competition by other seed companies, once a seed company has established rights in a certain seed or technology. The micronutrient business is also governed by rules and regulations framed by respective state governments.

## **Registration Process**

The procedure for registration of seeds is prescribed by the Seeds Act, the Seeds Rules and the Seeds (Control) Order.

The Seeds Act and the Seeds Rules enumerate the procedure for registration of seeds of a notified kind or variety, whereby the Central Government, may, after consultation with the Central Seed Committee declare a kind or variety of seed to be a notified kind or variety. Further, after consultation with the Central Seed Committee, the Central Government may, by notification in the Official Gazette, specify the minimum limits of germination and purity with respect to any seed of any notified kind or variety; the mark or label to indicate that such seed conforms to the minimum limits of germination and purity and the particulars which such mark or label may contain.

Thereafter, any person selling, keeping for sale, offering to sell, bartering or otherwise supplying any seed of any notified kind or variety may, if he desires to have such seed certified by the certification agency constituted under the Seeds Act, apply to the said certification agency for the grant of the said certificate. However, the seed to which the application relates must conform to the minimum limits of germination and purity, as may be prescribed.

The Seeds (Control) Order enumerates the procedure for registration for every person carrying on the business of selling, exporting or importing seeds, including but not limited to, those of a notified kind or variety. It prescribes that every person carrying on the business of selling, exporting or importing seeds at any place shall do so under the terms and conditions of the license granted under the Seeds (Control) Order. Every person desiring to obtain a license for selling, exporting or importing of seeds shall make an application in duplicate in the prescribed form together with the prescribed fee to the licensing authority.

## **Intellectual Property Rights**

The importance of Intellectual Property Rights in India is well established at all levels *i.e.* statutory, administrative and judicial. India ratified the General Agreement on Tariffs and Trade (GATT) in 1994, which promoted reduction in tariffs and quotas and provided for trade liberalization. Subsequently, pursuant to the formation of the World Trade Organisation (“WTO”), India ratified the Agreement on Trade Related Aspects of Intellectual Property Rights (“TRIPS”) which came into force from January 1, 1995.

TRIPS provides guidelines for the harmonization of IPR laws in the WTO and thus, aims at reducing the various obstacles of international trade by recognizing the need for adequate promotion and protection of intellectual property and also ensuring measures and including procedures for the enforcement of IPR.

The Pre-TRIPS era had the world divided into different sections following a wide array of varying standards in IPR. These variations served as obstacles to international trade and IPR. The Post-TRIPS era, however, aims at achieving a proper balance of various domestic and national interests. It recognizes the special needs of the least developed countries in respect of maximum flexibility in the domestic implementation of laws and regulations and thus, enables them to create a reliable and viable technological base.

TRIPS identifies the following IPR instruments and aims at harmonizing them at a global level:

1. Copyright and related rights
2. Trade marks including service marks
3. Geographical Indications including appellations of origin
4. Industrial Designs
5. Patents
6. Protection of new plant varieties
7. Protection of the layout-designs of integrated circuits
8. Protection of undisclosed information including trade secrets and test data
9. Control of anti-competitive practices in contractual licenses

However, the Intellectual Property regime in India consists of the following statutes:

1. the Copyright Act, 1957;
2. the Trade Marks Act, 1999;
3. the Geographical Indications of Goods (Registration & Protection) Act, 1999;
4. the Designs Act, 2000;
5. the Patents Act, 1970;
6. the Protection of Plant Varieties and Farmers’ Rights Act, 2001; and

7. the Semiconductor Integrated Circuits Layout-Design Act, 2000.

Laws protecting the development of new plant varieties (plant variety protection laws and plant breeders' rights) and inventions relating to plants (patent laws) are critical to the development of the seed industry. Seed companies who successfully obtain protection for their proprietary seed technology can have a competitive advantage over others.

New plant varieties can be protected under the UPOV Convention. UPOV is the International Union for the Protection of New Varieties of Plants, an intergovernmental organization, which has presently 45 members, including the United States, Argentina, Australia and most EU member-states. Alternatively, it is possible in some countries to seek plant variety protection under their respective national Plant Variety Protection Acts.

Many countries have not yet made a final decision on whether claims to plants will be excluded from patent protection. Such claims are often rejected or may, if granted, be challenged. The European Patent Convention to which most Western European countries are signatories, excludes plant varieties and biological processes from patent protection. However, patents are available for inventions on processes and products, such as genes, proteins and plants characterized by new traits, if the process or product is novel, unobvious and useful, and provided plant varieties are not individually claimed. In Brazil, the patent law explicitly excludes plants (*i.e.*, not only plant varieties) from patent protection. However, most countries, including Argentina, do grant patent claims to genes or DNA constructs.

In India, however, the development of intellectual property rights for seed varieties has come at a slower pace. Though the government formulated the New Seed Policy in 2002, which set the groundwork for the establishment of a more robust intellectual property system for seed varieties, it will take some time to fully implement the policy's objectives, if at all.

## BUSINESS OVERVIEW

We are one of the few recognized agri-input companies in India. The other recognized seed producers in India in terms of value are Monsanto, Syngenta, JK Agri-genetics, Advanta, etc., whose approximate turnover from their seeds business is Rs. 18,497 lakhs, Rs. 15,381 lakhs, Rs. 6,366 lakhs and Rs. 4,633 lakhs, respectively, for the financial year 2005-06. Our Company has achieved a total turnover of Rs. 4,816.74 lakhs for the financial year 2005-06. On the basis of the volume, we believe that we are one of the recognized seed producers in the country. Moreover, our total sales for the financial year 2006-07 amounted to Rs. 6577.16 lakhs.” Further, we have consistently been able to improve our turnover by establishing credibility among the farming community.

We are mainly into the business of production, processing and marketing of high quality hybrid seeds for different crops like corn, sunflower, cotton, paddy, grain sorghum, etc. and have recently forayed into micronutrients and bioproducts. We also produce non-hybrid seeds, primarily for paddy.

Mr. Gundavaram Venkata Bhaskar Rao, a graduate in agricultural science, is one of the founder Promoters of our Company. He started the business of seed production of public bred varieties of corn, bajra, sunflower on his own lands in the village of Gatla Narsingapur, Karimgar District, Andhra Pradesh. Subsequently, our Company was incorporated on August 27, 1986 at Hyderabad.

We have attained over twenty years of experience in this business and are proceeding further towards realizing our objective of developing seeds having superior yield potential, drought tolerance, tolerance to pests and diseases etc.

We currently have production, processing and R&D facilities in Andhra Pradesh and Karnataka. Our research mainly focuses on developing superior hybrids in different crops like corn, cotton, sunflower, paddy, bajra, etc. All the seed varieties developed by our R&D team are marketed under the brand name of ‘Kaveri Seeds’. Our in-house R&D facilities located at Ranga Reddy District are recognized by the Department of Science & Technology, Government of India. We expect our R&D facilities to drive the future growth of our Company.

We have an extensive marketing network with loyal and committed distributors and dealers in Karnataka, Tamilnadu, Maharashtra & Andhra Pradesh. We have recently entered other states such as Bihar, Madhya Pradesh, Gujarat, Uttar Pradesh, Punjab, Haryana and Rajasthan, where the response received has prompted us to enter these states in a big way.

In the year 2002, our Promoters began a new venture to produce and market bio-pesticides, bio-fertilizers, micronutrients, fertilizer mixtures & plant growth regulators under the name and style of “M/s. Kaveri Agriteck”, a partnership firm. This firm started a manufacturing unit at Hyderabad and was marketing its products in Karnataka, Andhra Pradesh and in some parts of Tamilnadu and Maharashtra. The products were marketed under the brand name “Microteck”. M/s. Kaveri Agriteck had a strong marketing network in Karnataka and Andhra Pradesh and a dealers’ network was being developed in other states as well.

Seeds, bio-fertilizers, micronutrients etc. are related products having the same end user i.e. the farmer, and are usually sold through similar dealer networks. With a view of achieving the benefit of synergy in marketing the aforesaid products, our Company, acquired the business, assets and liabilities of M/s. Kaveri Agriteck for a total sale consideration of Rs. 50,00,000/- on September 20, 2006. We believe that this acquisition would enable us to address the needs of the farmers like plant protection and nourishment.

Our focus is to be a leading provider of crop solutions to the farmer by supplying high yielding hybrid seeds and crop management namely micronutrients, bioproducts etc. For achieving this, we are engaging in research and development efforts in the areas of superior breeding programmes and biotechnology tools that will enable us to develop highly effective and differentiated hybrid seeds, micronutrients and bioproducts.

### Competitive strengths

We have been serving the Indian farmers for more than two decades now. With multiple advantages including a wide array of high performing agri-inputs and highest quality standards, we take pride in our reputation as a 100-percent Indian company with a growing national presence. Such a reputation can be attributed to the fact that our Company purchases all the requisite raw materials as and when required from the local market. Further, presently, we do not have any presence in export market nor do we have any imports. Moreover, our current objectives aim at a national growth into the markets of Bihar, Madhya Pradesh, Gujarat, Uttar Pradesh, Haryana, Punjab, Rajasthan, Uttaranchal and West Bengal.

*We are one of the leading seed producers in the country.*

The leading seed producers in India in terms of value are Monsanto, Syngenta, JK Agri-genetics, Advanta, etc., whose approximate turnover from their seeds business is Rs. 18,497 lakhs, Rs. 15,381 lakhs, Rs. 6,366 lakhs and Rs. 4,633 lakhs, respectively, for the financial year 2005-06. Our Company has achieved a total turnover of Rs. 4,816.74 lakhs for the financial year 2005-06. Further, our various hybrids in the market include twelve varieties of corn (Kaveri 244+, 244, 225, 235, 2020, 2288, 280, 218, 07, 50, 218+, 2020+), five varieties of sunflower (Kaveri-618, 631, 678, 642 and 618 extra), six varieties of cotton (Kaveri - 707+, 707, 766, 135, 155 and 119) and thirteen varieties of paddy (BPT – 5204, Erramallelu, IET-1444, IR-64, MTU-1001, JGL-1798, MTU-1010, MTU-7029, Tellahamsa, 9090 Sona, No – 10, Super Sona). On the basis of the volume and variety of our various hybrids, we believe that we are one of the leading seed producers in the country. Further, such hybrids are adaptable with conditions including *inter alia* varied agro-climates and soil types. Moreover, our total sales for the financial year 2006-07 amounted to Rd. 6577.16 lakhs.

*We have hybrid seeds for a wide range of crops*

We have hybrid seeds for corn, sunflower, cotton, paddy etc. These varieties give us an edge in the market and we have the ability and infrastructure to further develop different hybrids in these crops. Our product portfolio gives us a natural hedge against dependence on any particular crop(s), and we have an advantage to meet changing farmer needs even in the event of crop-shifting by farmers.

*Established brand*

We have been serving the Indian farmers for more than two decades now and have been consistently improving our turnover, as well as our presence and profitability. We have withstood the pressures of competition and continue to serve quality seeds to the Indian farmers. On account of such long standing efforts, farmers recognize our brand “Kaveri seeds” because of its quality. Further, with constant and consistent improvement in performance of our hybrids, augmented with quality, naturally we believe that we have become the preferred seed brand for the Indian farmer.

*Our presence in the industry for over two decades*

Our Promoter, Mr. Gundavaram Venkata Bhaskar Rao started the business of seed production of public bred varieties of corn, bajra, sunflower on his own lands in the village of Gatla Narsingapur, Karimgar District, Andhra Pradesh. Subsequently, on August 27, 1986, our Company was incorporated as Kaveri Seed Company Private Limited under the Companies Act, 1956. Our Company has thus been involved in the agri-inputs business for the last two decades. We believe that we are one of the very few players in the industry who have more than more than two decades’ experience and have a consistent track record of accomplishment. This experience has helped us in understanding ever-changing needs and demands of our customers. On account of this long-standing presence in the Indian market, we believe that we enjoy high ranking brand equity and reliability in the farming community.

*Our Research & Development Capabilities*

We have been undertaking R&D for breeding high performance hybrids and also value added micronutrients and bioproducts. We have an experienced and professionally qualified R&D team who are engaged in full time research. Our R&D infrastructure includes 273 acres of farmland and state of the art lab facilities, which we believe makes us a competitive R&D player in the industry.

*Marketing & Distribution*

We have a technically skilled marketing team which constitutes almost 50% of our total number of employees. Further we have around 736 distributors across the nation. This enables us to reach all the important markets of the country.

*Owned land for R&D*

R&D is the backbone of the agri-inputs industry and our success depends upon various infrastructure facilities particularly land. Our Company owns approximately 187 acres of farm land. The ownership of such land is integral to the development of our hybrids as the gestation period is anywhere between three to five years. Other advantages include security whereby the hybrids are secured against misuse and piracy. The nature of the agri-inputs industry is such that we require adequate protection of our germplasm and related operations. R&D on third party land carries a higher risk of biopiracy. Of the total land under R&D, over two-thirds ( $2/3^{\text{rd}}$ ) of the land is owned by us. This gives us a unique advantage over most other players in the Indian industry.

*We are one of the few organized players in the industry.*

Historically, the Indian seed market had been dominated by public sector players. Private companies began playing an active role in the industry after the introduction of the Seed Policy in 1988. It is estimated that about 46% of the seed commercially sold in India is produced by private sector seed companies. (Source: Performance Budget, 2005-06, Ministry of Agriculture,

Department of Agriculture and Cooperation, Government of India). Out of the aforesaid private sector seed companies, the organised sector accounts for approximately 55% of the private sector seed market. (Source: Company data as on December 31, 2006)

## **Business Strategy**

Our goal is to maintain and expand our presence as a national player in the seed industry with substantial product development capabilities.

### *Venturing into high value segments*

We are already a major volumes player, and we intend moving up the value chain in each of the crops being serviced by us, while retaining our hold on the volumes segment. We have already made demonstrable progress in moving up the value chain in development of high yielding hybrids in corn, sunflower, cotton and paddy. Through continuing R&D efforts and further market penetration, our strategy is to ensure that we continue moving up the value chain through new and improved products which we hope will lead to better and higher margins and realisations.

### *Venturing into new crops*

Our product portfolio has substantial variety and gives us a natural hedge against dependence on any particular crop(s). However, there is untapped market potential presented by various other crops. We have been identifying such crops from time to time and try to gain a foothold in the market where we believe that we have a significant opportunity to expand. For example, we have recently forayed into development of mustard, watermelon and hot pepper. Our objective is to enter other crops as and when we feel the time is right.

### *Expanding into new potential markets*

We were primarily focused on serving the farmers in parts of Southern and Central India. However, we are looking to expand our footprint to other areas, especially North and some parts of East India. Our strategy is to expand our reach both for our existing and proposed products in these areas. One of the objects for this Issue is to create infrastructure for our proposed expansion into North Indian markets, which we believe presents significant growth potential for us.

### *Custom-made Product Development*

A key objective of our growth strategy is to focus on organic growth and devote the necessary resources to diversify and develop our product profile in accordance with ever-shifting customer preferences. In other words, we customize our products to meet the typical requirements of farmers in different regions. For example, Karnataka has more than 70% of its sunflower crop under rain-fed cultivation, and therefore Kaveri – 618 (Hybrid Sunflower) was developed with greater drought tolerance.

### *Continue investing in breeding and other R&D*

We strongly believe that our future success is dependant on our continued focus on breeding and other R&D to develop new and better products. We intend to take full advantage of the opportunity for customization and commercialization of new products through continued breeding and R&D efforts. We aim to continue our investments in research and development and to expand our research capabilities further investments in land and infrastructure for R&D is one of the major objects for this Issue.

### *Adaptability to new technology sharing and sales opportunities*

It is absolutely necessary for us to keep abreast with the latest changes in seed science and take advantage of the latest technological developments. As far as possible, we use our existing R&D resources to develop our own in-house cost-effective technologies. However, when we feel that the development of a particular technology is time-consuming, we opt to gain access to the same from others. For example, we have entered into a sub-licensing agreement with Mahyco Monsanto Biotech (India) Limited for developing transgenic Bt. Cotton as well as a non-exclusive licensing agreement with JK Agri Genetics Limited for using insect tolerant seed lines for producing, testing, marketing and selling genetically modified hybrid cotton planting seed in India.. We expect that these arrangements shall further enhance the performance of our cotton hybrids and our capacity to penetrate into the cotton market.

### *Expand our marketing and distribution network to increase the sales opportunities*

The challenge in the agri-inputs business lies in reaching a geographically dispersed end-user at the right time at the right place with the right product. It also involves ensuring that the end user has the necessary awareness of what raw material (agri-inputs) he requires to meet his specific requirements. Due to the seasonal and on-time nature of our business, best of R&D and production activities and best of quality production would not be realized if our products did not reach the end

consumer in a timely manner, or if the consumer was not aware of the product. This makes a strong marketing and distribution network critical.

Our marketing and distribution network, which is our key strength, enables us not only to service our existing markets but also expand our reach further in most markets. Our core network of loyal and committed dealers has been built over our long presence in this market on the basis of proven product performance and meeting customer expectations. We recognize further building of marketing and distribution network as fundamental to our proposed expansion strategy. We shall focus on expansion of our marketing and distribution network throughout India, through setting up of marketing offices, godowns and creating awareness among farmers and dealers. We believe that such expansion of our marketing and distribution capabilities shall significantly increase business opportunities.

#### *Attract and retain skilled and experienced professionals*

The agri-inputs business we are involved in is highly specialized in nature and the available, especially skilled technical and marketing, talent pool is limited. Further, each producer has its own set of customized products and processes, and it takes substantial time and resources to adequately train human resource talent to understand and adapt to the producer's business.

Understanding the critical role played by human resources in our past progress and their importance for our continued success, we are taking several steps for recruitment of the right talent. We also provide extensive training, challenging work environment, adequate infrastructure and other pre-requisites which we believe will help us to retain and build on our human resources. Over the years, we have built an experienced team of skilled breeders, researchers, scientists and marketing personnel. Most of our key managerial personnel have been with our Company for the last several years. We intend to continue attracting the appropriate level of talent through the right mix of recruitment and retention strategies.

#### **Details of Raw Material Required**

The planning of requirement of raw material for hybrid seeds is done one to two years in advance based on our own estimates of market demand for the future trend. After conducting GoT and Germination tests, the seeds are processed and packed for sale. The basic material is given to the farmer in the form of foundation seeds and farmer gives back the same upon multiplication as raw seed to us.

Sufficient raw material for packing of seeds is available in the local market. We normally maintain an inventory of 60 – 75 days of raw material for packing of seeds with us depending on the season and demand forecast.

The activities of our Microteck division require raw materials including Zinc-33%, Ferrous Sulphate, Manganese Sulphate, Magnesium Waste Copper Sulphate, Borax, Boric Acid, Acid Slurry, etc.

#### **Methods of Procuring Material**

Seeds are under our control since the process of developing a seed is monitored and controlled by our staff. The procurement of raw material for Microteck Division is normally done on a quarterly basis and is decided based on competitive basis among select vendors.

Since all raw materials other than seeds usually are locally available, we prefer to buy them as and when required from the local market after conducting a due diligence based on price and quality.

We have not observed any significant abnormal fluctuations of our raw material availability or prices. Keeping in mind the normal trend of growth in the industry we anticipate an upward revision to the extent of 10% in our raw material cost on an annual basis.

#### **Products**

Our Company's principal products are seeds of corn, sunflower, bajra and cotton which represented 42.95%, 28.91%, 8.92% and 8.5% of our turnover respectively as on March 31, 2006. We also produce seeds of jowar, grain sorghum, paddy and vegetables.

Set forth below is a table describing our Company's seed products, planting months, harvest months and production areas of each of our Company's principal crops.

| Crop          | Planting Months |             | Harvesting Months |             | Production Area                   |                                             |
|---------------|-----------------|-------------|-------------------|-------------|-----------------------------------|---------------------------------------------|
|               | <i>Kharif</i>   | <i>Rabi</i> | <i>Kharif</i>     | <i>Rabi</i> | <i>Kharif</i>                     | <i>Rabi</i>                                 |
| Sunflower     | August          | October     | December          | February    | Ranebennur                        | Eluru, Markapuram & Erragondapalem          |
| Corn          | May/June        | October     | September         | March       | Kurnool /Ranebennur               | Eluru/Karimnagar/Jangaredy Gudem/Markapuram |
| Cotton        | May             |             | December          |             | Gadwal/Gajendragada/Bagepally     |                                             |
| Bajra         | June            | November    | September         | March       | Ranebennur                        | Armoor / Porumamilla                        |
| Okra          | June            | October     | September         | December    | Ranebennur                        | Ranebennur                                  |
| Tomato        | September       | October     | January           | February    | Ranebennur                        | Ranebennur                                  |
| Paddy         | June            | November    | October           | March       | Karimnagar, Warangal, Badrachalam | Karimnagar, Warangal, Badrachalam           |
| Grain Sorghum |                 | September   |                   | February    |                                   | Bellary                                     |
| Watermelon    |                 | October     |                   | January     |                                   | Gajendragada/Koppal                         |
| Mustard       |                 | September   |                   | January     |                                   | Gujarat & Rajasthan                         |
| Castor        | July            |             | December          |             | Karimnagar/Kurnool                |                                             |
| Chillies      | August          |             | January           |             | Koppal / Ranebennur               |                                             |

#### *Corn*

Presently, our Company has 12 varieties of corn seeds (Kaveri 244+, 244, 225, 235, 2020, 2288, 280, 218, 07, 50, 218+, 2020+) in the market. Corn is the major driver of our revenues. In the *Rabi* season of 2005, we have launched a hybrid under the name 'Kaveri-50' and the launch has been commercially successful in the market. In Fiscal 2006, corn seeds accounted for 42.95% of total sales. The demand for corn has increased because of its multi dimensional usage now. Earlier it was used only for fodder whereas now it is also used for *inter alia*, human consumption, by-products, poultry, animal feed etc. Starch industries are the major consumers of commercial corn. We have observed that prices for commercial corn have been high and stable in the past. Farmers generally make good and steady profits by growing corn. We are ready with several high yielding corn hybrids.

#### *MoU with Karnataka State Seeds Corporation Limited*

Our Company has entered into an MoU with the Karnataka State Seeds Corporation Limited on March 31, 2004, whereby, our Company shall act as the technology provider and technology manager to Karnataka State Seeds Corporation Limited for developing hybrids that shall be produced and marketed by Karnataka State Seeds Corporation Limited.

#### *Sunflower*

We believe that our Company has a strong position in the Indian sunflower market. Our Company sells sunflower seeds in all of the key planting seasons and areas. In Fiscal 2006, sunflower seeds accounted for 28.91% of total sales. Our Company has five varieties (Kaveri-618, 631, 678, 642 and 618 extra) in the market.

#### *Bajra*

Our Company has four varieties of bajra (BOSS -456, Kaveri – 434, 434 +, 44K77) and it represented 8.92% of total sales in the fiscal 2006. Bajra has been a steady contributor to our total sales, and with our entry into the Gujarat and Rajasthan markets, we expect a higher contribution from Bajra in the future. We have a strong germplasm collection required for this crop improvement program.

#### *Cotton*

Our Company has six varieties of cotton (Kaveri - 707+, 707, 766, 135, 155 and 119). It is another significant product in our portfolio and represented 8.5% of total sales during fiscal 2006. We believe that the sub-licensing agreement with Mahyco Monsanto Biotech (India) Limited for Bt. cotton would enable us to bring highly effective hybrid varieties of seeds into the

market. We have released a trial version of Bt. cotton under the name “Encounter” into the market in 2005 and 2006 under the Guidelines of RCGM and the response has been satisfactory. We intend to commercially launch Bt. cotton hybrids in *Kharif* 2007. Bt. cotton is giving an improved yield to farmers and we expect the same to contribute significantly to our sales in the future.

***Sub-license agreement with Mahyco Monsanto Biotech (India) Limited***

We have entered into a sub-licensing agreement with Mahyco Monsanto Biotech (India) Limited on March 9, 2004, whereby, a non-exclusive and non-transferable sub-license has been granted to our Company for

- o the use of cotton containing B.t. genes and known as the 531 event and the 15985 event as described in the Patent Corporation Treaty application WO 02100163 in India;
- o to test, produce, have produced, sell and have sold, in India, F1 hybrid seed, which is intended for and has been produced out of cotton proprietary germplasm and conditioned to be suitable for planting to produce a commercial cotton crop.
- o The said hybrid seed shall be genetically modified using the aforesaid B.t. genes, such that the genome of the subject has been altered through the use of recombinant DNA techniques or mutational breeding to exhibit a reduced damage from boll worms as well as certain other insects.

Further, Mahyco Monsanto Biotech (India) Limited shall provide or cause to be provided cotton planting seed that exhibits a reduced damage from boll worms as well as certain other insects, embodying Bt. genes for use by our Company. Subsequently, our Company may carry out further activities associated with its regular course of business towards preparation of the genetically modified planting seed so modified using the aforesaid Bt. genes and for subsequent sale to the farmers.

This enables us to enter into Bt. Cotton market and adds another variety to our existing product portfolio. We have already initiated the process of developing the hybrid seed using this technology. We have developed a new hybrid KCH -135 “Encounter” and trial is being undertaken. The trial run has been successful and we have received a very good response from farmers. We will be starting the commercial sale during this year.

**License agreement with JK Agri Genetics Limited**

We have entered into a licensing agreement with JK Agri Genetics Ltd. on August 04, 2007 whereby a non-exclusive and non-transferable license has been granted to our Company for

- o to use insect tolerant seed lines containing Cry 1Ac gene of JK Event 1 to produce or cause to be produced, test, market and sell genetically modified hybrid cotton planting seed in India
- o to utilize the services of third parties to act for and on behalf of our Company in conducting those activities directly associated with the hybrid cotton planting seed business and which are directed towards the production of genetically modified hybrid cotton planting seed for subsequent sale by our Company to farmers
- o royalty payment will be 16% of the Net Sales Realization

***Paddy***

Our Company is engaged in the breeding of OP seeds and hybrid paddy, which represented 7.87% of our Company’s total sales in Fiscal 2006. Paddy is an important element of our Company’s product portfolio. Primarily from the point of view of possible future growth in this area, hybrid paddy enjoys a price premium of approximately three to four times over open-pollinated paddy. With technology now in place to allow hybrids to replace a large portion of the cultivation of OP paddy, several companies are entering the market and investing in hybrid paddy and have created positive momentum for market growth.

Our Company has thirteen varieties of paddy in the market (BPT – 5204, Erramallelu, IET-1444, IR-64, MTU-1001, JGL-1798, MTU-1010, MTU-7029, Tellahamsa, 9090 Sona, No – 10, Super Sona). We believe that optimum utilization of our marketing and distribution capabilities shall increase sales opportunities for our paddy seeds.

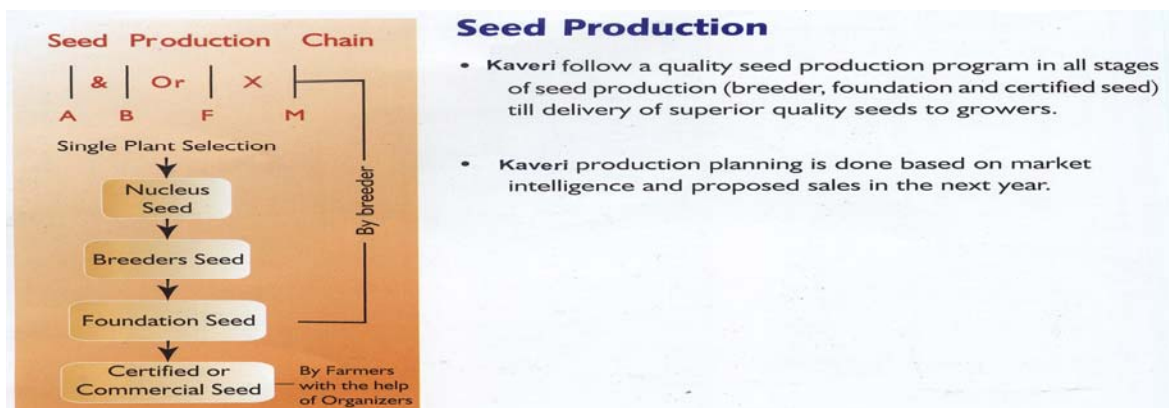
Besides the above crops, we are also into grain sorghum, mustard and vegetable crops like watermelon, tomato, okra, chilli, etc. Though their present contribution is insignificant, we believe that they hold a promising future.

## Production & Processing

### Stages of Product Development

|                   |                                         |                                                                                                                                                                                                                                                                                                 |
|-------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Stage 0</b>    | <b>Design stage</b>                     | - R&D team gets product requirement from sales team, a product blue print is prepared                                                                                                                                                                                                           |
| <b>Stage I</b>    | <b>Assembly stage</b>                   | - R&D team assembles from the germplasm collection, as per the required traits                                                                                                                                                                                                                  |
| <b>Stage II</b>   | <b>Initial crosses</b>                  | - R&D team tries several thousand combinations                                                                                                                                                                                                                                                  |
| <b>Stage III</b>  | <b>Further short listing of hybrids</b> | - R&D team applies selection pressure and closely watches for the desirable traits and promotes a few hybrids to next stage after a thorough analysis of data                                                                                                                                   |
| <b>Stage IV</b>   | <b>Advanced selection</b>               | - R&D team invites product evaluation team for joint short-listing of hybrids                                                                                                                                                                                                                   |
| <b>Stage V</b>    | <b>Multi location trials</b>            | - Product evaluation team conducts multi location trials. Short-listing of hybrids by sales team                                                                                                                                                                                                |
| <b>Stage VI</b>   |                                         | Sales team along with product evaluation team conducts large-scale trials at farmer fields, collect farmer's opinion<br>Soft launch/Trial marketing on a small scale in selected areas, segments recognized.<br>Release to market                                                               |
| <b>Stage VII</b>  |                                         | Aggressive marketing, building sales volumes                                                                                                                                                                                                                                                    |
| <b>Stage VIII</b> |                                         | Peak sales stage. Targeted volumes of the hybrid are achieved and retained for the maximum possible period<br>At each stage, the new hybrids are tested against standard checks, which are the leading hybrids in the market<br>Extensive data is collected at stage and statistically analysed |

The following diagram represents the process of seed production.



We acquire germplasm (breeding material) generally from the following sources.

- CIMMYT
- ICRISAT
- IVRDC
- IRRI
- Private partners/Licensees
- State Agricultural Universities
- Local collections from farmers

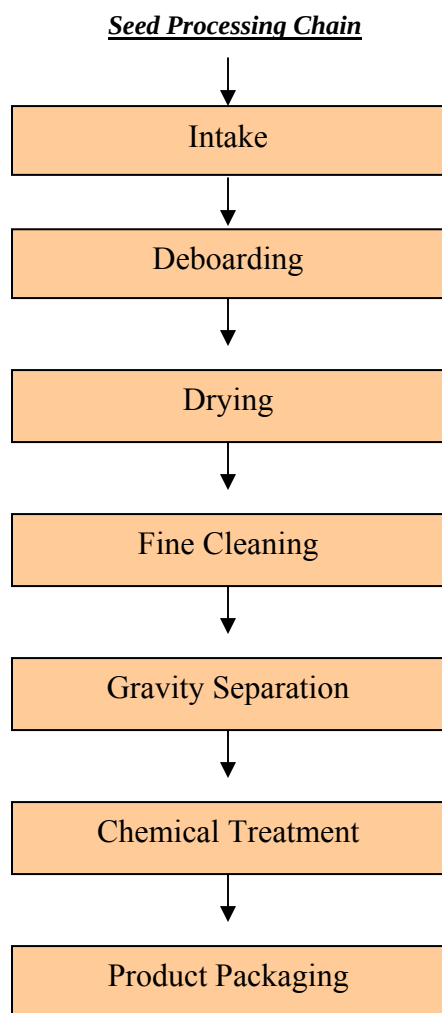
## Processing Facilities

We currently have four (4) seed processing plants out of which three (3) are located in Andhra Pradesh and one is located in Karnataka. Following is the list of processing plants.

1. Kandlakoi Village, Medchal Mandal, RR District - processing is done through three lines
2. Gundla Pochampally, Medchal Mandal, RR District - processing is done through one line
3. Gatla Narasingapur, Karimnagar District - processing is done through four lines
4. Kakka Bevina Halli, Bellary District, Karnataka - processing is done through three lines

Processing line is an industry term which means a processing machine. Each processing plant is operated depending upon the demand in particular season.

The processing is done in four different stages to get the final seed that is readily available for sale.



The following table gives the total processing capacities of all plants together and actual processed quantity for the last five years.

(Metric Tons/Year)

| Year    | Installed Capacity | Actual Production | Utilization (%) |
|---------|--------------------|-------------------|-----------------|
| 2001-02 | 11375              | 10078             | 88.60           |
| 2002-03 | 13000              | 11007             | 84.67           |
| 2003-04 | 14250              | 12654             | 88.80           |
| 2004-05 | 14250              | 13383             | 93.92           |
| 2005-06 | 18000              | 13711             | 76.17           |
| 2006-07 | 18000              | 13253             | 73.63           |

The proposed processing capacities of all the plants subsequent to the upgradation as mentioned on page no. 35 under the heading titled '*Upgradation of existing Seed Processing Plants*' in the chapter titled '*Objects of this Issue*' is 30,000 Metric Tons/Year and the proposed capacity utilization will be 90% for the subsequent years. However, capacities for individual products can not be given as the same machines are used for all the products.

The following table gives the total processing capacities of plants regionally located at different places and actual processed quantity for the last five years.

(Metric Tons/Year)

| Year    | Gatla Narasingapur | Bellary | Hyderabad | Total |
|---------|--------------------|---------|-----------|-------|
| 2001-02 | 5950               | 828     | 3300      | 10078 |
| 2002-03 | 6060               | 776     | 4171      | 11007 |
| 2003-04 | 6170               | 692     | 5792      | 12654 |
| 2004-05 | 6280               | 749     | 6354      | 13383 |
| 2005-06 | 6350               | 703     | 6658      | 13711 |
| 2006-07 | 5749               | 1769    | 5735      | 13253 |

### Cob Drying Plants

In addition we have got the corn cob drying plants situated at Gundla Pochampally Plant and Eluru Plant.

The process of cob drying improves the germination, vigour and viability of the corn seed which in turn improves the yield of the crop. Because of the increased viability, we believe that we will be able to cater to the distant markets like Bihar, Jharkhand etc. We also have the advantage of storing seed for more than one season. Hence, we are planning to set up two more cob drying plants with a capacity of 6 tons each in Medak District, Hyderabad and in Bellary, Karnataka.

The approximate combined input capacity of the cob drying facilities at our Gundla Pochampally Plant and Eluru Plant is 3150 tons/ year as calculated on the basis of the current harvesting season of two months. However, the actual output is typically expected to be 50% to 60% of the input.

### Biotechnology

Modern biotechnology, which offers novel approaches, is a powerful tool for developing solutions to many technical problems in agriculture. If biotechnology is used with care it can help to:

- (i) increased yield;
- (ii) increase farmers' income;
- (iii) reduces usage of pesticides;
- (iv) protects the environment; and
- (v) produces safe and nutritious foods at affordable prices.

Our laboratory at our Gundla Pochampally Plant undertakes testing activities like qualitative and quantitative analysis of a seed developed by our research personnel as well as seeds collected as samples from different regions. We are in the process of analyzing Bt. gene in Bt.cotton samples from different regions.

## **Microteck Division**

We are involved in the following two areas in addition to biotechnology, which were hitherto carried on by M/s. Kaveri Agriteck. We have a state of the art laboratory at our Gundla Pochampally plant for undertaking research & testing in micronutrients, bioproducts and hybrid seeds. We are planning to expand research in all these areas by constructing another bio-tech lab. The said expanded lab will enable us to have the capacities to carry on the analysis of the aforesaid products.

### **Micronutrients**

Plants require sixteen essential elements for their proper growth and development. Each element plays an important role in the development and performance of the plant and any deficiency in any of these elements would adversely affect the yield. These essential elements are Carbon, Hydrogen, Oxygen, Nitrogen, Phosphorus, Potassium, Calcium, Magnesium, Sulphur, Iron, Zinc, Manganese, Copper, Boron, Molybdenum and Chlorine. Carbon, Hydrogen and Oxygen are derived from air and water. The other essential elements are supplied by soil in varying quantities. Nitrogen, Phosphorus and Potassium are used in large quantities by plants and are called major or primary nutrients. Calcium, Magnesium and Sulphur are required in relatively smaller but in appreciable quantities and are called secondary nutrients. Iron, Zinc, Manganese, Copper, Boron, Molybdenum and Chlorine are required by plants in trace quantities for their growth and development, hence called micronutrients.

Majority of the farmers apply only NPK fertilizers to crops neglecting the micronutrients, resulting in imbalanced nutrition to crops. To address the need for balanced plant nutrition, we have come out with a complete micronutrient mixture which contains all the essential micronutrients.

#### **Activities:**

1. Preparing different forms and grades of micronutrient mixtures for different states
2. Repacking of straight nutrient fertilizers
3. Quality control of raw materials and micronutrient mixtures

### **Bioproducts**

In view of the hazardous impact of pesticides and other agrochemicals on ecosystems, the biocontrol of plant diseases as an alternative strategy has received increasing attention in recent years. We have come out with several bioproducts which are not only effective against several plant diseases and pests but also environmentally friendly.

We undertake the activity of mass multiplying the beneficial fungi, bacteria and viruses of agricultural importance which control many of the plant diseases and pests. We use seed treatment chemicals which are recommended by respective state governments. These are commonly used seed treatment chemicals: Imidacloprid, Metalaxyl and Thiram. We use these chemicals as per label recommendations – both dose and method of application. We ensure due care during storage and handling. We also ensure all human safety measures to avoid accidents as per regulations and safety standards.

We have developed the following bio-fungicides from the following fungal species for controlling fungal diseases of plants:

1. *Trichoderma viride*: An antagonistic fungus which controls soil borne fungal diseases.
2. *Trichoderma harzianum*: An antagonistic fungus which controls soil borne fungal diseases.

The micronutrient division produces the following products namely, Maizik, Energy, Captain, Captain Plus, Ferriplus, Monozinc, Golden Zinc, Fire, Soldier, Allrounder. These products are sold under the brand name “Microteck”.

At present we supply these products in Karnataka and Andhra Pradesh. M/s. Kaveri Agriteck has achieved a turnover of Rs. 644.52 lakhs and Rs.269.70 lakhs for the year ended March 31, 2006 and for the six months ended September 30, 2006, respectively. The demand for these products is increasing day by day and considering the growth witnessed by Kaveri Agriteck in the last three years, we believe that this will form a significant business segment.

### **Research & Development**

The seed market is very dynamic in nature. Once a hybrid seed is developed and introduced in the market, its acceptability gradually declines from year to year. Therefore, we need to invest in research to introduce different high quality hybrids in the market to ensure sustainable growth levels in our revenues. Each new hybrid developed attracts the attention of farming community. Research & Development at Kaveri is a constant pursuit of new ideas and innovations and it is market driven.

Our in-house R&D facilities located at Ranga Reddy District have been recognized by the Department of Science & Technology, Govt of India. We are planning to intensify and focus breeding efforts on crops like paddy, cotton and sunflower. Nature throws new challenges in the form of erratic monsoon, new diseases *etc.* Farmers also look forward for value added produce like better nutritional content, higher oil or protein, longer keeping quality *etc.* In order to keep abreast with competition, we scout the market for the latest technology and explore opportunities for acquiring licenses to such advanced technology. In addition, the Microteck Division of the Company has the state of the art laboratory to meet the needs of innovative byproducts for agribusiness.

The R&D team consists of professionally qualified and well-trained breeders to conduct the breeding programme. Breeders are sensitive to the changing needs of customers. They are also supported by scientists from other disciplines like Entomology and Agronomy as well as field technicians. Besides this, our Microteck division is manned by competent scientists. We believe that our professional and committed R&D team backed by up to date infrastructural facilities will be a key driver for future growth.

Research and Development has been carried on in Growmore farms, a partnership firm, one of our Promoter Group Entities. All the partners of Growmore farms are our Promoters. Growmore farms used to sell the foundation seed developed by it to our Company. Therefore, our Company was able to come out with different hybrids and enjoyed the benefits of the research carried on in Growmore farms. However, our Company has taken over the entire research and development set up of Growmore farms and its staff along with the R & D farms in September, 2006 and now carries on the said research on its own. Presently, Growmorefarms has ceased all its activities. As the R & D expenditure was incurred by Growmore farms and was shown in its books, R&D expenditure has not been separately accounted for in the previous years in the books of our Company. Furthermore, our Company has incurred Rs. 143.44 lakhs on R&D and has been accounted for in the cost of goods sold during the financial year 2006-07.

### **Breeding Objectives**

1. Wider adaptability
2. Superior yield potential
3. Tolerance to pests & diseases
4. Drought tolerance

### **Core Functions**

1. Germplasm collection
2. Maintenance
3. Conservation
4. Characterization
5. Evaluation
6. Documentation
7. Utilization in crop improvement

### **R & D Infrastructure**

We undertake breeding and foundation seed multiplication, *etc.* at our fully owned farmland measuring 186.68 acres and leased land measuring 88.74 acres situated in the state of Andhra Pradesh. Our Company values its germplasms and its proprietary breeding material and ensures the necessary security for their protection. We further plan to buy farmland for our R&D activities. In this regard we have already entered into an agreement for sale for acquisition of 300 acres at Kondapak, Sircinagandla and Zaptinacharam villages, Revenue Mandal Kondapak, Medak District, Andhra Pradesh. Our existing facilities are at the following locations:

- Bollaram, Ranga Reddy District, AP
- Kompally, Ranga Reddy District, AP
- Gouraram, Medak District, AP
- Pamulaparti, Medak District, AP
- Padamati Keshavapuram, Warangal District, AP
- Gadwal, Mehboob Nagar District, AP

Human Resources are the backbone of any research and we do recognize their importance. At present we have 55 employees engaged in full fledged research including 13 scientists.

### Steps being taken by our Company against piracy and theft.

The following are the steps taken by our Company against threats like piracy and theft of R & D and new innovations:

- All the breeding material and breeder's seed of parental lines are only grown in R & D farms of our Company and tested with ensured physical security against stealing/theft.
- As the material goes for high volume production and containment in small R & D farms may not be possible, all the lines are coded in a three tier system at different stages starting with Breeders seed, foundation seed and commercial seed. These codes are frequently changed to maintain secrecy of the stock that is being multiplied in our research locations.

### Infrastructure and Utilities

#### Water:

The water requirement for our different divisions is given in the following table:

| Sr. No. | Division           | Water ( LD ) |           |       |
|---------|--------------------|--------------|-----------|-------|
|         |                    | Existing     | Expansion | Total |
| 1       | Gatla Narsingapur  | 5000         | -         | 5000  |
| 2       | Gundla Pochampally | 10000        | -         | 10000 |
| 3       | Kandlakoi          | 5000         | -         | 5000  |
| 4       | Bellary            | 15000        | -         | 15000 |
| 5       | Elluru             | 20000        | -         | 20000 |

Water is sourced mainly from our own bore-wells, which is sufficient

#### Power and Fuel:

We meet our electricity requirement by purchasing electricity from State Electricity Board.

We have 2 DG sets of 63KVA each at Gatla Narsingapur, 1 DG sets of 125KVA at Gundla Pochampally and 2 DG set of 63 KVA & 125 KVA at Kandlakoi and 2 DG set of 250 KVA & 125 KVA at Bellary and 2 DG sets of 125KVA each at Elluru for any contingency.

### Marketing and Distribution

At our Company, with more than two decades experience in this business, we understand the ever changing needs and demands of our customers. We have got a technically skilled and motivated sales team who understand changing customer requirements and shifting customer preferences. They give base level feedback to our Company which forms the foundation for devising various promotional schemes and programmes.

Seeds require very careful handling, proper humidity and temperatures should be maintained to ensure viability until it is sown in the field. In the recent past, we have forayed into Northern and Western markets through distributors and dealers. We believe that we must have marketing offices and godowns in these areas whereby this expansion will enable us to increase our market share in these regions particularly in the North. Moreover, we will be in a better position for meeting the requirements on time. During the sowing season our Company's seed inventory is supplied to various distributors situated throughout India and thereon into the dealer channel and onward to the ultimate consumer (i.e., the farmers).

We have a strong marketing and distribution system. Our management has always maintained direct and consistent interaction with distributors across the regions. As of December 31, 2006, our Company's distribution network consists of approx.736 distributors. These distributors cater to over 3500 dealers across India.

### Intellectual property

We sell seeds under the brand name 'Kaveri Seeds' and micro-nutrients and bio-products under the brand name 'Microteck'. Our Company owns the trade mark for the brand name 'Kaveri Seeds'. Further, the trade marks under the brand name 'Microteck' are owned by M/s. Kaveri Agriteck, one of our Promoter Group Entities. However, vide application letter dated July 13, 2007, our Company has applied to the Trade Mark Registry for transferring the said trade marks in the name of our

Company. For further details on our trade mark applications, please refer to the headings titled ‘Registered Trade Marks’ and ‘Licenses applied for but not yet received’ in the chapter titled ‘Government / Statutory Approvals’ beginning on page no. 169 of this Red Herring Prospectus.

## **Our Competition**

Much of the Indian seed market is unorganized and fragmented with many small and medium-sized companies. We face substantial competition in the commercial seed market from other seed companies, agrochemical companies and subsidiaries or divisions of large multinational corporations, as well as domestic competitors. We compete with other seed manufacturers on the basis of availability of product, product range, product traits, including disease and pest tolerance and other factors, based on price, reputation, regional needs, customer service and customer convenience. The introduction of biotechnology has resulted in the entry of various agrochemical companies into the seed industry.

Our Company’s major competitors are Monsanto and its subsidiaries, Pro-Agro (a Bayer Crop Scien. subsidiary), Pioneer (a Dupont subsidiary), Syngenta, Nuziveedu Seeds, Advanta and Rasi. However competition levels vary for each crop. There is no Company that is a leader in all the crops. In addition, the market share keeps changing constantly with advent of new technologies and hybrids. Brand conversions in crops like corn, cotton and sunflower are very high. In present competitive environment, companies which develop effective hybrids and have state of the art research and development infrastructure will be increasingly differentiated from the others in the field.

## **Our Employees**

As of June 30, 2007, we have 323 full-time employees. We also employ a number of seasonal workers, which varies greatly during the year due to the seasonal nature of our business. None of our employees are unionized. We believe that our relations with our employees are satisfactory.

The following chart shows the breakdown by position of full-time employees across the Company as of June 30, 2007.

| Category                        | No. of employees |
|---------------------------------|------------------|
| Research & Development          | 55               |
| Marketing/Sales & /distribution | 166              |
| Production & Processing         | 67               |
| General Administration          | 35               |

*Source: Company data as on December 31, 2006.*

## **Insurance**

Our Company maintains various insurance policies, including:

- group personal accident insurance;
- mediclaim policy; and
- various automobile policies.

The following are the details of major insurance policies taken by us.

| Sr. No. | Name and Address                                                                                   | Policy No.         | Nature of Policy                                        | Premium (Rs.) | Coverage (Rs.) | Expiry date  |
|---------|----------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------|---------------|----------------|--------------|
| 2       | Gundla Pochampally Plant, Sy.No.28, Part gundla Pochampally, Medchal, R.R.District, Andhra Pradesh | 431300/11/2007/355 | Fire Basic Cover, Terrorism Cover and Earth quake cover | 22,501        | 1,05,00,000    | Mar 30, 2008 |
| 3       | Gundla Pochampally Plant, Sy.No.28, Part Gundla Pochampally, Medchal, R.R.District, Andhra         | 431300/11/2007/356 | Fire Basic Cover, Terrorism Cover and Earth quake cover | 41,013        | 1,75,00,000    | Mar 30, 2008 |

| Sr. No. | Name and Address                                                                                      | Policy No.         | Nature of Policy                                        | Premium (Rs.) | Coverage (Rs.) | Expiry date   |
|---------|-------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------|---------------|----------------|---------------|
|         | Pradesh                                                                                               |                    |                                                         |               |                |               |
| 4       | Bellary Plant,<br>Bellary, Karnataka - 583101.                                                        | 431300/11/2008/53  | Fire Basic Cover, Terrorism Cover and Earth quake cover | 53,581        | 2,50,00,000    | May 25, 2008  |
| 5       | Gatla Narsingapur Plant,<br>Gatla Narsingapur Village, Bheemadeverapally Mandal, Karimnagar, AP       | 431300/11/2008/92  | Fire Basic Cover, Terrorism Cover and Earth quake cover | 23,056        | 1,08,00,000    | June 20, 2008 |
| 6       | 513B, 5 <sup>th</sup> Floor, Minerva Complex, S.D. Road, Secunderabad 500 003, Andhra Pradesh, India. | 431300/48/2008/462 | Basic Cover – Burglary standard                         | 2,809         | 5,00,000       | June 20, 2008 |
| 7       | Kandlakoi Plant, No.140/A/1, Kndla Koi, Medchal, RR District, A.P                                     | 431300/11/2007/296 | Fire Basic Cover, Terrorism Cover and Earth quake cover | 1,12,240      | 4,00,00,000    | Jan 31, 2008  |
| 8       | Drying-cum-Processing plant, Koppaka Village, Pedivegi Mandal, Near Eluru, W.Godavari Dist.           | 431300/11/2007/335 | Fire Basic Cover, Terrorism Cover and Earth quake cover | 26,724        | 1,25,00,000    | Mar 15, 2008  |

Overall, we generally maintain insurance covering our assets and operations at levels that we believe to be appropriate for our business. However, as is customary in the seed industry, we do not have insurance coverage for damage inflicted on crops by GM activists.

## Properties

### List of properties of our Company.

| Particulars of the Property<br>Description & Area                                                  | Activity | Own/Lease |
|----------------------------------------------------------------------------------------------------|----------|-----------|
| At village Gouraram, Wargal Mandal, Medak dist. AP<br>11.38 acres of land                          | R & D    | Own       |
| At village Pamulaparty, Wargal Mandal, medak District. AP<br>23.24 acres of land                   | R & D    | Own       |
| At village Padamati Keshavapuram, Bachannapet Mandal Warangal District. AP<br>113.47 acres of land | R & D    | Own       |
| At village Jammichedu, Gadwal Mandal, Mahboobnagar District. AP<br>31.08 acres of land             | R & D    | Own       |
| At village Haluvarthy, Anagodu Hobli, Davangere District. Karnataka<br>6.19 Acres                  | R & D    | Own       |
| At village Kamavarapukota,                                                                         | R & D    | Own       |

| Particulars of the Property<br>Description & Area                                                                          | Activity           | Own/Lease |
|----------------------------------------------------------------------------------------------------------------------------|--------------------|-----------|
| Kamavarapukota mandal<br>west Godavari District, AP<br>1.32 acres of land                                                  |                    |           |
| Pamulaparthi, Wargal Mandal, Medak<br>District., AP<br>58.51 Acres                                                         | R & D              | Lease     |
| Bollaram, Malkajgiri Mandal, RR<br>District, AP<br>4.80 Acres                                                              | R & D              | Lease     |
| Gouraram village, Wargal mandal,<br>Medak District., AP<br>16.25 Acres                                                     | R & D              | Lease     |
| Gundlapocham pally village, Medchal<br>Mandal, RR District.AP<br>7.09 Acres                                                | R & D              | Lease     |
| 513B minerva complex, S.D.road<br>Secunderabad, AP<br>1580 sft                                                             | Office Building    | Own       |
| 4 <sup>th</sup> Ward sixth division, Behind<br>Bamboo Bazar Road,<br>Doggali Compound, Davangere,<br>Karnataka<br>1674 Sft | Office/Factory     | Own       |
| 4 <sup>th</sup> Ward sixth division, Behind<br>Bamboo Bazar Road,<br>Doggali Compound, Davangere,<br>Karnataka<br>1674 Sft | Office/Factory     | Own       |
| 4th Ward sixth division, Behind<br>Bamboo Bazar Road,<br>Doggali Compound, Davangere,<br>Karnataka<br>2142 Sft             | Open Land          | Own       |
| Gatlanarsingapur Village,<br>Bheemdevarpally Mandal<br>Karimnagar District,AP<br>4.06 Acres                                | Factory            | Own       |
| Kistapur Village,Medchal Mandal, RR<br>District, AP<br>2.26 Acres                                                          | Industrial<br>Land | Own       |
| Koppaka Village, Pedavegi Mandal,<br>West Godavari District, AP<br>1 acre.                                                 | Factory            | Own       |
| Koppaka Village, Pedavegi Mandal,<br>West Godavari District, AP<br>1 acre                                                  | Factory            | Own       |
| Survey No 93A Kakka Bevinapalli (V),<br>Bellary tq, Bellary District,Karnataka<br>5.22 Acres                               | Factory            | Own       |
| Survey No 28P, Gundla Pochampally,<br>Medchal Mandal, RR District, AP<br>1.23 acres                                        | Factory            | Own       |
| Survey No 28P, Gundla Pochampally,<br>Medchal Mandal, RR District, AP<br>1.20 acres                                        | Factory            | Own       |
| Survey No 140/A,Kandlakoi Village                                                                                          | Factory            | Own       |

| Particulars of the Property<br>Description & Area                                                                        | Activity        | Own/Lease |
|--------------------------------------------------------------------------------------------------------------------------|-----------------|-----------|
| Medchal Mandal, RR District, AP<br>1.35 Acres                                                                            |                 |           |
| Survey No 140/A, Kandlakoi Village<br>Medchal Mandal, RR District, AP<br>1.03 acres                                      | Factory         | Own       |
| No.E1-2 and F-3(b), Door No.1-2-137,<br>to 234, V floor, Minerva Complex,<br>S.D.Road, Secunderabad, AP<br>2622.8Sq.feet | Office Building | Lease     |
| Plot no.20&41, 1st street<br>Green Market, pappakurichi main road<br>North Kottur, Trichy -Tamilnadu                     | Office Building | Lease     |

Except as mentioned in risk factor no.42 under the chapter titled 'Risk Factors' beginning on page x of this Red Herring Prospectus, all lands acquired by the Company are free from all encumbrances and have a clear title.

**List of land leased by our Company:**

| Sr No. | Particulars of leased land                                                                              | Lessor                             | Details of lease deed          | Lease rent per annum (Rs.) | Validity    |
|--------|---------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------|----------------------------|-------------|
| 1      | Land situated at Bollaram, Malkajgiri Mandal, Rangareddy District admeasuring 1.20 acres                | Mr. Gundavaram Venkata Bhaskar Rao | Lease deed dated April 1, 2006 | 37,500                     | Three years |
| 2      | Land situated at Gouraram village, Vargal Mandal, Medak District admeasuring 16.25 acres                | Mr. Gundavaram Venkata Bhaskar Rao | Lease deed dated April 1, 2006 | 2,49,375                   | Three years |
| 3      | Land situated at Gundla Pochampally village, Medchal Mandal, Rangareddy District admeasuring 5 acres    | Mr. Gundavaram Venkata Bhaskar Rao | Lease deed dated April 1, 2006 | 1,50,000                   | Three years |
| 4      | Land situated at Bollaram, Malkajgiri Mandal, Rangareddy District admeasuring 1.20 acres                | Mrs. Gundavaram Vanaja Devi        | Lease deed dated April 1, 2006 | 37,500                     | Three years |
| 5      | Land situated at Pamulaparthi, Vargal Mandal, Medak District admeasuring 38.28 acres                    | Mr. Rangineni Venu Manohar Rao     | Lease deed dated April 1, 2006 | 4,64,400                   | Three years |
| 6      | Land situated at Pamulaparthi, Vargal Mandal, Medak District admeasuring 20.23 acres                    | Mr. Chennameneni Vamsheedhar       | Lease deed dated April 1, 2006 | 2,46,900                   | Three years |
| 7      | Land situated at Bollaram, Malkajgiri Mandal, Rangareddy District admeasuring 1.20 acres                | Dr. Gundavaram Pawan               | Lease deed dated April 1, 2006 | 37,500                     | Three years |
| 8      | Land situated at Gundla Pochampally village, Medchal Mandal, Rangareddy District admeasuring 2.09 acres | Dr. Gundavaram Pawan               | Lease deed dated April 1, 2006 | 66,750                     | Three years |
| 9      | Land situated at Bollaram, Malkajgiri Mandal, Rangareddy District                                       | Dr. Gundavaram Madhushree          | Lease deed dated April 1, 2006 | 37,500                     | Three years |

| Sr No. | Particulars of leased land                                                                                                | Lessor         | Details of lease deed          | Lease rent per annum (Rs.) | Validity    |
|--------|---------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------------|----------------------------|-------------|
|        | admeasuring 1.20 acres                                                                                                    |                |                                |                            |             |
| 10     | Office Building at No.E1-2 and F-3(B), Door No.1-2-137 To 234, fifth floor, Minerva Complex S.D.Road, Secunderabad-500003 | Mr. R. P. Seth | Lease deed dated May 1, 2006   | 3,14,640                   | Five years  |
| 11     | Office building at Plot No. 20&41, first street, Green Market, Pappakurichi Main Road, North Kottur, Trichy – 620019      | Mr. S. Thanam  | Rent Deed dated April 10, 2007 | 27,000                     | Three years |

Prior to the aforesaid agreements *i.e.* April 1, 2006, the Company, being a private limited company, used to enter into lease arrangements on an oral basis, based on mutual understanding between the Company and the concerned lessors.

## KEY INDUSTRY REGULATIONS AND POLICIES

### **Seed Industry**

#### ***The Seeds Act, 1966***

The overall policy with regard to seed quality maintenance is determined within the legislative framework of the Seeds Act. The term “seed”, as defined by the Seeds Act, refers to seeds of food crops including edible oil seeds and seeds of fruits and vegetables; cotton seeds; seeds of cattle fodder; and includes seedlings, and tubers, bulbs, rhizomes, roots, cuttings, all types of grafts and other vegetatively propagated material, of food crops or cattle fodder and jute seeds. The Seeds Act provides for the constitution of a Central Seeds Committee for the purposes of advising the Central and State Governments on matters arising out of the administration of the Seeds Act.

The Seeds Act provides for notification of certain kinds or varieties of seeds for the purposes of regulating the quality of any kind or variety of seed to be sold for purposes of agriculture. The Seeds Act also provides for minimum limits of germination and purity with respect to any notified kind or variety of seed and the particulars which the mark or label should contain to indicate that such seed conforms to the minimum limits of germination and purity.

The Seeds Act prohibits any person, either by himself or by any other person on his behalf, from carrying on the business of selling, keeping for sale, offering for sale, bartering or otherwise supplying any seed of the notified kind or variety of seeds unless such seed is identifiable as to its kind or variety; conforms to the minimum limits of germination and purity as specified under the Seeds Act; the container of such seed bears the mark or label with the correct particulars; and he/she complies with such other requirements as may be prescribed. Similar restrictions are imposed by the Seeds Act with regards to the import and export of seed of any notified variety.

Furthermore, any person selling, keeping for sale, offering for sale, bartering or otherwise supplying any seed of the notified kind or variety of seeds, may, apply for certification to the Central Seed Certification Board constituted under the Seeds Act. The Seeds Act also appoints a Seed Inspector for the purpose of effective regulation and inspection.

However, vide Government Order dated February 24, 1983, the Central Government declared seeds of food crops and seeds of fruits and vegetables seeds, seeds of cattle folder and jute seeds to be essential commodities for the purposes of the Essential Commodities Act, 1955. Further, vide notification dated November 6, 1994, the Central Government in consultation with the Central Seed Committee, specified the size, contents, colour, label or mark to be affixed on the containers of seeds. On the basis of the aforesaid orders, the Seeds Inspector appointed under the Seeds Act is exercising powers to ensure compliance with the provisions of Seeds Act for seeds of a notified variety as well as those being not of a notified kind or variety including truthfully labeled seeds.

#### ***The Seeds Rules, 1968***

The Seeds Rules provides for the implementation of the provisions of the Seeds Act. The Seeds Rules defines the term “certified seed” as a seed that fulfills all requirements for certification provided by the Seeds Act and the Seeds Rules and to the container of which the certification tag is attached. Also, the term “certified seed producer” has been defined as a person who grows or distributes certified seed in accordance with the procedure and standards of the certification agency.

The Seeds Rules prescribes that no person shall sell, keep for sale, offer to sell, barter or otherwise supply any seed of any notified kind or variety, after the date recorded on the container, mark or label. This record date shall be the date upto which, the seed may be expected to retain the germination, which shall not be less than the minimum limits of germination, and purity as prescribed under the Seeds Act. Further, no person shall alter, obliterate or deface any mark or label attached to the container of any seed and shall keep a complete record of each lots of seed sold for a period of three years.

The term “processing”, has been defined by the Seeds Rules as cleaning, drying, treating, grading and other operations which would change the purity and germination of the seed and thus requiring re-testing to determine the quality of the seed, but does not include operations such as packaging and labeling. The Seeds Rules also classifies certified seed into foundation seed, registered seed and certified seed and prescribes standards to be met with by each class of certified seed.

#### ***The Seeds (Control) Order, 1983***

The Seed (Control) Order issued under the Essential Commodities Act, 1955 enumerates the procedure for registration for every person carrying on the business of selling, exporting or importing seeds, including but not limited to, those of a notified

kind or variety. It prescribes that every person carrying on the business of selling, exporting or importing seeds at any place shall do so under the terms and conditions of the license granted under this Seeds (Control) Order. Every person desiring to obtain a license for selling, exporting or importing of seeds shall make an application in duplicate in the prescribed form together with a fee of Rs.50/- to the licensing authority. The Seeds (Control) Order empowers the Central Government to appoint a Controller of Seeds to regulate the sale and distribution of seeds. The Controller has the power to direct a producer or dealer to sell or distribute any seed in such manner as specified if the Controller is of the opinion that such a direction is necessary with regard to public interest. Further, the Seeds (Control) Order also appoints an Inspector for securing compliance with this Seeds (Control) Order.

### ***National Seeds Policy, 2002***

The Seeds Act, Seeds Rules, Seeds Control Order and the New Policy on Seeds Development, 1988, formed the basis of promotion and regulation of the seed industry.

The National Seeds Policy, 2002 replaced the New Policy on Seeds Development, 1988. The National Seeds Policy, 2002 lays down the foundation for comprehensive reforms in the seed sector. Significant changes in the existing legislative framework will be effected accompanied by programmatic interventions. While unnecessary regulation needs to be dismantled, it must be ensured that gullible farmers are not exploited by unscrupulous elements. A regulatory system of a new genre is, therefore, needed, which will encompass quality assurance mechanisms coupled with facilitation of a vibrant and responsible seed industry. The Policy also provides the parameters for the development of the seed sector in the tenth and subsequent Five Year Plans. The progress of implementation of the Policy will be monitored by a High Level Review Committee.

Key measures resulting from the policy include implementation of an effective *sui generis* system for intellectual property protection to stimulate investment in research and development of new plant varieties; establishment of a Plant Varieties and Farmers' Rights Protection Authority to undertake registration of extant and new plant varieties through the Plant Variety Registry on the basis of varietal characteristic and consideration of tax rebate/concessions on the expenditure incurred on in-house research and development of new varieties and other seed related research aspects. Further, in order to develop a competitive seed market, the states will be encouraged to remove unnecessary local taxation on sales of seeds.

The National Seeds Policy, 2002 facilitates access by private seed production agencies to breeder seed. It provides for the establishment of a National Seeds Board as an apex body in the seeds sector to replace the existing Central Seed Committee and Central Seed Certification Board; mandatory registration of all varieties of seed, both domestic and imported, and planting materials. It made a recommendation that import of transgenic planting material should be allowed only with the approval of the Genetic Engineering Approval Committee. All genetically engineered crops/varieties will be tested for environment and bio-safety before their commercial release, as per the regulations and guidelines of the Environment Protection Act. The policy also calls for the implementation of a gene fund for the benefit sharing arrangement, and payment of compensation to village communities for their contribution to the development and conservation of plant genetic resources and also to promote conservation and sustainable use of genetic resources. The policy also recommends standards for import and export of seeds.

The National Seeds Policy aims at attaining the objectives of doubling food production and making India hunger free. It is expected to revolutionize Indian agriculture by supplying seeds of the best quality to the cultivator.

### ***Seeds Bill, 2004***

The seeds sector has witnessed many changes since 1966 when the Seeds Act was passed to address the changes in the seed industry such as new technologies, genetically modified seeds, and the entry of private and foreign seeds companies. The proposed Seeds Bill seeks to replace the existing Seeds Act and bring about changes including regulation and registration of all seeds to be sold (instead of only notified kinds), provisions for self-certification and accreditation of private seed testing laboratories, and regulation of transgenic seeds. The Seeds Bill aims to regulate the quality of seeds for sale, import and export and to facilitate production and supply of quality seeds.

Under the Seeds Bill, all registered seeds need to meet minimum standards with respect to the proportion of germination, levels of genetic and physical purity, and the permitted proportion of diseased seeds. Further, no transgenic variety of seed would be registered unless the applicant has obtained clearance under the provisions of the Environment Protection Act. A variety of seeds containing any technology considered harmful or potentially harmful shall not be registered.

Every seed producer, dealer, and horticulture nursery has to be registered with the State Government. Seed producers need to meet specifications regarding infrastructure, equipment and qualified manpower. The Seeds Bill protects the right of a farmer to save, use, exchange, share or sell his farm seeds and planting material. However, the farmer cannot sell seeds or planting material under a brand name. Also, all seeds sold by farmers need to conform to the minimum standards regarding germination, physical purity and genetic purity applicable to registered seeds.

For all registered varieties, seed producers, distributors and vendors have to disclose the expected performance under certain given conditions. If the seed fails to perform to expected standards, the farmer can claim compensation from the dealer, distributor or vendor under the Consumer Protection Act, 1986.

#### ***Andhra Pradesh Seeds Regulation Bill, 2004***

The Andhra Pradesh Government had entered into an MoU in 2002 with the seed producers, which was aimed to protect the interest of farmers and provide a mechanism of compensation, whenever a farmer suffers a loss because of substandard quality of seeds. In place of this MoU, the Andhra Pradesh Government has proposed the Andhra Pradesh Seeds Regulation Bill, 2004. The Andhra Pradesh Seeds Regulation Bill, 2004 aims to provide for regulating the quality of seeds for sale, import and export and to facilitate production and supply of quality seeds to the farmers.

The AP Seeds Bill constitutes an Andhra Pradesh Seeds Board for the purpose of regulation of this Bill and District Level Seed Committees for advising the Andhra Pradesh Seeds Board on various matters pertaining to the subject matter and administration of this Bill. The Andhra Pradesh Seeds Board may, by notification, specify the minimum limits of germination, genetic and physical purity, and seed health with respect to any seed of any kind or variety; the mark or label to indicate that such seed conforms to the minimum limits of germination, genetic and physical purity, and seed health specified above, and expected performance of the seed in given conditions and other particulars as may be prescribed with regard to marks or labels.

The AP Seeds Bill provides that no person shall sell seed of any kind or variety of agriculture crop, for the purpose of sowing or planting unless such seed is registered by the Registration Committee. Also, any kind or variety that has been notified under the Seeds Act shall be deemed to be registered under the AP Seeds Bill.

It is further provided by the AP Seeds Bill that no person shall himself, or by any other person on his behalf, carry on the business of selling, keeping for sale, offering to sell, bartering, import or export or otherwise supply any seed of any registered kind or variety, unless such seed is identifiable as to its kind or variety; conforms to the minimum limit of germination, genetic and physical purity and seed health as specified; the container of such seed shall bear the mark or label bearing the correct particulars thereof, as specified; and complies with such other requirements as may be prescribed by the AP Seeds Bill.

The producer, distributor or vendor of seeds of the registered kind or variety of seed is required to disclose the expected performance of such seed under given conditions to the farmer under the AP Seeds Bill, and if the said seed fails to provide the expected performance under such given conditions, the farmer may claim compensation in such manner as may be prescribed.

All seed producers and seed processing units shall be registered with the State Seed Certification Agency on meeting prescribed specifications and shall furnish periodic returns on the quantity of seeds of different kinds or varieties produced and processed by them to the Government and Seed Certification Agency respectively.

#### **Fertilizer Industry**

##### ***The Fertiliser (Control) Order, 1985***

The Fertiliser (Control) Order issued under the Essential Commodities Act, 1955 defines the term fertilizer as any substance used or intended to be used as a fertiliser of the soil and/or crop and specified in the Fertiliser (Control) Order and also includes a mixture of fertiliser and special mixture of fertilisers.

The Central Government may, with a view to regulating equitable distribution of fertilisers and making fertilisers available at fair prices, fix the maximum prices or rates at which any fertiliser may be sold by a dealer, manufacturer, importer or a pool handling agency. The Central Government may, with a view to securing equitable distribution and availability of fertilisers to the farmers in time direct any manufacturer/importer to sell the fertilisers produced by him in such quantities and in such State or States and within such period as may be specified in the said notification. No person shall, except with the prior

permission of the Central Government and subject to such terms and conditions as may be imposed by such Government, sell or use fertiliser(s), for purposes other than fertilisation of the soil and increasing productivity of crops.

No person shall, by himself or by any other person in his behalf manufacture/import for sale, sell, offer for sale, stock or exhibit for sale or distribute any fertiliser or mixture of fertilizers which is not of the standard as prescribed under this Fertiliser (Control) Order. Also, no person shall sell, offer for sale, stock or exhibit for sale or distribute any fertilizer, the container whereof is not packed and marked in the manner laid down in this Fertiliser (Control) Order. Further, no person shall sell any fertiliser which is an imitation of or a substitute for another fertiliser under the name of which it is sold; or is adulterated; or the label or container whereof bears the name of any individual firm or company purporting to be the manufacturer/importer of the fertiliser, which individual, firm or company is fictitious or does not exist; or the label or container whereof or anything accompanying therewith bears any statement which makes a claim which is false or misleading; or sells a substance as a fertiliser which substance is not a fertiliser; or sells it without exhibiting the minimum guaranteed percentage by weight of plant nutrient.

The Fertiliser (Control) Order further prescribes certain requirements with regard to packing and making as well as compliance by manufacturers with the prescribed requirements for laboratory facilities.

### **Phytosanitary Regulations**

#### ***The Insecticides Act, 1968 & the Insecticides (Amendment) Act, 2000***

The Insecticides Act aims at regulating the import, manufacture, sale, transport, distribution and use of insecticides with a view to prevent risks to human beings or animals, and for matters connected therewith. The Insecticides Act defines “insecticides” as any substance specified in the schedule to the Insecticides Act; or such other substance (including fungicides and insecticides) as the Central Government may, after consultation with the Central Insecticides Board, by notification in the Official Gazette, include in the schedule to the Insecticides Act from time to time; or any preparation containing any one or more of such substances. Any person desiring to import or manufacture any insecticide is required to apply to the Registration Committee for the registration of such insecticide and there shall be a separate application for each such insecticide. No person shall himself, or by any person on his behalf, import or manufacture any misbranded insecticide, any insecticide which for the time being has been prohibited under the Insecticides Act, any insecticide in contravention with the condition on which it was registered or in contravention of any other provision of this Act.

As per the Insecticides Act, the insecticides, which are manufactured need to be packaged, labelled, transported and stored according to the procedure enumerated under the Act.

The Insecticides Act empowers the Central Government to constitute a Central Insecticides Board to advise the Central Government and State Governments on technical matters arising out of the administration of the Insecticides Act and to carry out other functions assigned to the Board by or under this Act.

#### ***The Destructive Insects and Pests Act, 1914***

The Destructive Insects and Pests Act aims at preventing the introduction and transport of any insects, fungus or other pests which could be destructive to crops, from one state to another within India. It further provides that the Central Government may prohibit or regulate the import into India, or any part thereof, or any specified place therein, of any articles or class of articles likely to cause infection to any crop. The Central Government may also prohibit or regulate the export from a state or the transport from one state to another state in India of any article, class of articles or insects likely to cause infection to any crop.

### **Grading and Marking Regulations**

#### ***Agricultural Produce (Grading and Marking) Act, 1937***

The Agricultural Produce (Grading and Marking) Act provides for the grading and marking of agricultural and other produce. The Directorate of Marketing & Inspection under the Department of Rural Development in the Ministry of Agriculture is vested with the responsibility to enforce and implement the Agricultural Produce (Grading and Marking) Act.

Under the Agricultural Produce (Grading and Marking) Act, “agricultural produce” includes all produce of agriculture or horticulture and all articles of food or drink wholly or partly manufactured from any such produce, and fleeces and the skins of animals.

The Agricultural Produce (Grading and Marking) Act prescribes *inter alia* for grade designations to indicate the quality on any article included in the schedule to the Agricultural Produce (Grading and Marking) Act, for defining the quality indicated by such grade designations, and specify grade designation marks to represent particular grade designations

Where the Central Government is of the opinion that it is necessary in the public interest or for the protection of consumers that any scheduled article or class of articles shall not be sold or distributed except after such article or class of articles is marked with the grade designation mark, it may, by notification in the Official Gazette, make declaration to that effect.

### ***General Grading and Marking Rules, 1988***

The General Grading and Making Rules were notified, as per Section 3 of the Agricultural Produce (Grading and Marking) Act, wherein the detailed procedures of licensing, setting up of laboratories, consumer protection measures *etc.* have been given.

The General Grading and Marking Rules applies to all articles of agricultural and other produce included in the Schedule to the Agricultural Produce (Grading and Marking) Act. An article graded in accordance with the provisions of the Agricultural Produce (Grading and Marking) Act, shall be packed in the manner and using the type of packaging material and the pack sizes, by weight or number as prescribed for the said article.

Wherever a graded produce is found not to be conforming to the definition of the quality prescribed for the grade designation marks on the produce and the grade designation marks are cancelled or removed from such produce belonging to the distributors and not to authorised packers, the latter shall, when so directed by the Agricultural Marketing Adviser, make good to the former any loss sustained as a result of the removal of grade designation mark, the loss being estimated on the basis of the additional value that the properly graded produce would have obtained in the market over and above the current market value of the corresponding quantity of the unguarded produce.

### **Intellectual Property Rights**

#### ***The Protection of Plant Varieties and Farmers' Rights Act, 2001***

The Protection of Plant Varieties and Farmers' Rights Act provides for the establishment of an effective system for protection of plant varieties, the rights of farmers and plant breeders and encourages the development of new varieties of plants.

The Protection of Plant Varieties and Farmers' Rights Act aims at accelerated agricultural development in India, and recognizes the necessity to protect plant breeders' rights so as to stimulate investment for research and development, both in the public and private sector, for the development of new plant varieties and further growth of the seed industry, which will ensure the availability of high quality seeds and planting material to the farmers.

The term "extant variety" has been defined to mean a variety available in India, which is notified under the Seeds Act; or a farmer's; variety; or a variety about which there is common knowledge; or any other variety, which is in the public domain.

Registration of a plant variety is on the basis of conformance with the criteria of novelty, distinctiveness, uniformity and stability. An application for registration shall be made by any person claiming to be the breeder of the variety; or any successor of the breeder of the variety; or any person being the assignee of the breeder of the variety in respect of the rights to make such application; or any farmers or group of farmers or community of farmers claiming to be the breeder of the variety; or any person authorized in the prescribed manner by a person to make application on his behalf; or any university or publicly funded agricultural institution claiming to be the breeder of the variety.

Where any propagating material of a variety registered under this Act has been sold to a farmer or a group of farmers of any organization of farmers, the breeder of such variety shall disclose to the farmer or the group of farmers or the organization of farmers, as the case may be, the expected performance under given conditions, and if such propagating material fails to provide such performance under such given conditions, the farmer or the group of farmers or the organization of farmers, as the case may be, may claim compensation in the prescribed manner before the Protection of Plant Varieties and Farmers' Rights Authority after giving due notice to the breeder of the variety

Breeder's rights extend to production, selling, marketing distribution, export and import of seeds and/or propagating material of the protected variety. If the breeders' variety is essentially derived from a farmers' variety, the breeder needs to obtain the consent of the farmers or communities from whose varieties the protected variety is derived.

Researchers shall have the right to use any variety registered under this Act for conducting experiments or research; or as an initial source of variety for the purpose of creating other varieties. However, the authorization of the breeder of a registered variety is required where the repeated use of such variety as a parental line is necessary for the commercial production of such other newly developed variety.

### ***The Protection of Plant Varieties and Farmers' Rights Regulations, 2006 and the Protection of Plant Varieties and Farmers' Rights Rules, 2003***

The Protection of Plant Varieties and Farmers' Rights Regulations and the Protection of Plant Varieties and Farmers' Rights Rules were passed pursuant to the powers conferred by sub-section (1) of section 95 of the Protection of Plant Varieties and Farmers' Rights Act.

These two legislations provide the procedural law for the implementation of the substantive law provided by the Protection of Plant Varieties and Farmers' Rights Act.

### ***The Patents Act, 1970***

The Patents Act, which allowed only process patents and not product patents, provided shorter protection periods and excluded agriculture and other areas from its scope of patentability. However, the Patents Act was amended *vide* the Patents (Amendment) Ordinance, 2004 and the Patents (Amendment) Act, 2005 in order to comply with the TRIPS Agreement. These amendments introduced the concept of product patents with a protection period of twenty years. Through these amendments, product patents as well as process patents are now permitted, and are now extended to agro-chemicals, food, and biotechnology products including genetically modified organisms, apart from drugs and pharmaceuticals.

### **Others**

### ***The Biological Diversity Act, 2002 and the Biological Diversity Rules, 2003***

Since, India is a signatory to the United Nations' Convention on Biological Diversity; the Biological Diversity Act was passed in the year 2003. The Biological Diversity Act provides for conservation of biological diversity, sustainable use of its components and fair and equitable sharing of the benefits arising out of the use of biological resources, knowledge and for matters connected therewith or incidental thereto.

Biological resources means plants, animals and micro-organisms or parts thereof, their genetic material and by-products (excluding value added products) with actual or potential use or value, but does not include human genetic material.

Persons who are not citizens of India; citizens of India, who are non-residents as defined under the Income-tax Act and body corporates, associations or organizations which are not incorporated or registered in India; or incorporated or registered in India under any law for the time being in force which has any non-Indian participation in its share capital or management, are required to take permission of the National Biological Diversity Authority before obtaining any biological resource occurring in India and for transferring the results of any research relating to any biological resources occurring in, or obtained from, India for monetary consideration or otherwise

The aforesaid provisions shall not apply to collaborative research projects involving transfer or exchange of biological resources or information relating thereto between institutions, including Government sponsored institutions of India, and such institutions in other countries, if such collaborative research projects satisfy the conditions specified the Biological Diversity Act. However, all collaborative research projects, other than those referred to above, which are based on agreements concluded before the commencement of this Act and in force shall, in the case of any inconsistency with the provisions of the Biological Diversity Act or any guidelines issued under the said Biological Diversity Act, be void.

Furthermore, the permission of the National Biological Diversity Authority would be required prior to the granting of intellectual property rights in any invention, in the event that research or information on a biological resource from India has been used for development of such intellectual property. It provides for imposition of charges by way of royalty subject to certain terms and conditions as specified by the Biological Diversity Act.

The Biological Diversity Rules were framed pursuant to section 62 of the Biological Diversity Act and provides the procedural aspects of implementing the substantive provisions enumerated in the Biological Diversity Act. However, as on 2003, only sections 1, 2, 8 to 17, 48, 54, 59, 62 to 65 of the Biological Diversity Act have come into force.

### ***Foreign Ownership***

Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of Government of India (FIPB) and the RBI. As per current foreign investment policies, up to 100% is permitted in any sector or activity other than those included in Annexure A to the Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000.

However, our plants located at Gundla Pochampally, Gatla Narsingapur, Bellary and Kandlakoi are registered small scale units whereby, our Company can issue Equity Shares or convertible debentures to a non-resident upto 24% of its paid up capital under the automatic route. Our Company requires the prior approval of the FIPB if we issue Equity Shares in excess to 24% to persons/entities, if any, resident outside India other than erstwhile Overseas Corporate Bodies ("OCBs"). OCBs have been de-recognised as a class of investors in India with effect from September 16, 2003. As on the date of filing this Red Herring Prospectus, we have not applied to the FIPB for an increase of the aforesaid 24% limit.

## HISTORY AND OTHER CORPORATE MATTERS

Mr. Gundavaram Venkata Bhaskar Rao, a graduate in agricultural science, is one of the founder Promoters of our Company. He started the business of seed production of public bred varieties of corn, bajra, sunflower on his own lands in the village of Gatla Narsingapur, Karimgar District, Andhra Pradesh.

Subsequently, on August 27, 1986, our Company, promoted by Mr. Gundavaram Venkata Bhaskar Rao, Mrs. Gundavaram Vanaja Devi & Mr. Rangineni Venu Manohar Rao, was incorporated as “Kaveri Seed Company Private Limited” under the Companies Act, having Registration No. 6728 of 1986-87. We continued to carry on the business of seed production, processing, packing and marketing and simultaneously set up a processing plant in Bellary in Karnataka. In 1987, our Company set up its marketing office at Davangere in Karnataka. In 1996, we set up an R & D facility at Bollaram to carry on research and to breed new hybrids.

In 1997, our Company set up a Seed Processing Plant at Biramulguda near Hyderabad. In the same year our Company introduced sunflower hybrid seeds. In 1999, we increased our seed conditioning capacity to meet the growing demands by setting up a large scale processing plant at Kandlakoi near Hyderabad. In the year 2002, our Promoters entered into a complementary business of Bio-Products and Micro-Nutrients for which they set up a partnership firm under the name and style of M/s. Kaveri Agriteck for manufacturing and marketing bio-products and micro-nutrients under the brand ‘Microteck’. We have entered into a sub-licensing agreement with Mahyco Monsanto Biotech (India) Limited for Bt. transgenic technology for cotton in the year 2004.

A new seed conditioning plant with Cob Dryers was set up at Gundla Pochampally near Hyderabad in 2005 and in Eluru in Andhra Pradesh in 2006. These cob drying facilities help in processing corn cobs collected from production fields with high moisture levels. These facilities gave us the advantage of obtaining seeds with optimum moisture level with prolonged shelf life and increased vigor. By the end of the FY 2006, our Company achieved a turn over of more than Rs. 4,800 lakhs. In September 2006, the business, assets and liabilities of M/s. Kaveri Agriteck were acquired by our Company, giving us the ability of meeting farmers’ needs of seeds as well as plant nutrients (i.e. bio-products and micro-nutrients) under one roof. Currently we are into production and marketing of agri-inputs (seeds of wide range of crops such as corn, sunflower, cotton, pearl millet, grain sorghum, paddy and hybrid vegetables, and also micronutrients, bio products and organic products).

On November 7, 2006, our Company was converted into a public limited company and a fresh certificate of incorporation was issued by the RoC in the name of Kaveri Seed Company Limited with CIN as U01120AP1986PLC006728.

On August 4, 2007, our Company entered into a non-exclusive licensing agreement with JK Agri Genetics Limited for using insect tolerant seed lines for producing, testing, marketing and selling genetically modified hybrid cotton planting seed in India.

### HISTORY AND MAJOR EVENTS:

| Year                                        | Event                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Prior to our Company’s Incorporation</b> | <ul style="list-style-type: none"> <li>Our Promoter, Mr. Gundavaram Venkata Bhaskar Rao was carrying on the business of seed production before the incorporation of the Company</li> </ul>                                                                                                            |
| <b>1986</b>                                 | <ul style="list-style-type: none"> <li>Our Company was incorporated as a Private Limited Company</li> <li>Seed processing plant was set up in Bellary, Karnataka</li> </ul>                                                                                                                           |
| <b>1987</b>                                 | <ul style="list-style-type: none"> <li>First marketing office was set up in Davangere in Karnataka</li> </ul>                                                                                                                                                                                         |
| <b>1996</b>                                 | <ul style="list-style-type: none"> <li>Our Company set up its R &amp; D facility in Biramulguda - Hyderabad</li> </ul>                                                                                                                                                                                |
| <b>1997</b>                                 | <ul style="list-style-type: none"> <li>Setup seed a processing plant at Biramulguda</li> </ul>                                                                                                                                                                                                        |
| <b>1997 – 1999</b>                          | <ul style="list-style-type: none"> <li>We set up a state of the art seed conditioning plant at Kandlkoi and produced Sunflower Hybrid Seeds</li> </ul>                                                                                                                                                |
| <b>2004</b>                                 | <ul style="list-style-type: none"> <li>We entered into a sub-licensing agreement with Mahyco Monsanto Biotech (India) Limited for Bt. Gene Technology for Cotton Seeds in the year 2004</li> </ul>                                                                                                    |
| <b>2005</b>                                 | <ul style="list-style-type: none"> <li>We set up our seed conditioning plant with cob dryers at Gundla Pochampally and Eluru.</li> </ul>                                                                                                                                                              |
| <b>2006</b>                                 | <ul style="list-style-type: none"> <li>Acquired the business, assets and liabilities of M/s Kaveri Agriteck a partnership firm that is engaged in the business of plant nutrition (i.e. Bio-Products and Micro-Nutrients)</li> <li>Our Company was converted into a public limited company</li> </ul> |

| Year | Event                                                                                                                                                                                                                                                                             |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2007 | <ul style="list-style-type: none"> <li>We entered into a non-exclusive licensing agreement with JK Agri Genetics Limited for using insect tolerant seed lines for producing, testing, marketing and selling genetically modified hybrid cotton planting seed in India.</li> </ul> |

### Changes in Registered Office of our Company

| Date             | Registered Address Changed From                          | Changed to                                                                    |
|------------------|----------------------------------------------------------|-------------------------------------------------------------------------------|
| October 6, 1988  | 3-4-526/6, Barkathpura, Lingampally, Hyderabad 500 027   | 6-3-597/D/9, Anandnagar, Hyderabad 500 004                                    |
| June 1, 1990     | 6-3-597/D/9, Anandnagar, Hyderabad 500 004               | 1-1-700/B/1, Gandhinagar, New Bakaram, Hyderabad 500 380                      |
| October 20, 1994 | 1-1-700/B/1, Gandhinagar, New Bakaram, Hyderabad 500 380 | 513B, 5 <sup>th</sup> Floor, Minerva Complex, S.D. Road, Secunderabad 500 003 |

### MAIN OBJECTS OF OUR COMPANY

The main objects of our Company as contained in our Memorandum of Association are as set forth below:

- To carry on the business of farming, production, harvesting, procurement, grading, pooling, handling, marketing, agriculture and horticulture in all their respective farms and branches and to grow, produce, manufacture, process, prepare, refine, extract, manipulate, hydrolyze, deodorize, grind, bleach, hydrogenate buy, sell or otherwise deal in all kinds of agricultural, horticultural and farm produce and products including seeds, plants, flowers, vegetables, fruits and preparation of any nature or description.
- To manufacture, produce, refine, process, formulate, buy, sell, export, import or otherwise deal in all types of heavy and light chemicals. C/O.29 chemical elements and compounds, including without limitation the generality of the foregoing, laboratory, and scientific chemicals or any nature used or capable of being used in the Pharmaceutical industry, agricultural chemicals, fertilizers, petrochemicals, industrial chemicals or any mixtures, derivatives and compounds, thereof.
- To render technical services, consultancy Services, Training, Research and development and all other activities for the promotion of the interest of its members.

The Main Objects clause and the Objects incidental or ancillary to the Main Objects of our MoA enable us to undertake activities for which funds are being raised through this Issue. The existing activities of our Company are in accordance with the Objects clause of our Memorandum of Association.

### CHANGES IN MEMORANDUM OF ASSOCIATION

| Date of Shareholders' Approval | Changes in the Memorandum of Association                                                                                                                                                    |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| March 1, 1993                  | <b>Alteration of Capital Clause</b><br>Increase in the authorized share capital of our Company from Rs. 5,00,000/- to Rs. 10,00,000/- comprising of further 50,000 Equity Shares            |
| December 28, 1995              | <b>Alteration of Capital Clause</b><br>Increase in the authorized share capital of our Company from Rs. 10,00,000/- to Rs. 25,00,000/- comprising of further 1,50,000 Equity Shares         |
| June 20, 2005                  | <b>Alteration of Capital Clause</b><br>Increase in the authorized share capital of our Company from Rs. 25,00,000/- to Rs. 2,00,00,000/- comprising of further 17,50,000 Equity Shares      |
| May 19, 2006                   | <b>Alteration of Capital Clause</b><br>Increase in the authorized share capital of our Company from Rs. 2,00,00,000/- to Rs. 20,00,00,000/- comprising of further 1,80,00,000 Equity Shares |
| September 29, 2006             | <b>Alteration of Name Clause</b><br>Change in the name of our Company from Kaveri Seed Company Private Limited to Kaveri Seed Company Limited                                               |

| Date of Shareholders' Approval | Changes in the Memorandum of Association                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| December 4, 2006               | <p><b>Alteration of the Main Objects Clause and the Other Objects Clause</b></p> <p>The existing Main Objects Clauses III (A)(3) and III(c)24to 28 and Other Objects Clause V(B) were added/substituted with the following new clauses:</p> <p>III(A)(3) To render technical services, consultancy services, Training, Research and development and all other activities for the promotion of the interests of its members.</p> <p>III(C)(24) To create, improve and develop undertake, establish and support and promote research in any new source of proteins and other nutritional food for human consumption or otherwise.</p> <p>III(C)25 To construct, improve, maintain, develop, work or any roadways, railways, branches or sidings, wells, reservoirs water courses, warehouses, electrical work shops, stores, chawls and other buildings, act works and conveniences which may be seem calculated directly or indirectly to advance the Company's interests and to contribute, subsidies or otherwise, assist or take part in the construction improvements, maintenance development, working management carrying out or control thereof.</p> <p>III(C)26 To carry on the business of manufacturers and producers, dealers, in and preservers of food, food grains, Vegetables, fruits, groundnut cakes, caned goods, vegetables of all kinds and bye products thereof and for the purpose to establish preservation centers and canning lines.</p> <p>III(C)27 To transact or carry on all kinds of agency business and in particular in relation to the investment of money, the sale of property and collection and receipt of money or otherwise of any asset funds and business under any agreement.</p> <p>III(C)28 Generation, transmission and distribution of power, revitalization of land and water sources, their use, conservation and communications relatable to primary produce.</p> |

## SUBSIDIARIES OF OUR COMPANY

Our Company has no subsidiaries as on date.

## SHAREHOLDERS AGREEMENT

There are no subsisting shareholders agreements among our shareholders in relation to our Company.

## OTHER AGREEMENTS

We are not a party, nor have we entered into, any other material contracts not being a contract:

- (1) entered into in the normal course of business carried on, or intended to be carried on, by us; or
- (2) entered into more than two years before the date of filing this Red Herring Prospectus with RoC

## RESTRICTIVE COVENANTS IN LOAN AGREEMENTS

Our Company has entered into various agreements with Indian Overseas Bank, Hyderabad for short term and long term borrowings. Further, *vide* sanction letter dated June 11, 2007, Indian Overseas Bank has granted us an adhoc cash credit facility of Rs. 3,00,00,000/- (Three Crores). The short term credit availed off from Indian Overseas Bank, Hyderabad as on March 31, 2007 amounts to Rs. 3,51,10,198/- and the long term credit availed off from Indian Overseas Bank, Hyderabad as on March 31, 2007 amounts to Rs. 1,09,12,521/-. These agreements contain certain restrictive covenants which require us to take the prior written consent of Indian Overseas Bank before undertaking the following activities throughout the currency of the agreement including but not limited to:

1. Affecting any change in our Company's capital structure;
2. Implementing any scheme of expansion or acquire fixed assets;
3. Making investment/advances or deposit amount with any other concern;
4. Entering into borrowing arrangement with any bank /financial institution/ company;
5. Undertaking guarantee obligations on behalf of any other company; and
6. Declaring any dividend for any year except out of profits relating to that year

Pursuant to the aforesaid, we have received a No Objection Certificate from Indian Overseas Bank for the Issue *vide* their letter dated January 19, 2007.

**STRATEGIC PARTNERS**

Our Company does not have any strategic partners

**FINANCIAL PARTNERS**

Our Company does not have any financial partners.

## OUR MANAGEMENT

### BOARD OF DIRECTORS

As on date of filing this Red Herring Prospectus with RoC, we have twelve Directors. Details of our Directors are given below:

| Sr. No. | Name, Designation, Father's/ Husband's Name, Address, Nationality, Occupation                                                                                                                                                                                                | Age      | Date of Appointment as Director & Term                                                                          | Details of other Directorships                                                                                                      |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| 1.      | <b>Mr. Gundavaram Venkata Bhaskar Rao</b><br>Chairman-cum-Managing Director<br>S/o Mr. G. Srinivas Rao<br><br>No. 9, Amaravathi Co-op. Soc.,<br>Kharkhana, Secunderabad 500 009,<br>Andhra Pradesh.<br><br>Nationality: Indian<br>Occupation: Industrialist<br>DIN: 00892232 | 57 years | Since inception,<br><i>i.e.</i> August 27,<br>1986.<br><br>Period of five<br>years from<br>November 15,<br>2006 | <ul style="list-style-type: none"> <li>G.V.B. Constructions Private Limited</li> <li>Ganga Kaveri Sugars Private Limited</li> </ul> |
| 2.      | <b>Mrs. Gundavaram Vanaja Devi</b><br>Executive Director<br>W/o Mr. Gundavaram Venkata Bhaskar Rao<br><br>No. 9, Amaravathi Co-op. Soc.,<br>Kharkhana, Secunderabad 500 009,<br>Andhra Pradesh.<br><br>Nationality: Indian<br>Occupation: Industrialist<br>DIN: 00328947     | 55 years | Since inception,<br><i>i.e.</i> August 27,<br>1986<br><br>Period of five<br>years from<br>November 15,<br>2006  | <ul style="list-style-type: none"> <li>G.V.B. Constructions Private Limited</li> </ul>                                              |
| 3.      | <b>Mr. Rangineni Venu Manohar Rao</b><br>Executive Director<br>S/o Mr. R. Raghupati Rao<br><br>1-2-410/3, 502, Swamy Nilayam,<br>Vth Floor, Gagan Mahal Colony,<br>Domalguda, Hyderabad 500 029<br><br>Nationality: Indian<br>Occupation: Business<br>DIN: 00637125          | 45 years | Since inception,<br><i>i.e.</i> August 27,<br>1986<br><br>Period of five<br>years from<br>November 15,<br>2006  | NIL                                                                                                                                 |
| 4       | <b>Mr. Chennameneni Vamsheedhar*</b><br>Executive Director<br>S/o Mr. C. Bhaskar Rao<br><br>No. 13-B, Santosh Nagar,<br>Saidabad, Hyderabad 500 059,<br>Andhra Pradesh.<br><br>Nationality: Indian<br>Occupation: Business<br>DIN: 01458939                                  | 36 years | September 18, 2006                                                                                              | NIL                                                                                                                                 |
| 5       | <b>Mr. Chennameneni Mithun Chand*</b>                                                                                                                                                                                                                                        | 31 years | September 18,                                                                                                   | NIL                                                                                                                                 |

| Sr. No. | Name, Designation, Father's/ Husband's Name, Address, Nationality, Occupation                                                                                                                                                                                                  | Age      | Date of Appointment as Director & Term | Details of other Directorships                                                                                                                                                                                                                                                                                                                           |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | Executive Director<br>S/o Mr. C. Bhaskar Rao<br><br>No. 13-B, Santosh Nagar,<br>Saidabad, Hyderabad 500 059,<br>Andhra Pradesh.<br><br>Nationality: Indian<br>Occupation: Business<br>DIN: 00764906                                                                            |          | 2006                                   |                                                                                                                                                                                                                                                                                                                                                          |
| 6       | <b>Dr. Gundavaram Pawan*</b><br>Non-Executive Director<br>S/o Mr. Gundavaram Venkata Bhaskar Rao<br><br>2046, W.Charleston Street,<br>Apt#1R,<br>Chicago,<br>IL – 60647<br><br>Nationality: Indian<br>Occupation: Business<br>DIN: 00768751                                    | 27 years | September 18, 2006                     | <ul style="list-style-type: none"> <li>Ganga Kaveri Sugars Private Limited</li> </ul>                                                                                                                                                                                                                                                                    |
| 7       | <b>Mr. Kolli Venkat Durga Prasad Rao*</b><br>Independent Director<br>S/o Mr. K. Srimanarayana<br><br>Plot No. 77,<br>Womens Co-operative Society,<br>Road No. 7A, Jubilee Hills,<br>Hyderabad – 500 033<br><br>Nationality: Indian<br>Occupation: Businessman<br>DIN: 01426798 | 60 years | January 18, 2007                       | <ul style="list-style-type: none"> <li>Crown Beers International Limited</li> </ul>                                                                                                                                                                                                                                                                      |
| 8       | <b>Mr. Muppidi Srikanth Reddy*</b><br>Independent Director<br>S/o Mr. M. Narasimha Reddy<br><br>8-2-684/4/4, Road No. 12,<br>Banjara Hills, Hyderabad 500 033<br>Andhra Pradesh.<br><br>Nationality: Indian<br>Occupation: Businessman<br>DIN: 00026249                        | 56 years | January 18, 2007                       | <ul style="list-style-type: none"> <li>Ganga Kaveri Seeds Private Limited</li> <li>Ganga Kaveri Industries Private Limited</li> <li>Ganga Kaveri Sugars Private Limited</li> <li>Ganga Kaveri Infrastructure Private Limited</li> <li>Crown Beers International Limited</li> <li>Omini Center Private Limited</li> <li>Vijay Textiles Limited</li> </ul> |
| 9.      | <b>Mr. Kasuganti Vaman Rao*</b><br>Independent Director<br>S/o Mr. Lakshmi Narasimha Rao<br><br>2, Madhupala Enclave,<br>Akbar Road,<br>Secunderabad – 500 009                                                                                                                 | 54 years | January 18, 2007                       | <ul style="list-style-type: none"> <li>Kapil Chit Funds Private Limited</li> <li>Kapil Health Club Private Limited</li> <li>Silpa Finance and Investments Private Limited</li> <li>Silpa Shelters Limited</li> <li>Silpa Agro Farms Private Limited</li> <li>Ramya Constructions Limited</li> </ul>                                                      |

| Sr. No. | Name, Designation, Father's/ Husband's Name, Address, Nationality, Occupation                                                                                                                                                                                 | Age      | Date of Appointment as Director & Term | Details of other Directorships                                                                                                                                                                                                                                                         |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | Andhra Pradesh.<br><br>Nationality: Indian<br>Occupation: Chartered Accountant<br>DIN: 00356880                                                                                                                                                               |          |                                        | <ul style="list-style-type: none"> <li>• Harita Agencies Private Limited</li> <li>• Veda Constructions Private Limited</li> <li>• Preethi Foods Private Limited</li> <li>• Ujwala Publications Private Limited</li> <li>• Amalgamated Software Applications Private Limited</li> </ul> |
| 10.     | <b>Dr. Idupuganti Venkata Subba Rao*</b><br>Independent Director<br>S/o Mr. I. Krishnamma<br><br>H. No. 1-10-315, Manovikas Nagar,<br>Hasmathpet Road,<br>Secunderabad 500 009,<br>Andhra Pradesh.<br><br>Nationality: Indian<br>Occupation:<br>DIN: 01220002 | 72 years | January 18, 2007                       | NIL                                                                                                                                                                                                                                                                                    |
| 11.     | <b>Dr. Ganga Prasad Rao Neelamraju*</b><br>Independent Director<br>S/o Mr. Hanumantaiah Neelamraju<br><br>HIG (OG), Block No.10,<br>Bagh Lingam Palli,<br>Hyderabad 500 038,<br>Andhra Pradesh.<br><br>Nationality: Indian<br>Occupation:<br>DIN: 01426819    | 79 years | January 18, 2007                       | NIL                                                                                                                                                                                                                                                                                    |
| 12.     | <b>Dr. Yeshwant Laxman Nene*</b><br>Independent Director<br>S/o Mr. Ganesh Laxman Nene<br><br>No. 47, ICRISAT Colony-1,<br>Brig. Sayeed Road,<br>Secunderabad 500 009,<br>Andhra Pradesh.<br><br>Nationality: Indian<br>Occupation:<br>DIN: 01372263          | 70 years | January 18, 2007                       | NIL                                                                                                                                                                                                                                                                                    |

*\*Appointed as Additional Directors. Shall hold office till the date of the next AGM.*

## BRIEF BIOGRAPHY OF OUR DIRECTORS

### Mr. Gundavaram Venkata Bhaskar Rao, Chairman-cum-Managing Director

Mr. Gundavaram Venkata Bhaskar Rao is a Science graduate majoring in agriculture from Andhra Pradesh Agriculture University. He is one of our founder Promoters and has motivated our Company to succeed in this business. He has been the Chairman-cum-Managing Director of our Company since its inception and has taken our Company to its current levels of stature and recognition with his experience and vision. His efforts towards growth and development have also ripened through introduction of high yielding varieties of hybrid seeds in agricultural crops like corn, sunflower, paddy, grain sorghum, bajra, cotton and other vegetable seeds. Through his encouragement of research and development activity for the

seeds of various crops such as corn, sunflower, cotton, pearl millet, jowar, fruits and vegetables and hybrid paddy and bioproducts and micronutrients, he has been able to diversify our Company's portfolio. These steps have helped our Company establish a solid base in major parts of India. He is overall in charge of the activities of the Company.

**Mrs. Gundavaram Vanaja Devi, Executive Director**

Mrs. Gundavaram Vanaja Devi is an Arts graduate from Osmania University, Andhra Pradesh. She is one of the founder Promoters of our Company and along with her husband, Mr. Gundavaram Venkata Bhaskar Rao and Mr. Rangineni Venu Manohar Rao, has motivated our Company to succeed in this business. She has been an Executive Director of our Company since its inception.

**Mr. Rangineni Venu Manohar Rao, Executive Director**

Mr. Rangineni Venu Manohar Rao is a Commerce graduate from Osmania University, Andhra Pradesh. He is one of the founder Promoters of our Company and has been an Executive Director of our Company since its inception. His main responsibility in our Company is marketing of our products. As a result of his unstinted efforts, our Company has been able to establish a presence in a wide array of markets and thereby extend our product reach to the core level of farmers. He has established a strong marketing network and sales management in our Company.

**Mr. Chennameneni Vamsheedhar, Executive Director**

Mr. Chennameneni Vamsheedhar is an Arts graduate from Osmania University, Andhra Pradesh. He has been associated with our Company for the past seven years. He joined our Company as "Marketing Officer" and has risen through the ranks and was appointed as an Executive and Additional Director at our Board Meeting held on September 18, 2006. He travels extensively, meets with farmers and demonstrates our Company's products by means of holding meetings with field staff / sales staff and farmers. He has been instrumental in the expansion of sales and marketing efforts of our Company.

**Mr. Chennameneni Mithun Chand, Executive Director**

Mr. Chennameneni Mithun Chand is an M.B.A. from Shiva Shivana Institute of Management. He joined Kaveri Agriteck as 'President' (Agriteck) and has significantly contributed in sales, administration and management by creating a core team for its products. He was appointed as an Executive and Additional Director at our Board Meeting held on September 18, 2006. He travels extensively, deals directly with field staff and dealers and tackles their problems and is a key driver of our sales team.

**Dr. Gundavaram Pawan, Non Executive Director**

Dr. Gundavaram Pawan is an M.B.B.S. from Jawaharlal Nehru University, Belgaum, Karnataka. Currently he is pursuing his M.D. from Illinois State University, Chicago, U.S.A. He was appointed as an Additional Director of our Company at our Board Meeting held on September 18, 2006.

**Mr. Kolli Venkat Durga Prasad Rao, Independent Director**

Mr. Kolli Venkat Durga Prasad Rao holds a masters degree in agriculture from Andhra Pradesh Agriculture University. He is currently the Managing Director of Crown Beers International Limited and has previously held the position of Managing Director in Charminar Breweries Limited. He was appointed as an Additional Director of our Company at our Board Meeting held on January 18, 2007.

**Mr. Muppidi Srikanth Reddy, Independent Director**

Mr. Muppidi Srikanth Reddy holds a bachelor's degree in Science, majoring in Agriculture, from Andhra Pradesh Agricultural University in 1974. He floated Charminar Breweries Limited in 1991, which was subsequently sold to Shaw Wallace Company Limited. He has over 35 years experience in the business of agriculture and beverages and is actively participating in advising in financial matters of various companies. He was appointed as an Additional Director of our Company at our Board Meeting held on January 18, 2007.

#### **Mr. Kasuganti Vaman Rao, Independent Director**

Mr. Kasuganti Vaman Rao holds a bachelor's degree in Commerce and is also a Chartered Accountant. In 1977, he started a proprietary concern, M/s. Vaman Rao & Associates, Chartered Accountants. He is also the creator and trustee of 'Sankshema', a charitable trust which runs a non-profit cancer hospital at Karimnagar. The said trust donates scholarships to economically poor students and also provides free meals to people at the hospital. He was appointed as an Additional Director of our Company at our Board Meeting held on January 18, 2007.

#### **Dr. Idupuganti Venkata Subba Rao, Independent Director**

Dr. Idupuganti Venkata Subba Rao completed his bachelor's degree in Science, majoring in Agriculture, from Agricultural College, Andhra University in 1955. Subsequently, he completed his Master's degree from the aforesaid college in 1963. Dr. Idupuganti Venkata Subba Rao has a distinguished career in the field of agriculture. He is a soil scientist by profession and is vastly experienced in the fields of agricultural education research, extension research management and administration. His contributions to the fields of soil chemistry, fertility, agronomic management and research are numerous. Dr. Idupuganti Venkata Subba Rao is the recipient of the prestigious 'Padmashree' award from the Government of India in 2002. Apart from the Padmashree award, he has also received several eminent awards, including but not limited to, the 'Life Time Achievement Award' from the Cotton Research and Development Association, the 'Sir C.V.Raman Council of Education Professional Expertise Award' for Science and Technology by Vishwabharti etc. He was appointed as an Additional Director of our Company at our Board Meeting held on January 18, 2007.

#### **Dr. Ganga Prasad Rao Neelamraju, Independent Director**

Dr. Ganga Prasad Rao Neelamraju holds a post graduate degree in agriculture from the Indian Agricultural Research Institute. Further, he completed his doctorate in Breeding and Agronomy of dry land crops from Indian Agricultural Research Institute and obtained the said doctorate degree from Bihar University. Dr. Ganga Prasad Rao Neelamraju is a reputed scientist known for basic and applied research in breeding and agronomy of several dry land crops. His contributions to Sorghum improvement in India are well recognized. He taught plant breeding and genetics at the College of Agriculture, Hyderabad, Osmania University and later at the Indian Agricultural Research Institute, New Delhi. He has held several eminent professional positions, including that of Vice Chancellor, Marthwada University and Chairman Agricultural Scientists Recruitment Board, ICAR, New Delhi. He is currently the President of the Society of Millet Improvement. He has been awarded the 'C. Subramaniam' gold medal for the development of the first Sorghum hybrid, the 'Shanthi Swaroop Bhatnagar Prize' for biological sciences, the 'Rahi Ahmed Kidwai Award' for plant breeding and the 'VASVIK award' for agricultural sciences. He was appointed as an Additional Director of our Company at our Board Meeting held on January 18, 2007.

#### **Dr. Yeshwant Laxman Nene, Independent Director**

Dr. Yeshwant Laxman Nene obtained his bachelor's degree in Science, majoring in agriculture, from Agra University in 1955, followed by his master's degree in agriculture from the same university in 1957. He obtained his doctorate degree in Plant Pathology (Plant Virology) from the University of Illinois, U.S.A. Dr. Yeshwant Nene has worked as the Assistant, Associate, Professor and Head of the Department of Plant Pathology at GB Pant University of Agriculture, Pantnagar from 1960 to 1974.

After intensive research on rice crops, he managed to solve the mystery of the rice disease known as *khaira*. This feat earned him the International Rice Research Prize in a world wide Competition, organized by FAO to commemorate the "International Rice Year 1966".

Dr. Yeshwant Laxman Nene is recognized internationally as an eminent plant pathologist and an authority on pulses such as Pigeonpea (Toor), Chick Pea (Gram), Mungbean and several others. Presently he is running an Agricultural Heritage of India Foundation with the support from many well known professionals. He was appointed as an Additional Director of our Company at our Board Meeting held on January 18, 2007.

#### **BORROWING POWERS OF BOARD OF DIRECTORS**

Pursuant to an ordinary resolution passed at the EGM of our shareholders held on December 15, 2006 our Directors were authorised to borrow money(s) on behalf of our Company in excess of the paid up share capital and the free reserves of our Company from time to time, pursuant to the provisions of Section 293(1)(d) of the Companies Act, subject to an amount not exceeding Rs. 100 Crores.

For details of provisions of our Articles of Association regarding borrowing powers, please refer to the section titled ‘Main Provisions of the Articles of Association of our Company’ beginning on page no. 213 of this Red Herring Prospectus.

## REMUNERATION/COMPENSATION OF DIRECTORS

### (i) Executive Directors

#### Mr. Gundavaram Venkata Bhaskar Rao – Chairman-cum-Managing Director

Mr. Gundavaram Venkata was one of the original subscribers to the Memorandum of Association of our Company and has been appointed on the Board of Directors of our Company as per the Articles of Association. He was designated as the Chairman of our Company *vide* Board Resolution dated August 29, 1986 and was also appointed as the Managing Director of our Company *vide* Board Resolution dated September 15, 1986. He has been re-appointed as Managing Director of the Company with effect from November 15, 2006 and the same has been ratified *vide* resolution passed at the EGM held on December 30, 2006 and the significant terms of his appointment are as follows:

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Tenure of Appointment</b> | 5 (Five) years from November 15, 2006                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Basic Salary:</b>         | Rs. 3,50,000/- (Rupees Three Lakh Fifty Thousand only)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>House rent allowance</b>  | Rs. 1,50,000/- (Rupees One Lakh Fifty Thousand Only)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Perquisites</b>           | <ul style="list-style-type: none"> <li>• <b>Medical Benefits:</b> Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month’s salary in a year or five months’ salary over a period of five years or mediclaim insurance as per rules of the Company.</li> <li>• <b>Leave Travel Concession:</b> Leave travel concession for self and family once in a year as per the rules of the Company.</li> <li>• <b>Club Fees:</b> Club fees subject to a maximum of two clubs. This will not include admission and life membership fee.</li> <li>• <b>Provident fund, superannuation benefits and gratuity:</b> Provident fund, superannuation benefits and gratuity as per the rules of the Company subject to the ceilings as per the guidelines for managerial remuneration in force from time to time.</li> <li>• <b>Car facilities:</b> Provision of the Company’s car.</li> <li>• <b>Communication facilities:</b> Provision of free telephone at residence.</li> <li>• <b>Leave Encashment:</b> Encashment of leave as per the rules of the Company.</li> </ul> |

#### Mrs. Gundavaram Vanaja Devi – Executive Director

Mrs. Gundavaram Vanaja Devi was one of the original subscribers to the Memorandum of Association of our Company and has been appointed on the Board of Directors of our Company as per the Articles of Association. Her appointment as Executive Director was further confirmed *vide* Board Resolution dated September 15, 1986. She has been re-appointed as executive director of the Company with effect from November 15, 2006 and the same has been ratified *vide* resolution passed at the EGM held on December 30, 2006 and the significant terms of her appointment are as follows:

|                              |                                                                                                                                                                                                                                   |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Tenure of Appointment</b> | 5 (Five) years from November 15, 2006                                                                                                                                                                                             |
| <b>Basic Salary:</b>         | Rs. 2,10,000/- (Rupees Two Lakh Ten Thousand only)                                                                                                                                                                                |
| <b>House rent allowance</b>  | Rs. 90,000/- (Rupees Ninety Thousand Only)                                                                                                                                                                                        |
| <b>Perquisites</b>           | <ul style="list-style-type: none"> <li>• <b>Medical Benefits:</b> Mediclaim insurance as per the rules of the Company.</li> <li>• <b>Club Fees:</b> Club fees subject to a maximum of two clubs. This will not include</li> </ul> |

|  |                                                                                                                                                                                                                                                                                                                                                |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | admission and life membership fee. <ul style="list-style-type: none"> <li>• <b>Provident fund, superannuation benefits and gratuity:</b> Provident fund, superannuation benefits and gratuity as per the rules of the Company subject to the ceilings as per the guidelines for managerial remuneration in force from time to time.</li> </ul> |
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#### **Mr. Rangineni Venu Manohar Rao – Executive Director**

Mr. Rangineni Venu Manohar Rao was one of the original subscribers to the Memorandum of Association of our Company and has been appointed on the Board of Directors of our Company as per the Articles of Association. His appointment as Executive Director was further confirmed *vide* Board resolution dated September 15, 1986. He has been re-appointed as executive director of the Company with effect from November 15, 2006 and the same has been ratified *vide* resolution passed at the EGM held on December 30, 2006 and the significant terms of his appointment are as follows:

|                              |                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Tenure of Appointment</b> | 5 (Five) years from November 15, 2006                                                                                                                                                                                                                                                                                                                                                                |
| <b>Basic Salary:</b>         | Rs. 40,600/- (Rupees Forty Thousand Six Hundred only)                                                                                                                                                                                                                                                                                                                                                |
| <b>House rent allowance</b>  | Rs. 17,400/- (Rupees Seventeen Thousand Four Hundred Only)                                                                                                                                                                                                                                                                                                                                           |
| <b>Perquisites</b>           | <ul style="list-style-type: none"> <li>• <b>Medical Benefits:</b> Mediclaim insurance as per the rules of the Company.</li> <li>• <b>Provident fund, superannuation benefits and gratuity:</b> Provident fund, superannuation benefits and gratuity as per the rules of the Company subject to the ceilings as per the guidelines for managerial remuneration in force from time to time.</li> </ul> |

#### **Mr. Chennameneni Vamsheedhar – Executive Director (Marketing)**

Mr. Chennameneni Vamsheedhar was appointed as additional director on the Board of Directors of our Company *vide* Board resolution dated September 18, 2006. He has been designated as Whole-time Director (Marketing) with effect from November 15, 2006 *vide* resolution passed at the EGM held on December 30, 2006 and significant terms of his employment are as follows:

|                              |                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Tenure of Appointment</b> | 5 (Five) years from November 15, 2006                                                                                                                                                                                                                                                                                                                                                                |
| <b>Basic Salary:</b>         | Rs. 14,000/- (Rupees Fourteen Thousand only)                                                                                                                                                                                                                                                                                                                                                         |
| <b>House rent allowance</b>  | Rs. 6,000/- (Rupees Six Thousand Only)                                                                                                                                                                                                                                                                                                                                                               |
| <b>Perquisites</b>           | <ul style="list-style-type: none"> <li>• <b>Medical Benefits:</b> Mediclaim insurance as per the rules of the Company.</li> <li>• <b>Provident fund, superannuation benefits and gratuity:</b> Provident fund, superannuation benefits and gratuity as per the rules of the Company subject to the ceilings as per the guidelines for managerial remuneration in force from time to time.</li> </ul> |

#### **Mr. Chennameneni Mithun Chand –Executive Director (Sales Administration)**

Mr. Chennameneni Mithun Chand was appointed as additional director on the Board of Directors of our Company *vide* Board resolution dated September 18, 2006. He has been designated as Whole-time Director (Sales Administration) with effect from November 15, 2006 *vide* resolution passed at the EGM held on December 30, 2006 and significant terms of his employment are as follows:

|                              |                                                            |
|------------------------------|------------------------------------------------------------|
| <b>Tenure of Appointment</b> | 5 (Five) years from November 15, 2006                      |
| <b>Basic Salary:</b>         | Rs. 17,500/- (Rupees Seventeen Thousand Five Hundred only) |
| <b>House rent allowance</b>  | Rs. 7,500/- (Rupees Seven Thousand Five Hundred Only)      |

|                    |                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Perquisites</b> | <ul style="list-style-type: none"> <li>• <b>Medical Benefits:</b> Mediciclaim insurance as per the rules of the Company.</li> <li>• <b>Provident fund, superannuation benefits and gratuity:</b> Provident fund, superannuation benefits and gratuity as per the rules of the Company subject to the ceilings as per the guidelines for managerial remuneration in force from time to time.</li> </ul> |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

(ii) **Independent Directors:** Our Independent Directors are entitled to sitting fees for attending meetings of the Board, or of any committee of the Board. Currently, the sitting fees payable by our Company to our directors is Rs. 2500/- for every meeting of the Board attended by them, and for every meeting of the committee of the Board attended by them.

## SHAREHOLDING OF OUR DIRECTORS

As per our Articles, our Directors are not required to hold any Equity Shares in our Company. Save and except as below, our Directors do not hold any Equity Shares in our Company as on the date of filing of this Red Herring Prospectus.

| Sr. No. | Names of our Directors             | No. of Equity Shares | % of Pre-Issue Share Capital |
|---------|------------------------------------|----------------------|------------------------------|
| 1.      | Mr. Gundavaram Venkata Bhaskar Rao | 12,48,000            | 12.86                        |
| 2.      | Mrs. Gundavaram Vanaja Devi        | 22,22,600            | 22.91                        |
| 3.      | Mr. Rangineni Venu Manohar Rao     | 3,71,600             | 3.83                         |
| 4.      | Mr. Chennameneni Vamsheedhar       | 1,00,000             | 1.03                         |
| 5.      | Mr. Chennameneni Mithun Chand      | 76,000               | 0.78                         |
| 6.      | Dr. Gundavaram Pawan               | 5,01,800             | 5.17                         |

None of our Directors or Key Managerial Personnel is “relative” within the meaning of Section 6 of the Companies Act except as stated below:

| Names of our Directors             | Relation                                                                      |
|------------------------------------|-------------------------------------------------------------------------------|
| Mr. Gundavaram Venkata Bhaskar Rao | Husband of Mrs. Gundavaram Vanaja Devi and father of Dr. Gundavaram Pawan     |
| Mrs. Gundavaram Vanaja Devi        | Wife of Mr. Gundavaram Venkata Bhaskar Rao and mother of Dr. Gundavaram Pawan |
| Mr. Chennameneni Vamsheedhar       | Brother of Mr. Chennameneni Mithun Chand                                      |
| Mr. Chennameneni Mithun Chand      | Brother of Mr. Chennameneni Vamsheedhar                                       |
| Dr. Gundavaram Pawan               | Son of Mr. Gundavaram Venkata Bhaskar Rao and Mrs. Gundavaram Vanaja Devi     |

## INTEREST OF DIRECTORS

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of remuneration payable to them for their services as executive directors of our Company and reimbursement of expenses payable to them under our Articles of Association. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Further, save and except as stated otherwise on page no. 79 under the sub-heading titled ‘List of Land leased by our Company’ under the heading titled ‘Properties’ in the chapter titled ‘Business Overview’ beginning on page no. 64 of this Red Herring Prospectus, page no. 99 under the headings titled ‘Shareholding of our Directors’ and ‘Interest of Directors’ in the chapter titled ‘Our Management’ beginning on page no. 92 of this Red Herring Prospectus, in the chapter titled ‘Related Party Transactions’ beginning on page no. 110 of this Red Herring Prospectus and page no. 126 under the Annexure V titled

‘Related Party Disclosure’ in the chapter titled ‘Financial Information’ beginning on page no. 112 of this Red Herring Prospectus, our Directors do not have any other interests in our Company as on the date of filing of this Red Herring Prospectus with RoC.

## CHANGES IN OUR BOARD OF DIRECTORS DURING THE LAST THREE YEARS

| Sr. No. | Name of the Director              | Date of Appointment |
|---------|-----------------------------------|---------------------|
| 1.      | Mr. Chennameneni Vamsheedhar      | September 18, 2006  |
| 2.      | Mr. Chennameneni Mithun Chand     | September 18, 2006  |
| 3.      | Dr. Gundavaram Pawan              | September 18, 2006  |
| 4.      | Mr. Kolli Venkat Durga Prasad Rao | January 18, 2007    |
| 5.      | Mr. Muppidi Srikanth Reddy        | January 18, 2007    |
| 6.      | Mr. Kasuganti Vaman Rao           | January 18, 2007    |
| 7.      | Dr. Idupuganti Venkata Subba Rao  | January 18, 2007    |
| 8.      | Dr. Ganga Prasad Rao Neelamraju   | January 18, 2007    |
| 9.      | Dr. Yeshwant Laxman Nene          | January 18, 2007    |

## CORPORATE GOVERNANCE

The provisions of the Listing Agreement / SEBI guidelines with respect to corporate governance will be applicable to our Company immediately upon the listing of our Company’s Equity Shares on the Stock Exchanges. We are in compliance with these provisions relating to setting up necessary committees. We have constituted the following committees of our Board of Directors in pursuance hereof.

### Audit Committee

The Audit Committee was constituted *vide* Board Resolution dated February 15, 2007. The terms of reference of the Audit Committee cover the matters specified under Section 292A of the Companies Act and clause 49 of the Listing Agreement. The Audit Committee consists of the following Directors:

| Name of the Director              | Designation in the Committee | Nature of Directorship |
|-----------------------------------|------------------------------|------------------------|
| Mr. Kasuganti Vaman Rao           | Chairman                     | Independent Director   |
| Mr. Muppidi Srikanth Reddy        | Member                       | Independent Director   |
| Mr. Kolli Venkat Durga Prasad Rao | Member                       | Independent Director   |
| Mr. Chennameneni Mithun Chand     | Member                       | Executive Director     |

### Powers of the Audit Committee

1. To investigate any activity within its terms of reference;
2. To seek information from any employee;
3. To obtain external legal or other professional advice; and
4. To secure the attendance of outsiders with reasonable expertise, if considered necessary

### Role of the Audit Committee

1. Overseeing our Company’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. To recommend the Board on the appointment and re- appointment of replacement or removal of the Statutory Auditors and fixation of audit fee;
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
4. Discussing with Statutory Auditors before the audit commences on the nature and scope of audit as well as having post-audit discussions to ascertain any area of concern;
5. Reviewing with the management the financial statements to be included in the Board’s report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
6. Changes if any in the accounting policies, significant adjustments made in the financial statements arising out of audit findings;
7. Compliance with listing requirements relating to financial statements such as quarterly and annual financial statements before submission to the Board for approval;
8. Disclosure of any related party transactions;

9. Discussing with internal auditors any significant findings and following up thereon;
10. Discussion on nature and scope of audit and the adequacy of internal audit function;.
11. To review whistle blower mechanism and our Company's financial risk management policies; and
12. Reviewing the findings of internal investigation by the internal auditors in matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature, and then reporting such matters to the Board;

#### **Remuneration / Compensation Committee**

Our Company has constituted a Remuneration / Compensation Committee pursuant to the requirement of Schedule XIII of the Companies Act, 1956 for approving remuneration to our Directors. The Remuneration / Compensation Committee was constituted *vide* Board Resolution dated February 15, 2007. The composition of the Remuneration / Compensation Committee is as follows:

| <b>Name of the Director</b>       | <b>Designation in the Committee</b> | <b>Nature of Directorship</b> |
|-----------------------------------|-------------------------------------|-------------------------------|
| Mr. Kasuganti Vaman Rao           | Chairman                            | Independent Director          |
| Mr. Muppidi Srikanth Reddy        | Member                              | Independent Director          |
| Mr. Rangineni Venu Manohar Rao    | Member                              | Executive Director            |
| Mr. Chennameneni Vamsheedhar      | Member                              | Executive Director            |
| Mr. Kolli Venkat Durga Prasad Rao | Member                              | Independent Director          |

The terms of reference of the Remuneration / Compensation Committee of our Company include recommendation of the remuneration package and other terms and conditions of the Chairman-cum-Managing Director, Executive Directors and the Key Managerial Personnel and may further make such recommendations including grant of options to eligible employees and Directors and administer Employee Stock option Schemes / Employee Stock Purchase Schemes from time to time.

#### **Share Transfer Committee**

The Share Transfer Committee was constituted *vide* Board Resolution dated February 15, 2007. The composition of the Share Transfer Committee is as follows:

| <b>Name of the Director</b>       | <b>Designation in the Committee</b> | <b>Nature of Directorship</b> |
|-----------------------------------|-------------------------------------|-------------------------------|
| Mr. Kasuganti Vaman Rao           | Chairman                            | Independent Director          |
| Mr. Rangineni Venu Manohar Rao    | Member                              | Executive Director            |
| Mr. Chennameneni Mithun Chand     | Member                              | Executive Director            |
| Mr. Muppidi Srikanth Reddy        | Member                              | Independent Director          |
| Mr. Chennameneni Vamsheedhar      | Member                              | Executive Director            |
| Mr. Kolli Venkat Durga Prasad Rao | Member                              | Independent Director          |

The Share Transfer Committee will supervise and ensure that the Equity Shares of our Company are properly allotted as per the Companies Act, 1956 and ensure:

1. Efficient transfer of shares including review of cases for refusal / transmission of shares and debentures;
2. Allotment and listing of shares;
3. Timely transfer of shares; and
4. Placing the list of transfers effected from time to time for approval of the Board.

#### **Investors' Grievances Committee**

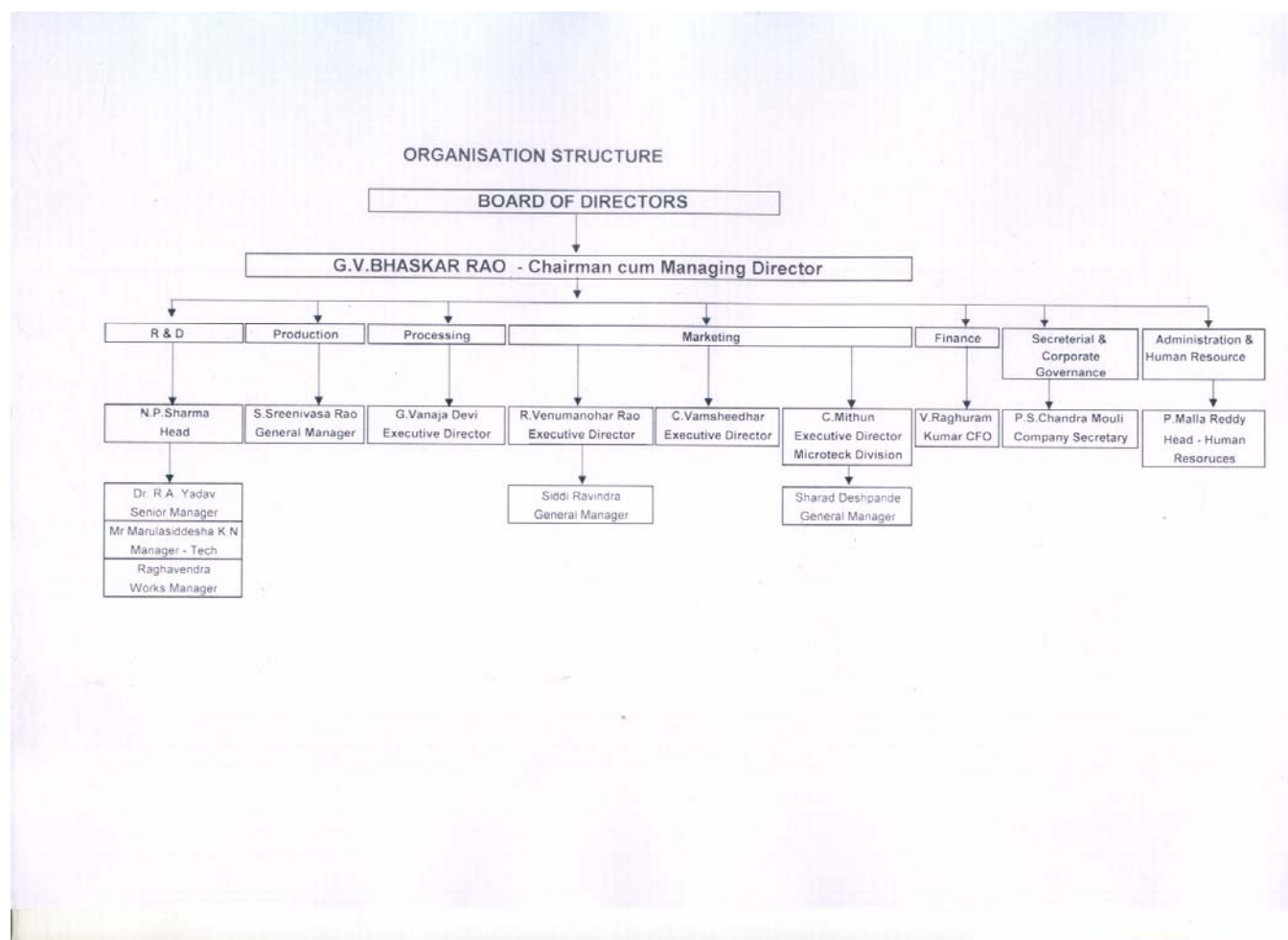
The Investors' Grievances Committee was constituted *vide* Board Resolution dated February 15, 2007 for looking into the redressal of shareholders' and investors' complaints. The composition of the Investors' Grievances Committee is as follows:

| <b>Name of the Director</b>       | <b>Designation in the Committee</b> | <b>Nature of Directorship</b> |
|-----------------------------------|-------------------------------------|-------------------------------|
| Mr. Kasuganti Vaman Rao           | Chairman                            | Independent Director          |
| Mrs. Gundavaram Vanaja Devi       | Member                              | Executive Director            |
| Mr. Chennameneni Mithun Chand     | Member                              | Executive Director            |
| Mr. Muppidi Srikanth Reddy        | Member                              | Independent Director          |
| Mr. Kolli Venkat Durga Prasad Rao | Member                              | Independent Director          |

The Investors' Grievances Committee is constituted to look in to the complaints of investors like complaints on transfers, non receipt of balance sheets, non receipt of declared dividends, notices *etc.*

### Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

We will comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992 after listing of our Company's shares on the Stock Exchanges. Mr. P. Satish Chandra Mouli – Company Secretary and Compliance Officer, is responsible for setting forth policies, procedures, monitoring and adhering to the rules for the prevention of dissemination of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.



## OUR KEY MANAGERIAL PERSONNEL

**Our key managerial personnel other than our Executive Directors are as follows:**

### **1. Mr. V. Raghu Ram Kumar, Chief Financial Officer**

Mr. V. Raghu Ram Kumar has over 13 years of experience in the field of accounting and finance. He is a Commerce graduate and also obtained his degree in Law from Osmania University, Andhra Pradesh. He also holds a Post-Graduate Diploma in Taxation and a Post-Graduate Diploma in Industrial Relations and Personnel Management. He was previously employed by M/s. Raviera Traders as Accounts Manager. Subsequently, he joined our Company as Accounts Manager in 1994. He was promoted to his current designation in 2006 and his role in our Company includes overall control of accounting and finance, administering the entire finance team and handling corporate finance. He joined our Company on March 15, 1994 and his monthly remuneration received from our Company as on July 31, 2007 is Rs. 35,000/-.

### **2. Mr. P.S. Chandra Mouli, Company Secretary & Compliance Officer**

Mr. P.S.Chandra Mouli has over 17 years of experience in the field of legal and secretarial matters. He holds a Masters degree in Commerce and obtained a degree in Law from the University of Jabalpur. He is a Fellow Member of the Institute of Company Secretaries of India. He started his career as Manager (OPR/Admin), Deputy Secretary, Company Secretary and Compliance Officer in the Hyderabad Stock Exchange, Hyderabad for 14 years. Thereafter, he was employed as the Chief Executive Officer and Company Secretary and Compliance Officer in HSE Securities Limited for 3 years. Prior to joining our Company with effect from December 4, 2006, he served as Company Secretary and General Manager (Legal Compliances) with Aurobindo Pharma Limited. In association with our Company, he is responsible for all compliances under the various statutes and laws governing our Company. He joined our Company on December 4, 2006 and his monthly remuneration received from our Company as on July 31, 2007 is Rs. 35,000/-.

### **3. Dr. N.P.Sharma, Head-R&D**

Dr. N.P.Sarma, Head, R&D, Kaveri Seed Company Ltd, till recently was working as Consultant for Golden Rice Development Programme at the Directorate of Rice Research, Rajendranagar, Hyderabad. Prior to superannuating in 2002, he was heading the Biotechnology Department at the Directorate of Rice (DRR) and served as Programme Leader of Rice Biotechnology at DRR. Dr Sarma has had his Honours and Masters degree from Andhra University, graduate studies leading to Ph D in Genetics from the Indian Agricultural Research Institute (IARI), New Delhi and did post doctoral studies at Stockholm University, Sweden. He has coordinated the National Rice Biotechnology Net work (NRBN) and also Rockefeller Foundation's International programme on Rice Biotechnology at DRR. He served on the faculty of Delhi University and as Senior Scientist at Central Rice Research Institute, Cuttack prior to moving to DRR to establish Biotechnology programme in rice. He was also visiting Faculty at Purdue University Indiana, US and served as FAO consultant for Rice improvement programme in Bangladesh, country representative on International steering committee of Asian Rice Biotechnology Net work (ARBN) at International Rice Research Institute, Manila, Philippines. He has widely traveled and visited several countries that include Sweden, Denmark, England, China, Indonesia, Malaysia, Philippines and United States. He joined our Company on March 1, 2006 and his monthly remuneration received from our Company as on July 31, 2007 is Rs. 45,000/-.

### **4. Mr. S. Sreenivasa Rao, General Manager – Production**

Mr. S. Sreenivasa Rao is an Agricultural Science graduate from Gorakhpur University. He was associated with Ankur Seeds Limited and Mahyco before joining our Company as Production Manager in 1999. He was promoted to his current designation in 2005 and handles wide responsibilities including production of all hybrid seeds produced by our Company. He has approximately 19 years of experience in the seed industry. He joined our Company on October 5, 1999 and his monthly remuneration received from our Company as on July 31, 2007 is Rs. 30,000/-.

### **5. Mr. Sharad Deshpande, General Manager (Sales)**

Mr. Sharad Deshpande holds a master's degree in agriculture from University of Agricultural Sciences, Dharwad. He completed training in Project Formulation & Monitoring by NABARD and Reserve Bank of India from College of Agricultural Banking, Pune. He has been working in the seed industry for more than two decades and has served in various capacities in various reputed multinational and Indian seed companies including Syngenta India Limited. As part of the responsibility arising from his current designation, he is responsible for the sales of the Microteck Division. He has

approximately 22 years of experience in the seed industry and his monthly remuneration received from our Company as on July 31, 2007 is Rs. 60,000/-

**6. Mr. Siddi Ravindra, General Manager**

Mr Siddi Ravindra is a graduate in Commerce with over two decades experience in seed industry. Currently his responsibility includes sales operation in the state of Karnataka. He was with Omega Agro, Mumabi before joining us. He joined our Company on August 1, 1996 and his monthly remuneration received from our Company as on July 31, 2007 is Rs. 30,000/-

**7. Dr. R A Yadav, Senior Manager, R&D**

Dr R A Yadav is a post graduate in agricultural science from GB Pant University of Agriculture & Technology, Patnnagar. He has about 20 years experience in agriculture and he worked in various capacities in Nath Seeds and Syngenta. His current responsibilities include Germplasm strengthening: Collection, purification, characterization, maintenance. He joined our Company on December 29, 2006 and his monthly remuneration received from our Company as on July 31, 2007 is Rs. 70,000/-

**8. Mr. Raghavendra, Works Manager, Microteck**

Mr. Raghavendra is Works Manger at our Microteck factory near Hyderabad. He holds a post graduate degree in Agriculture from University of Agricultural Sciences, Bangalore and additional qualification in HR Management from University of Mysore. He had a special training in Soil Testing at ICAR, Delhi. He comes with about 8 years' experience of working with Rallies and Margo. His present responsibility involves production, processing, packing and quality control of Biopesticides, Micronutrients and other organic products. He joined our Company on August 14, 2006 and his monthly remuneration received from our Company as on July 31, 2007 is Rs. 26,217/-

**9. Mr Marulasiddesha K.N, Manager-Tech**

Mr Marulasiddesha K.N. is a post graduate in Agriculture, specialized in Agricultural Entomology, is responsible for development and production of Biopesticides, Bioproducts and organic products. He worked as Research Fellow in Project Directorate of Biological Control (PDBC), ICAR, and Bangalore and later as Entomologist in Margo Biocontrols (P) Ltd., Bangalore. He joined our Company on June 01,, 2005 and his monthly remuneration received from our Company as on July 31, 2007 is Rs. 26,875/-

**10. Mr. Malla Reddy Pindi, Head – Human Resources**

Mr. Malla Reddy holds a master's degree in Sociology as well as a bachelor's degree in Law from Osmania University. He also possesses a Diploma in Information Technology. Mr. Malla Reddy has over 12 years of experience in the commercial and administrative activities of various companies dealing in the manufacturing and distribution of agro chemicals. He began his career at Ashwini Agro Agencies as Office In charge after which, he moved to Bangalore Pesticides Private Limited as Office cum Godown In charge. Subsequently, he joined Nutech Pesticides Limited as Liasion Officer and was thereafter promoted to the position of Manager – Marketing Services. Just prior to joining our Company, he joined Ratna Agro Chemicals Private Limited as Manager – Administration & Liaison. On August 2, 2004, he joined our Company as Head – Human Resources. His monthly remuneration received from our Company as on July 31, 2007 is Rs. 25,000/-.

All key managerial personnel are permanent employees of our Company. Further, the key managerial personnel as disclosed above are not key managerial personnel as defined under Accounting Standard 18.

**SHAREHOLDING OF OUR KEY MANAGERIAL PERSONNEL**

Our key managerial personnel do not hold any Equity Shares in our Company.

**BONUS OR PROFIT SHARING PLAN**

There is no bonus or profit sharing plan for our key managerial personnel save and except the bonus paid including under payment of Bonus Act to our key managerial personnel.

**CHANGES IN OUR KEY MANAGERIAL PERSONNEL DURING THE PAST THREE YEARS**

There are no changes in our Key Managerial Personnel in the past three years.

## **INTEREST OF KEY MANAGERIAL PERSONNEL**

All our key managerial personnel may be deemed to be interested to the extent of the remuneration and other benefits in accordance with their terms of employment for services rendered as officers or employees to our Company. Further, if any Equity Shares are allotted to our key managerial personnel in terms of this Issue, they will be deemed to be interested to the extent of their shareholding and / or dividends paid or payable on the same. Furthermore, no amount or benefit has been paid or given during the preceding year to any of our key managerial personnel.

## **EMPLOYEES STOCK OPTION SCHEME**

Our Company does not have any Employee Stock Option Scheme or other similar scheme giving options in our Equity Shares to our employees.

## **PAYMENT OR BENEFITS TO OFFICERS OF OUR COMPANY**

There is no payment or benefit to be given to the officers of our Company other than their remuneration or salary nor do we intend to make such payment/give such benefit other than remuneration or salary to any officer as on date of filing this Red Herring Prospectus with RoC.

## OUR PROMOTERS AND THEIR BACKGROUND

The Promoters of our Company are:

1. Mr. Gundavaram Venkata Bhaskar Rao
2. Mrs. Gundavaram Vanaja Devi
3. Mr. Rangineni Venu Manohar Rao
4. Mr. Chennameneni Vamsheedhar
5. Mr. Chennameneni Mithun Chand
6. Dr. Gundavaram Pawan
7. Dr. Gundavaram Madhushree
8. Gundavaram Venkata Bhaskar Rao (HUF)

Details of our Promoters are given herein below:

### 1. Mr. Gundavaram Venkata Bhaskar Rao

|                                                                                   |                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>Mr. Gundavaram Venkata Bhaskar Rao, 57 years, Chairman-cum-Managing Director</b>, is one of the founder Promoters of our Company. For details regarding his profile, please refer to the chapter titled '<i>Our Management</i>' beginning on page no. 92 of this Red Herring Prospectus.</p> <p>Driving License No.: DLRAP010245242000<br/>Voter ID: Not Available</p> |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### 2. Mrs. Gundavaram Vanaja Devi

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>Mrs. Gundavaram Vanaja Devi, 55 years, Executive Director</b>, is one of the founder Promoters of our Company. For details regarding her profile, please refer to the chapter titled '<i>Our Management</i>' beginning on page no. 92 of this Red Herring Prospectus.</p> <p>Driving License No.: Not Applicable<br/>Voter ID: Not Available</p> |
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### 3. Mr. Rangineni Venu Manohar Rao

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>Mr. Rangineni Venu Manohar Rao, 45 years, Executive Director</b>, is one of the founder Promoters of our Company. For details regarding his profile, please refer to the chapter titled '<i>Our Management</i>' beginning on page no. 92 of this Red Herring Prospectus.</p> <p>Driving License no.: 23371/SD/1995<br/>Voter I.D. No.: AP/30/216/072231</p> |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### 4. Mr. Chennameneni Vamsheedhar

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>Mr. Chennameneni Vamsheedhar, 36 years, Executive Director (Additional)</b>, is one of the Promoters of our Company. For details regarding his profile, please refer to the chapter titled '<i>Our Management</i>' beginning on page no. 92 of this Red Herring Prospectus.</p> <p>Driving License No.: DLFAP01086642001<br/>Voter ID: Not Available</p> |
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## 5. Mr. Chennameneni Mithun Chand

|                                                                                   |                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>Mr. Chennameneni Mithun Chand, 31 years, Executive Director (Additional),</b> is one of the Promoters of our Company. For details regarding his profile, please refer to the chapter titled '<i>Our Management</i>' beginning on page no. 92 of this Red Herring Prospectus.</p> <p>Driving License No.: DLFAP009344502005<br/>Voter ID: Not Available</p> |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## 6. Dr. Gundavaram Pawan

|                                                                                   |                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>Dr. Gundavaram Pawan, 27 years, Non-Executive Director (Additional),</b> is one of the Promoters of our Company. For details regarding his profile, please refer to the chapter titled '<i>Our Management</i>' beginning on page no. 92 of this Red Herring Prospectus.</p> <p>Driving License No.: G531-6607-9238<br/>Voter ID: Not Available</p> |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## 7. Dr. Gundavaram Madhushree-

|                                                                                    |                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>Dr. Gundavaram Madhushree, 30 years,</b> is one of the Promoters of our Company. She is an M.B.B.S. from Kasturiba Medical College, Manipal University and an MD from University of Illinois, USA. She is currently practicing as an internal medicine physician.</p> <p>Driving License No.: G531-5407-7820<br/>Voter ID: Not Available</p> |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## 8. Gundavaram Venkata Bhaskar Rao (HUF)

Our Promoter, Mr. Gundavaram Venkata Bhaskar Rao is the *Karta* of Gundavaram Venkata Bhaskar Rao (HUF), the other members of this HUF are as follows:

Mrs. Gundavaram Vanaja Devi  
Dr. Gundavaram Madhushree  
Dr. Gundavaram Pawan

**We confirm that the PAN, bank account number and passport number of our Promoters will be submitted to the BSE and NSE at the time of filing this Red Herring Prospectus with the Stock Exchanges.**

### Relationship of Promoters to each other and to our Directors

| Sr. No. | Name                               | Status                                    | Relationship                                                                                                                                                                                                                                                                                                                 |
|---------|------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.      | Mr. Gundavaram Venkata Bhaskar Rao | Promoter / Chairman-cum-Managing Director | <ul style="list-style-type: none"> <li>• Husband of Mrs. Gundavaram Vanaja Devi;</li> <li>• father of Dr. Gundavaram Pawan and Dr. Dr. Gundavaram Madhushree;</li> <li>• brother-in-law of Mr. Rangineni Venu Manohar Rao; and</li> <li>• uncle of Mr. Chennameneni Vamsheedhar and Mr. Chennameneni Mithun Chand</li> </ul> |
| 2.      | Mrs. Gundavaram Vanaja             | Promoter / Executive                      | <ul style="list-style-type: none"> <li>• Wife of Mr. Gundavaram Venkata Bhaskar Rao;</li> </ul>                                                                                                                                                                                                                              |

| Sr. No. | Name                              | Status                            | Relationship                                                                                                                                                                                                                                                                                                                   |
|---------|-----------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | Devi                              | Director                          | <ul style="list-style-type: none"> <li>• mother of Dr. Gundavaram Pawan and Dr. Dr. Gundavaram Madhushree;</li> <li>• sister of Mr. Rangineni Venu Manohar Rao; and</li> <li>• aunt of Mr. Chennameneni Vamsheedhar &amp; Mr. Chennameneni Mithun Chand</li> </ul>                                                             |
| 3.      | Mr. Rangineni Venu Manohar Rao    | Promoter / Executive Director     | <ul style="list-style-type: none"> <li>• Brother-in-law of Mr. Gundavaram Venkata Bhaskar Rao;</li> <li>• brother of Mrs. Gundavaram Vanaja Devi; and</li> <li>• uncle of Mr. Chennameneni Vamsheedhar, Mr. Chennameneni Mithun Chand, Dr. Gundavaram Pawan and Dr. Gundavaram Madhushree</li> </ul>                           |
| 4.      | Mr. Chennameneni Vamsheedhar      | Promoter / Executive Director     | <ul style="list-style-type: none"> <li>• Nephew of Mrs. Gundavaram Vanaja Devi, Mr. Gundavaram Venkata Bhaskar Rao &amp; Mr. Rangineni Venu Manohar Rao;</li> <li>• brother of Mr. Chennameneni Mithun Chand; and</li> <li>• cousin of Dr. Gundavaram Pawan and Dr. Dr. Gundavaram Madhushree</li> </ul>                       |
| 5.      | Mr. Chennameneni Mithun Chand     | Promoter / Executive Director     | <ul style="list-style-type: none"> <li>• Nephew of Mrs. Gundavaram Vanaja Devi, Mr. Gundavaram Venkata Bhaskar Rao &amp; Mr. Rangineni Venu Manohar Rao;</li> <li>• brother of Mr. Chennameneni Vamsheedhar; and</li> <li>• cousin of Dr. Gundavaram Pawan and Dr. Dr. Gundavaram Madhushree</li> </ul>                        |
| 6.      | Dr. Gundavaram Pawan              | Promoter / Non-Executive Director | <ul style="list-style-type: none"> <li>• Son of Mr. Gundavaram Venkata Bhaskar Rao and Mrs. Gundavaram Vanaja Devi;</li> <li>• brother of Dr. Gundavaram Madhushree;</li> <li>• nephew of Mr. Rangineni Venu Manohar Rao; and</li> <li>• cousin of Mr. Chennameneni Vamsheedhar &amp; Mr. Chennameneni Mithun Chand</li> </ul> |
| 7.      | Dr. Gundavaram Madhushree         | Promoter                          | <ul style="list-style-type: none"> <li>• Daughter of Mr. Gundavaram Venkata Bhaskar Rao and Mrs. Gundavaram Vanaja Devi;</li> <li>• sister of Dr. Gundavaram Pawan</li> <li>• niece of Mr. Rangineni Venu Manohar Rao; and</li> <li>• cousin of Mr. Chennameneni Vamsheedhar &amp; Mr. Chennameneni Mithun Chand</li> </ul>    |
| 8.      | Mr. Kolli Venkat Durga Prasad Rao | Independent Director              | Is not related to any promoter or director                                                                                                                                                                                                                                                                                     |
| 9.      | Mr. Muppidi Srikanth Reddy        | Independent Director              | Is not related to any promoter or director                                                                                                                                                                                                                                                                                     |
| 10.     | Mr. Kasuganti Vaman Rao           | Independent Director              | Is not related to any promoter or director                                                                                                                                                                                                                                                                                     |
| 11.     | Dr. Idupuganti Venkata Subba Rao  | Independent Director              | Is not related to any promoter or director                                                                                                                                                                                                                                                                                     |
| 12.     | Dr. Ganga Prasad Rao Neelamraju   | Independent Director              | Is not related to any promoter or director                                                                                                                                                                                                                                                                                     |
| 13.     | Dr. Yeshwant Laxman Nene          | Independent Director              | Is not related to any promoter or director                                                                                                                                                                                                                                                                                     |

## COMMON PURSUITS

M/s Growmore Farms, one of our Promoter Group Entities, is a registered partnership firm established in the year 1996 which was engaged in the business of producing foundation seed. We used to purchase the foundation seed from this firm. However, during the Financial Year 2006-2007 M/s. Growmore Farms sold 65.7 acres of land to our Company, after which the said firm has ceased its business activities. However, M/s. Growmore Farms still owns approximately 6000 sq. yards of land at Ranga Reddy District and therefore this entity has not been dissolved. Further, there is no non-compete agreement between our Company and M/s. Growmore Farms on account of the said common pursuit between our Company and the said

firm. For further details on transactions between M/s Growmore Farms and our Company, please refer to the section titled '*Financial Statements*' beginning on page no. 112 of this Red Herring Prospectus.

M/s. Kaveri Sales Corporation, one of our Promoter Group Entities, is a partnership firm established in the year 2003 which was engaged in the business of marketing of micro nutrients, straight nutrients, bio-fertilizers, bio-activators, bio-pesticides and agricultural implements. As on March 31, 2005, the firm has ceased all its business activities. However, there is no non-compete agreement between our Company and M/s. Kaveri Sales Corporation on account of the said common pursuit between our Company and the said firm.

M/s. Kaveri Agriteck, one of our Promoter Group Entities, is a registered partnership firm established in the year 2002 which was engaged in the business of producing Bio Products and Micro Nutrients. Our Company, on September 20, 2006 acquired the business, assets and liabilities of M/s. Kaveri Agriteck. Pursuant to the said acquisition, M/s. Kaveri Agriteck has not yet been dissolved. However, we have entered into a Non-Compete and Non-Hire Agreement dated March 12, 2007, with the said firm. For further details on transactions between M/s Kaveri Agriteck and our Company, please refer to the section titled '*Financial Statements*' beginning on page no. 112 of this Red Herring Prospectus.

## **INTEREST OF PROMOTERS**

Save and except as stated otherwise in the chapters titled '*Business Overview*' and '*Our Management*' and the section titled '*Financial Statements*' beginning on page nos. 64, 92 and 112, respectively, of this Red Herring Prospectus, and to the extent of Equity Shares held by them, our Promoters do not have any other interests in our Company as on the date of filing of this Red Herring Prospectus with RoC.

Further, save and except as stated otherwise on page no. 79 under the sub-heading titled '*List of Land leased by our Company*' under the heading titled '*Properties*' in the chapter titled '*Business Overview*' beginning on page no. 64 of this Red Herring Prospectus, page no. 99 under the headings titled '*Shareholding of our Directors*' and '*Interest of Directors*' in the chapter titled '*Our Management*' beginning on page no. 92 of this Red Herring Prospectus, in the chapter titled '*Related Party Transactions*' beginning on page no. 110 of this Red Herring Prospectus and page no. 126 under the Annexure V titled '*Related Party Disclosure*' in the chapter titled '*Financial Information*' beginning on page no. 112 of this Red Herring Prospectus, our Promoters do not have any other interests in our Company as on the date of filing of this Red Herring Prospectus with RoC.

## **PAYMENT OR BENEFIT TO OUR PROMOTERS**

No payment has been made or benefit given to our Promoters in the two years preceding the date of the Red Herring Prospectus except as mentioned/referred to in this chapter, in the chapter titled '*Our Management*' and in the section titled '*Financial Statements*' beginning on page nos. 92 and 112 respectively, of this Red Herring Prospectus.

## **RELATED PARTY TRANSACTIONS**

For details on our related party transactions please refer the table titled '*Properties*' on page no 77 in chapter titled '*Business Overview*' beginning on page no 64, paragraph under the heading '*Interest of Directors*' on page no. 99 in the chapter titled '*Our Management*' beginning on page no 92 and in the Annexure V on page no. 126 under the section titled '*Financial Statements*' beginning on page no. 112, respectively, of this Red Herring Prospectus.

## RELATED PARTY TRANSACTIONS

Save and except as stated otherwise in the table titled '*Properties*' on page no 77 in chapter titled '*Business Overview*' beginning on page no 64, under the heading 'Interest of Directors' on page no. 99 in the chapter titled '*Our Management*' beginning on page no 92 and in Annexure V on page no. 126 under the section titled '*Financial Statements*' beginning on page no. 112, respectively, of this Red Herring Prospectus, there have been no sales or purchases between our Company, our Promoters and our Promoter Group Entities exceeding the aggregate value of 10% of the total sales or purchases of our Company.

## **DIVIDEND POLICY**

Dividends other than interim dividends, will be declared at the Annual General Meeting of shareholders based on the recommendations of the Board of Directors. The Board may, at its discretion, recommend dividends to be paid to our Company's shareholders. Generally, the factors that may be considered by the Board of Directors before making any recommendations for dividends include, without limitation, company's future expansion plans and capital requirements, profits earned during the fiscal year, cost of raising funds from alternate sources, liquidity position, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and general market conditions.

## SECTION V – FINANCIAL STATEMENTS

### FINANCIAL INFORMATION

#### AUDITOR'S REPORT FOR THE RESTATED FINANCIAL STATEMENTS FOR YEARS ENDED MARCH 31, 2007, 2006, 2005, 2004, 2003 AND 2002.

The Board of Directors,

**KAVERI SEED COMPANY LTD,**

513-B, 5<sup>th</sup> Floor,

Minerva Complex, S.D. Road,

Secunderabad – 500 003

Dear Sirs,

We have examined the financial information of M/S.KAVERI SEED COMPANY LIMITED (hereinafter refer to as “KAVERI SEEDS” or “the Company”) contained in the statements annexed to this report for the Six financial years ended on 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005 and 31st March 2006 and 31<sup>st</sup> March, 2007, which is proposed to be included in the Red Herring Prospectus being issued by the Company in connection with its Public Issue of Equity Shares (hereinafter refer to as “the Issue”) which is in accordance to the requirements of:-

- (a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
- (b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (“the SEBI guidelines”) issued by the Securities and Exchange Board of India (“SEBI”) in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments; and
- (c) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Offer Document in connection with its proposed Public Issue of Equity Shares.

#### Financial information as per audited financial statements:

1. We have examined the attached restated summary statement of Assets & Liabilities of the Company as at 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005, 31st March 2006 and 31<sup>st</sup> March, 2007 (**Annexure-I**) and the attached restated summary statement of Profit and Losses for the years year ended on those dates (**Annexure-II**) together, refer to as 'summary statements' as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in **Annexure-III-B** to this report. Based on our examination of these summary statements, we state that:
  - i. The restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and re-groupings as in our opinion are appropriate in the year/period to which they are related;
  - ii. The summary statements of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at 31<sup>st</sup> March, 2007 as stated vide **Annexure – III-A** to this report. The summary statements have to be read in conjunction with the notes given in **Annexure – III-B** to this report.
  - iii. There are no qualifications in the auditors' report that require any adjustment to the summary statements.
  - iv. The extra-ordinary items that need to be disclosed separately in the summary statements have been appropriately disclosed. Exceptional and non-recurring items, which are material, are given in Annexure - **III-B**.
2. The summary of significant accounting policies adopted by the Company pertaining to the audited financial statements as at Mar.31, 2007 are enclosed as **Annexure – III-A** to this report.

#### Other Financial Information:

3. We have examined the following financial information relating to the Company for the years ended on 31st March 2002, 31st March 2003, 31st March 2004, 31st March 2005 and 31st March 2006 and 31<sup>st</sup> March, 2007, proposed to be included in the Offer Document/ Red Herring Prospectus/Prospectus as approved by the Board of Directors and annexed to this report:

|    |                                      |                 |
|----|--------------------------------------|-----------------|
| 1  | Summary of Reserves & Surplus        | Annexure - I.a  |
| 2  | Secured Loans                        | Annexure - I.b  |
| 3  | Unsecured Loans                      | Annexure - I.c  |
| 4  | Statement of Investments             | Annexure - I.d  |
| 5  | Sundry Debtors                       | Annexure - I.e  |
| 6  | Loans and Advances                   | Annexure - I.f  |
| 7  | Current Liabilities and Provisions   | Annexure - I.g  |
| 8  | Expenditure in Foreign Currency      | Annexure - II.a |
| 9  | Cash Flow Statements                 | Annexure - IV   |
| 10 | Related Party Disclosure             | Annexure - V    |
| 11 | Contingent Liabilities               | Annexure - VI   |
| 12 | Summary of Accounting Ratios         | Annexure - VII  |
| 13 | Capitalisation Statement             | Annexure - VIII |
| 14 | Statement of Tax Shelter             | Annexure - IX   |
| 15 | Particulars of Other Income received | Annexure - X    |

4. In our view, the 'financial information as per the audited financial statements' and 'other financial information' mentioned above have been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.
5. The sufficiency of the procedures performed, as set forth in the above paragraph of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.
6. This report should not be in any way construed as a re-issuance or reing of any of the previous audit reports issued by us or by other auditors nor should this report be construed as a new opinion on any of the financial statements refer to herein.
7. This report is intended solely for your information and for inclusion in the Red Herring Prospectus/Prospectus in connection with the proposed issue of the Company and is not to be used, refer to or distributed for any purpose without our prior written consent.

**For P. R. REDDY & CO,  
Chartered Accountants**

(P.RAGHUNADHA REDDY)  
**Partner**  
**Membership No. 23758**

Date: 01<sup>st</sup> August, 2007  
Place: Hyderabad.

## ANNEXURE - I

**STATEMENT OF ASSETS & LIABILITIES AS RESTATED**

The Assets and Liabilities of the Company as at the end of each of Six financial years ended on 31st March 2002, 2003, 2004, 2005, 2006 and 2007 are set out below. The assets and liabilities read with significant accounting policies and notes annexed hereto have been arrived at after making such regrouping as are, in our opinion, appropriate.

*(Rs. in lakhs)*

| PARTICULARS                                               | As On          |                |                |                |                |                |
|-----------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                           | 31-Mar-02      | 31-Mar-03      | 31-Mar-04      | 31-Mar-05      | 31-Mar-06      | 31-Mar-07      |
| <b>Fixed Assets</b>                                       |                |                |                |                |                |                |
| Gross Block                                               | 443.58         | 476.73         | 513.57         | 780.51         | 1127.50        | 2427.28        |
| Less: Accumulated Depreciation                            | 137.01         | 171.19         | 197.13         | 250.44         | 323.27         | 441.41         |
| Net Block                                                 | 306.57         | 305.54         | 316.44         | 530.07         | 804.23         | 1985.87        |
| Less: Revaluation Reserve                                 | 0              | 0              | 0              | 0              | 0              | 0              |
| <b>Net Block after adjustment for Revaluation Reserve</b> | <b>306.57</b>  | <b>305.54</b>  | <b>316.44</b>  | <b>530.07</b>  | <b>804.23</b>  | <b>1985.87</b> |
| Capital Work in progress                                  | 0              | 0              | 0              | 0              | 120.94         | 98.40          |
| <b>Total Fixed Assets (A)</b>                             | <b>306.57</b>  | <b>305.54</b>  | <b>316.44</b>  | <b>530.07</b>  | <b>925.17</b>  | <b>2084.27</b> |
| <b>Investments (B)</b>                                    | <b>19.06</b>   | <b>97.63</b>   | <b>409.31</b>  | <b>1510.28</b> | <b>1351.72</b> | <b>725.59</b>  |
| <b>Current Assets, Loans &amp; Advances</b>               |                |                |                |                |                |                |
| Inventories                                               | 200.95         | 342.30         | 286.83         | 254.38         | 323.63         | 1077.62        |
| Sundry Debtors                                            | 379.44         | 419.03         | 936.16         | 939.11         | 1047.45        | 1745.13        |
| Cash and Bank Balances                                    | 218.89         | 509.41         | 491.51         | 332.60         | 336.00         | 481.02         |
| Loans and Advances                                        | 19.45          | 97.17          | 275.65         | 590.76         | 779.12         | 608.2          |
| <b>Total of Current Assets, Loans &amp; Advances (C)</b>  | <b>818.73</b>  | <b>1367.91</b> | <b>1990.15</b> | <b>2116.85</b> | <b>2486.20</b> | <b>3911.97</b> |
| <b>Total Assets (A+B+C)=D</b>                             | <b>1144.36</b> | <b>1771.08</b> | <b>2715.90</b> | <b>4157.20</b> | <b>4763.09</b> | <b>6721.83</b> |
| <b>Less: Liabilities and Provisions</b>                   |                |                |                |                |                |                |
| Secured Loans                                             | 31.75          | 22.24          | 13.21          | 1035.60        | 1411.25        | 1189.34        |
| Unsecured Loans                                           | 0              | 0              | 0              | 0              | 30.76          | 0              |
| Sundry Creditors                                          | 696.60         | 1005.92        | 1734.88        | 1569.70        | 871.74         | 643.36         |
| Other Current Liabilities                                 | 337.22         | 648.51         | 765.66         | 1217.48        | 1656.95        | 1788.8         |
| Provisions                                                | 0.75           | 4.60           | 14.23          | 17.50          | 26.53          | 457.85         |
| Share Application Money                                   | 0              | 0              | 0              | 0              | 17.77          | 0              |
| Defer Tax Liability (Net)                                 | 0              | 1.44           | 5.14           | 9.62           | 5.54           | 14.71          |
| <b>Total Liabilities (E)</b>                              | <b>1066.32</b> | <b>1682.71</b> | <b>2533.12</b> | <b>3849.90</b> | <b>4020.54</b> | <b>4094.06</b> |
| <b>Net Worth (D-E)</b>                                    | <b>78.04</b>   | <b>88.37</b>   | <b>182.78</b>  | <b>307.30</b>  | <b>742.55</b>  | <b>2627.77</b> |
| <b>Represented By</b>                                     |                |                |                |                |                |                |
| Equity Share Capital (I)                                  | <b>15.00</b>   | <b>15.00</b>   | <b>15.00</b>   | <b>15.00</b>   | <b>160.00</b>  | <b>970</b>     |
| Reserve & Surplus (II)                                    | 63.04          | 73.37          | 167.78         | 292.30         | 582.55         | 1693.53        |
| Less: Revaluation Reserve (III)                           | 0              | 0              | 0              | 0              | 0              | 0              |
| <b>Net Reserve &amp; Surplus (II-III)</b>                 | <b>63.04</b>   | <b>73.37</b>   | <b>167.78</b>  | <b>292.30</b>  | <b>582.55</b>  | <b>1693.53</b> |
| Misc. Expenditure (IV)                                    | 0              | 0              | 0              | 0              | 0              | 35.76          |
| <b>Net Worth (I+II-III-IV)</b>                            | <b>78.04</b>   | <b>88.37</b>   | <b>182.78</b>  | <b>307.30</b>  | <b>742.55</b>  | <b>2627.77</b> |

## ANNEXURE – II

### SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT AS RESTATED

*We report that profit of the company for each of the Six financial years ended on 31st March 2002, 2003, 2004, 2005, 2006 and 31<sup>st</sup> March, 2007 are as set out below. The Profit and Loss Account read with significant accounting policies and notes annexed hereto have been arrived at after charging all expenses of manufacture, working and management including depreciation and after making such adjustment and re-grouping as are, in our opinion, appropriate.*

(Rs. in lakhs)

| PARTICULARS                                                    | Financial Year Ended on (Audited) |                |                |                |                |                 |
|----------------------------------------------------------------|-----------------------------------|----------------|----------------|----------------|----------------|-----------------|
|                                                                | 31-Mar-02                         | 31-Mar-03      | 31-Mar-04      | 31-Mar-05      | 31-Mar-06      | 31-Mar-07       |
| <b>Income</b>                                                  |                                   |                |                |                |                |                 |
| Sales                                                          | 1794.51                           | 2359.52        | 3887.77        | 4755.34        | 4816.74        | 6577.16         |
| Other Income                                                   | 8.31                              | 5.35           | 75.71          | 66.86          | 155.55         | 146.6           |
| <b>Total Income (A)</b>                                        | <b>1802.82</b>                    | <b>2364.87</b> | <b>3963.48</b> | <b>4822.20</b> | <b>4972.29</b> | <b>6723.76</b>  |
| <b>Expenditure</b>                                             |                                   |                |                |                |                |                 |
| Material Consumption                                           | 1408.22                           | 1914.53        | 3256.37        | 3561.62        | 3037.37        | 2871.52         |
| Establishment Expenses                                         | 157.56                            | 166.69         | 235.93         | 262.62         | 402.85         | 660.59          |
| Selling & Distribution Expenses                                | 198.07                            | 220.22         | 302.66         | 751.14         | 978.90         | 1333.49         |
| Interest and Financial Charges                                 | 3.80                              | 3.28           | 7.85           | 14.45          | 67.13          | 142.9           |
| <b>Total Expenditure (B)</b>                                   | <b>1767.65</b>                    | <b>2304.72</b> | <b>3802.81</b> | <b>4589.83</b> | <b>4486.25</b> | <b>5008.5</b>   |
| <b>Profit before Depreciation, Tax and Extraordinary items</b> | <b>35.17</b>                      | <b>60.15</b>   | <b>160.67</b>  | <b>232.37</b>  | <b>486.04</b>  | <b>1715.26</b>  |
| Depreciation                                                   | 33.92                             | 38.41          | 40.91          | 53.31          | 73.55          | 123.52          |
| <b>Net Profit Before Tax &amp; Extra Ordinary Items (A-B)</b>  | <b>1.25</b>                       | <b>21.74</b>   | <b>119.76</b>  | <b>179.06</b>  | <b>412.49</b>  | <b>1591.74</b>  |
| Income Tax (Current)                                           | 1.78                              | 6.89           | 21.65          | 43.21          | 101.55         | 486.76          |
| Defer Tax (Asset)/Liability                                    | 0                                 | 1.44           | 3.70           | 4.49           | (4.09)         | 9.17            |
| Fringe Benefit Tax Paid                                        | 0                                 | 0              | 0              | 0              | 21.82          | 41.83           |
| <b>Net Profit Before Extra Ordinary Items</b>                  | <b>-0.53</b>                      | <b>13.41</b>   | <b>94.41</b>   | <b>131.36</b>  | <b>293.21</b>  | <b>1,053.98</b> |
| <b>Extra Ordinary Items:</b>                                   |                                   |                |                |                |                |                 |
| Tax Adjustment                                                 | 0                                 | 3.08           | 0              | 6.84           | 2.96           | 0               |
| <b>Net Adjustment</b>                                          | <b>0</b>                          | <b>3.08</b>    | <b>0</b>       | <b>6.84</b>    | <b>2.96</b>    | <b>0</b>        |
| <b>Net profit After Tax and Extra Ordinary Items</b>           | <b>-0.53</b>                      | <b>10.33</b>   | <b>94.41</b>   | <b>124.52</b>  | <b>290.25</b>  | <b>1053.98</b>  |
| Balance of Profit Brought Forward                              | 62.52                             | 61.99          | 72.32          | 166.73         | 291.25         | 581.5           |
| Dividend                                                       | 0                                 | 0              | 0              | 0              | 0              | 0               |
| Bonus shares issued                                            | 0                                 | 0              | 0              | 0              | 0              | 225             |
| Transfer to General Reserve                                    | 0                                 | 0              | 0              | 0              | 0              | 0               |
| <b>Balance Carried to Balance Sheet</b>                        | <b>61.99</b>                      | <b>72.32</b>   | <b>166.73</b>  | <b>291.25</b>  | <b>581.50</b>  | <b>1410.48</b>  |

**ANNEXURE – I.a**

**SUMMARY OF RESERVES & SURPLUS**

*(Rs. in lakhs)*

| PARTICULARS                       | As On        |              |               |               |               |                |
|-----------------------------------|--------------|--------------|---------------|---------------|---------------|----------------|
|                                   | 31-Mar-02    | 31-Mar-03    | 31-Mar-04     | 31-Mar-05     | 31-Mar-06     | 31-Mar-07      |
| <b>Capital Subsidy</b>            | <b>0.88</b>  | <b>0.88</b>  | <b>0.88</b>   | <b>0.88</b>   | <b>0.88</b>   | <b>2.88</b>    |
| As per last account               | 0.88         | 0.88         | 0.88          | 0.88          | 0.88          | 0.88           |
| Additions during the year         | 0.00         | 0.00         | 0.00          | 0.00          | 0.00          | 2.00           |
| <b>General Reserve</b>            | <b>0.17</b>  | <b>0.17</b>  | <b>0.17</b>   | <b>0.17</b>   | <b>0.17</b>   | <b>0.17</b>    |
| As per last account               | 0.17         | 0.17         | 0.17          | 0.17          | 0.17          | 0.17           |
| Additions during the year         | 0.00         | 0.00         | 0.00          | 0.00          | 0.00          | 0.00           |
| <b>Securities premium Account</b> | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>280.00</b>  |
| <b>Profit &amp; Loss Account</b>  | <b>61.99</b> | <b>72.32</b> | <b>166.73</b> | <b>291.25</b> | <b>581.50</b> | <b>1410.48</b> |
| <b>Total</b>                      | <b>63.04</b> | <b>73.37</b> | <b>167.78</b> | <b>292.30</b> | <b>582.55</b> | <b>1693.53</b> |

**ANNEXURE – I.b**

**SECURED LOANS**

*(Rs. in lakhs)*

| PARTICULARS      | As on        |              |              |                |                |                |
|------------------|--------------|--------------|--------------|----------------|----------------|----------------|
|                  | 31-Mar-02    | 31-Mar-03    | 31-Mar-04    | 31-Mar-05      | 31-Mar-06      | 31-Mar-07      |
| TERM LOAN:       |              |              |              |                |                |                |
| Scheduled Banks  | 27.82        | 17.45        | 0.61         | 4.13           | 60.54          | 109.13         |
| Other Banks      | 3.93         | 4.45         | 12.60        | 1031.47        | 1229.31        | 729.11         |
| SHORT TERM LOAN: |              |              |              |                |                |                |
| Scheduled Bank   | 0            | 0.34         | 0            | 0              | 121.40         | 351.10         |
| Other Bank       | 0            | 0            | 0            | 0              | 0              | 0              |
| <b>Total</b>     | <b>31.75</b> | <b>22.24</b> | <b>13.21</b> | <b>1035.60</b> | <b>1411.25</b> | <b>1189.34</b> |

**1. a.Details of Secured Loans outstanding as on Mar.31,2007**

(Rs. in lakhs)

| Particulars of Loan   | Institution/ Bank              | Sanctioned Amount (Rs.) | Outstanding Amount (Rs.) | Rate of Interest (%p.a.) | Repayment Terms                                   | Securitized offered                  |
|-----------------------|--------------------------------|-------------------------|--------------------------|--------------------------|---------------------------------------------------|--------------------------------------|
| Term Loans from Banks | HDFC Bank                      | 82.77                   | 38.13                    | 9                        | Monthly 36 months                                 | Hypothecation of Vehicles            |
|                       | Indian Overseas Bank Term Loan | 116.00                  | 104.87                   | 13                       | Monthly 5 years                                   | Factory Lands, Buildings & Machinery |
|                       | HDFC Bank – Investment Loan    | 1200.00                 | 680.00                   | 7.5                      | Repayment against emption of Investment 12 months | Investments in Mutual Fund Units     |
|                       | ICICI Bank                     | 15.90                   | 10.99                    | 9                        | Monthly 36 months                                 | Hypothecation of Vehicles            |
|                       | IOB Vehicle                    | 11.40                   | 4.25                     | 9.5                      | Monthly 36 months                                 | Hypothecation of Vehicles            |

**1b. Details of Secured Loans outstanding as on March 31, 2006**

(Rs. in lakhs)

| Particulars of Loan   | Institution/ Bank           | Sanctioned Amount (Rs.) | Outstanding Amount (Rs.) | Rate of Interest (%p.a.) | Repayment Terms                                   | Securities Offered               |
|-----------------------|-----------------------------|-------------------------|--------------------------|--------------------------|---------------------------------------------------|----------------------------------|
| Term Loans from Banks | HDFC BANK                   | 59.80                   | 29.31                    | 9                        | Monthly 36 months                                 | Hypothecation of Vehicles        |
|                       | Indian Overseas Bank (IOB)  | 7.82                    | 60.54                    | 9.5                      | Monthly 36 months                                 | Hypothecation of Vehicles        |
|                       | HDFC BANK (Investment Loan) | 1200.00                 | 1200.00                  | 7.5                      | Repayment against emption of Investment 12 months | Investments in Mutual Fund Units |

**2a. Cash Cit facilities from Banks on March.31, 2006**

(Rs. in lakhs)

| Bank / Facilities                                                                                                                                                                                                                                  | Sanctioned Amount |                | Amount Outstanding as per Books of accounts (Rs.) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------|---------------------------------------------------|
|                                                                                                                                                                                                                                                    | Fund Based        | Non Fund Based |                                                   |
| <b>Indian Overseas Bank</b>                                                                                                                                                                                                                        |                   |                |                                                   |
| Cash Cit from Bank is secured against personal guarantee of Directors and hypothecation of land, buildings and plant & machinery of the company, and all present and future bills receivables and stock in hand, work in progress, and Book Debts. | 100               | 0              | 121.40                                            |
| Bank Guarantee                                                                                                                                                                                                                                     | 0                 | 61.50          | 55.75                                             |
| <b>Total</b>                                                                                                                                                                                                                                       | <b>100</b>        | <b>61.50</b>   | <b>177.15</b>                                     |

**2b. Details of Cash Cit outstanding as on Mar.31, 2007**
*(Rs. in lakhs)*

| Bank / Facilities                                                                                                                                                                                                                                  | Sanctioned Amount |                | Amount Outstanding<br>as per Books of<br>accounts (Rs.) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------|---------------------------------------------------------|
|                                                                                                                                                                                                                                                    | Fund Based        | Non Fund Based |                                                         |
| <b>Indian Overseas Bank</b>                                                                                                                                                                                                                        |                   |                |                                                         |
| Cash Cit from Bank is secured against personal guarantee of Directors and hypothecation of land, buildings and plant & machinery of the company, and all present and future bills receivables and stock in hand, work in progress, and Book Debts. | 700               | 0              | 351.11                                                  |
| Bank Guarantee                                                                                                                                                                                                                                     | 0                 | 70             | 10.75                                                   |
| <b>Total</b>                                                                                                                                                                                                                                       | <b>700</b>        | <b>70</b>      | <b>361.86</b>                                           |

**ANNEXURE – I.c**
**UNSECURED LOANS**

The Details of Unsecured Loans are as below: -

*(Rs. in lakhs)*

| PARTICULARS                  | As on     |           |           |           |              |           |
|------------------------------|-----------|-----------|-----------|-----------|--------------|-----------|
|                              | 31-Mar-02 | 31-Mar-03 | 31-Mar-04 | 31-Mar-05 | 31-Mar-06    | 31-Mar-07 |
| UNSECURED LOANS              |           |           |           |           |              |           |
| Loan from Bodies Corporate   | 0         | 0         | 0         | 0         | 30.76        | 0         |
| <b>Total Unsecured Loans</b> | <b>0</b>  | <b>0</b>  | <b>0</b>  | <b>0</b>  | <b>30.76</b> | <b>0</b>  |

**ANNEXURE – I.d**
**STATEMENT OF INVESTMENTS**
*(Rs. in lakhs)*

| PARTICULARS                                         | Financial Year ended as on |              |               |                |                |               |
|-----------------------------------------------------|----------------------------|--------------|---------------|----------------|----------------|---------------|
|                                                     | 31-Mar-02                  | 31-Mar-03    | 31-Mar-04     | 31-Mar-05      | 31-Mar-06      | 31-Mar-07     |
| Equity Shares -Quoted                               | 0.00                       | 0.00         | 6.93          | 5.23           | 5.23           | 5.23          |
| Mutual Fund units- Quoted                           | 0.00                       | 75.00        | 374.71        | 1313.25        | 1175.17        | 708.36        |
| Others (Chit Funds, etc.)                           | 19.06                      | 22.63        | 27.67         | 41.80          | 171.32         | 12.00         |
| Promoters Group Entities                            | <b>0.00</b>                | <b>0.00</b>  | <b>0.00</b>   | <b>150.00</b>  | <b>0.00</b>    | <b>0.00</b>   |
| <b>Total</b>                                        | <b>19.06</b>               | <b>97.63</b> | <b>409.31</b> | <b>1510.28</b> | <b>1351.72</b> | <b>725.59</b> |
| <b>Cost of Quoted Investments</b>                   | <b>0.00</b>                | <b>75.00</b> | <b>381.64</b> | <b>1318.48</b> | <b>1180.40</b> | <b>713.59</b> |
| <b>Aggregate Market Value of quoted Investments</b> | <b>0.00</b>                | <b>77.04</b> | <b>382.91</b> | <b>1329.76</b> | <b>1238.99</b> | <b>755.76</b> |

**ANNEXURE – I.e****SUNDRY DEBTORS***(Rs. in lakhs)*

| <b>PARTICULARS</b>                                      | <b>31-Mar-02</b> | <b>31-Mar-03</b> | <b>31-Mar-04</b> | <b>31-Mar-05</b> | <b>31-Mar-06</b> | <b>31-Mar-07</b> |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Debts outstanding for a period exceeding six months     | 72.19            | 80.14            | 74.13            | 157.48           | 278.07           | 433.00           |
| Debts outstanding for a period not exceeding six months | 307.25           | 338.89           | 862.03           | 781.63           | 769.37           | 1312.13          |
| <b>Total - Sundry Debtors</b>                           | <b>379.44</b>    | <b>419.03</b>    | <b>936.16</b>    | <b>939.11</b>    | <b>1047.45</b>   | <b>1745.13</b>   |

There are no beneficiaries of the sundry debtors of the Company, who are in any way related to the promoters/directors of the company as on 31<sup>st</sup> March, 2007.

**Top 10 Debtors as on 31-03-2007***(Rs. in lakhs)*

| <b>S. No.</b> | <b>Name of the Party</b>        | <b>Amount Outstanding</b> |
|---------------|---------------------------------|---------------------------|
| 1             | APSSDC - Hyderabad - 2006-07    | 439.94                    |
| 2             | Sree Sai Ram Enterprises        | 27.61                     |
| 3             | Sri Mahalaxmi Agro Distributors | 27.34                     |
| 4             | Divya Enterprises               | 24.15                     |
| 5             | Kalpataru Seed (P) Limited      | 20.52                     |
| 6             | Jai bharat Agro Seeds           | 18.7                      |
| 7             | Bali Krishi Kendra              | 15.74                     |
| 8             | Krishi Dhan                     | 15.64                     |
| 9             | Raghavendra Seeds Corporation   | 14.05                     |
| 10            | Viswajit Traders                | 12.75                     |

**Top 10 Debtors as on 31-03-2006***(Rs. in lakhs)*

| <b>S. No.</b> | <b>Name of the Party</b>                             | <b>Amount Outstanding</b> |
|---------------|------------------------------------------------------|---------------------------|
| 1             | APSSDC Ltd, Hyderabad                                | 247.31                    |
| 2             | Karnataka State Seed Corporation Ltd, Bangalore      | 111.85                    |
| 3             | Sri Mahalaxmi Agro Distributors, Ananthapur, AP      | 26.37                     |
| 4             | Sree Sai Ram Enterprises, Hyderabad                  | 25.04                     |
| 5             | Divya Enterprises, Tamilnadu                         | 24.16                     |
| 6             | Bali Krishi Kendra, Manoli, Karnataka                | 20.90                     |
| 7             | Kalpatharu Seeds, Davangere, Karnataka               | 20.52                     |
| 8             | Viswajith Traders, Kodumur, Kurnool, AP              | 18.29                     |
| 9             | Sri Mahasurya Enterprises, Nagpur, Maharastra        | 16.83                     |
| 10            | Jai Bharath Agro Distributors, Himmathnagar, Gujarat | 12.33                     |

**Annexure – I.f****LOANS AND ADVANCES**

The details of Loans and Advances are as below:

(Rs. in lakhs)

| <b>PARTICULARS</b>                                  | <b>31-Mar-02</b> | <b>31-Mar-03</b> | <b>31-Mar-04</b> | <b>31-Mar-05</b> | <b>31-Mar-06</b> | <b>31-Mar-07</b> |
|-----------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Loan                                                | 4.59             | 6.77             | 7.85             | 338.15           | 651.87           | 432.35           |
| Deposits                                            | 0.12             | 5.71             | 0.30             | 2.05             | 41.67            | 6.18             |
| Advance in Cash or Kind or for value to be received | 14.74            | 84.69            | 0                | 250.56           | 85.58            | 169.67           |
| <b>Total (As per audited Statement)</b>             | <b>19.45</b>     | <b>97.17</b>     | <b>275.65</b>    | <b>590.76</b>    | <b>779.12</b>    | <b>608.20</b>    |

**DETAILS OF LOANS AND ADVANCES WITH RELATED PARTIES**

(Rs. in lakhs)

| <b>PARTICULARS</b>                 | <b>31-Mar-02</b> | <b>31-Mar-03</b> | <b>31-Mar-04</b> | <b>31-Mar-05</b> | <b>31-Mar-06</b> | <b>31-Mar-07</b> |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| To Directors                       | 0                | 0                | 0                | 41.78            | 472.60           | 91.04            |
| To Companies under same Management | 0                | 0                | 153.41           | 379.93           | 165.59           | 0                |
| <b>Total</b>                       | <b>0</b>         | <b>0</b>         | <b>153.41</b>    | <b>421.71</b>    | <b>638.18</b>    | <b>91.04</b>     |

There are **no** beneficiaries of the loans and advances of the Company, who are in any way related to the promoters/directors of the company as on 31<sup>st</sup> March, 2007.

**Top 10 Beneficiaries**

(Rs. in lakhs)

| <b>Beneficiaries</b>                 | <b>31-Mar-02</b> | <b>31-Mar-03</b> | <b>31-Mar-04</b> | <b>31-Mar-05</b> | <b>31-Mar-06</b> | <b>31-Mar-07</b> |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Mr. Gundavaram Venkata Bhaskar Rao   | 0                | 0                | 0                | 0                | 53.13            | 7.33             |
| Gundavaram Venkata Bhaskar Rao (HUF) | 0                | 0                | 0                | 41.78            | 387.14           | 74.83            |
| Mrs. Gundavaram Vanaja Devi          | 0                | 0                | 0                | 0                | 31.22            | 6.41             |
| Dr. Gundavaram Pawan                 | 0                | 0                | 0                | 0                | 1.11             | 0.22             |
| Mr. Rangineni Venu Manohar Rao       | 0                | 0                | 0                | 0                | 0                | 0.45             |
| Mr. Chennameneni Mithun Chand        | 0                | 0                | 0                | 0                | 0                | 1.80             |
| Kaveri Agriteck                      | 0                | 0                | 153.41           | 329.94           | 165.59           | 0                |
| GVB Constructions Pvt Ltd            | 0                | 0                | 0                | 50.00            | 0                | 0                |

**Annexure – I.g****CURRENT LIABILITIES & PROVISIONS****(Rs. in lakhs)**

| <b>PARTICULARS</b>               | <b>31-Mar-02</b> | <b>31-Mar-03</b> | <b>31-Mar-04</b> | <b>31-Mar-05</b> | <b>31-Mar-06</b> | <b>31-Mar-07</b> |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Sundry Creditors                 | 696.60           | 1005.92          | 1734.88          | 1569.70          | 871.74           | 643.36           |
| Other Liabilities                | 337.22           | 648.51           | 765.66           | 1217.48          | 1656.95          | 1788.80          |
| <b>Total Current Liabilities</b> | <b>1033.37</b>   | <b>1654.43</b>   | <b>2500.54</b>   | <b>2787.18</b>   | <b>2528.69</b>   | <b>2432.16</b>   |
| Provisions                       | 0                | 0                | 0                | 2.86             | 3.24             | 83.10            |
| Income Tax                       | 0.75             | 4.60             | 14.23            | 14.64            | 23.29            | 374.75           |
| <b>Total Provisions</b>          | <b>0.75</b>      | <b>4.60</b>      | <b>14.23</b>     | <b>17.50</b>     | <b>26.53</b>     | <b>457.85</b>    |

**ANNEXURE – II.a****EXPENDITURE IN FORGEIGN CURRENCY****(Rs. in lakhs)**

| <b>PARTICULARS</b>    | <b>Financial Year ended on</b> |                  |                  |                  |                  |                  |
|-----------------------|--------------------------------|------------------|------------------|------------------|------------------|------------------|
|                       | <b>31-Mar-02</b>               | <b>31-Mar-03</b> | <b>31-Mar-04</b> | <b>31-Mar-05</b> | <b>31-Mar-06</b> | <b>31-Mar-07</b> |
| Foreign Tour Expenses | 0                              | 0                | 19.06            | 6.45             | 0.96             | 1.04             |

**ANNEXURE - III****ACCOUNTING POLICIES & NOTES ON ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES****a. System of Accounting**

The Financial Statements of the Company have been prepared under the historical cost convention on accrual basis, to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, except in the case of sale realizable scrap which are accounted for on receipt basis.

**b. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured

- i. Revenue from sale of goods is recognized on dispatch which coincides with transfer of significant risks & rewards to customer and is net of trade discounts, sales returns and sales tax, where ever applicable.
- ii. Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable

### **c. Fixed assets and Depreciation**

- i. Fixed assets are stated at cost less accumulated depreciation, impairment losses and specific grant/subsidies if any. Cost Comprise the purchase price, freight, duties, taxes and any Attributable cost of bringing the asset to its working condition for its intended use. Finance costs relating to acquisition of fixed assets are included to the extent they relate to the period till such assets are ready for intended use.
- ii. Expenditure directly relating to construction activity is capitalized. Indirect expenditure is capitalized to the extent it relates to the construction activity or is incidental thereto. Income earned during construction period is deducted from the total expenditure relating to construction activity.
- iii. Assets retired from active use and held for disposal are stated at their estimated net realizable values or net book values, whichever is lower.
- iv. The carrying amount of fixed assets are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.
- v. Depreciation is provided on written down value method, at the rate specified in schedule XIV to the Companies Act, 1956.

### **d. Research and Product Development costs:**

Research costs which is of revenue nature, is charged to revenue, while capital expenditure is included in the respective heads under fixed assets.

### **e. Investments**

- i. Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.
- ii. Long-term investments are carried at cost. However, provisions for diminution in value is made to recognize a decline, other than temporary, in the value of the investments. Current investments are carried at lower of cost and fair value determined on individual investment basis.

### **f. Inventories**

- i. Raw materials, packing materials, stores, spares and consumables are valued at cost, calculated on "First-in first out" basis, which is either equal to or less than the net realizable value. Items held for use in the production of inventories are not written down below cost if the finished product in which they will be incorporated are expected to be sold at or above cost.
- ii. Finished goods and Work-in-process are valued at lower of cost and net realizable value. Cost includes materials, labour and a proportion of appropriate overheads.
- iii. Trading goods are valued at lower of cost and net realizable value
- iv. Net realizable value is the estimated selling price in the ordinary course of business, reduced by the estimated costs of completion and costs to effect the sale.
- v. Management has carried out physical verification of stock.

### **g. Retirement and other Employee Benefits**

- i. Contribution to Provident Fund, which is a defined contribution plan, are charged to the profit and loss account on an accrual basis.
- ii. Liability for gratuity is accounted on payment basis.

### **h. Income Taxes**

Tax expense consists of both current, deferred taxes and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian income Tax Act, 1961. Deferred income taxes reflect the impact of currency year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

### i. Earnings per Share

Basic Earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### j. Provisions

A provision is recognized when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## B. NOTES ON ACCOUNTS

### a. Taxation

*Income Tax Paid on the assessment was shown in the Profit & Loss Account as Income Tax paid for earlier years in the year of assessment. However, the same has been provided in the respective years.*

### b. Regrouping

Figures in the Restated Summary Statements have been appropriately regrouped to confirm with the reclassification made in the subsequent years.

### Segment Information:

The Company has identified two reportable segments viz., Seed Division and Micro Nutrients Division. Segment have been identified and reported taking into account nature of products and service, the differing risks and returns and the internal business reporting systems. The accounting policies adopted for segment reporting are in line with the accounting policy of the company with following additional policies for segment reporting.

(Rs. In Lakhs)

| Sl.No. | Particulars                                     | Seeds Division |          | Micro Nutrients Division |         | Total    |          |
|--------|-------------------------------------------------|----------------|----------|--------------------------|---------|----------|----------|
|        |                                                 | 2006-07        | 2005-06  | 2006-07                  | 2005-06 | 2006-07  | 2005-06  |
| 1      | <b>Segment Revenue</b>                          |                |          |                          |         |          |          |
|        | Inter Segment Turnover                          | 6,173.07       | 4,816.73 | 404.08                   | 0       | 6,577.15 | 4,816.73 |
|        | Less: Excise Duty, Service tax recovered        | 0              | 0        | 0                        | 0       | -        | -        |
|        | Net Turnover                                    | 6,173.07       | 4,816.73 | 404.08                   | -       | 6,577.15 | 4,816.73 |
| 2      | <b>Segment result before interest and taxes</b> | 1623.99        | 465.01   | 67.33                    | 0       | 1,691.32 | 465.01   |
|        | Less: Interest Expense                          | 102.78         | 52.53    | 0.71                     | 0       | 103.49   | 52.53    |
|        | Add: Interest Income                            | 3.9            | -        | 0                        | 0       | 3.90     | -        |
|        | Profit before tax                               | 1525.11        | 412.48   | 66.62                    | 0       | 1,591.73 | 412.48   |
|        | Current tax                                     | 463.39         | 103.87   | 22.55                    | 0       | 485.94   | 103.87   |
|        | Fringe Benefit Tax                              | 36.36          | 21.82    | 5.46                     | 0       | 41.82    | 21.82    |
|        | Wealth tax                                      | 0.82           | 0.63     | 0                        | 0       | 0.82     | 0.63     |
|        | Net profit after tax                            | 1024.55        | 286.16   | 38.60                    | 0       | 1,063.15 | 286.16   |
| 3      | <b>Other Information</b>                        |                |          |                          |         |          |          |
|        | Segment Assets                                  | 6332.9         | 3838     | 304                      | 0       | 6,636.90 | 3,838.00 |
|        | Segment Liabilities                             | 3,743          | 3995     | 347                      | 0       | 4,090.00 | 3,998.00 |
|        | Capital Expenditure                             | 1999.43        | 925.17   | 84.84                    | 0       | 2,084.27 | 925.17   |
|        | Depreciation                                    | 114            | 73.55    | 9.87                     | 0       | 123.52   | 73.55    |

**Contingent Liabilities not provided for:**

As per the Audited Financial Statements, the Company has certain contingent liabilities, which, if determined against it in future, may impact its financial position, adversely. Details of the contingent liabilities are given in the following table:

**(Rs. in lakhs)**

| PARTICULARS                                                                                          | Financial Year Ended on |              |              |              |              |              |
|------------------------------------------------------------------------------------------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|
|                                                                                                      | 31-Mar-02               | 31-Mar-03    | 31-Mar-04    | 31-Mar-05    | 31-Mar-06    | 31-Mar-07    |
| Counter Guarantees given for obtaining Bank Guarantees from various Banks                            | 13.75                   | 16.50        | 16.50        | 61.50        | 55.75        | 10.75        |
| Claims Against the Company not Acknowledged as debts – Claims Against the company pending in Courts. | NIL                     | 0.25         | 0.25         | 3.35         | 3.35         | 3.45         |
| <b>Total</b>                                                                                         | <b>13.75</b>            | <b>16.75</b> | <b>16.75</b> | <b>64.85</b> | <b>59.10</b> | <b>14.20</b> |

Contingent Liability as on Mar.31, 2007:

Details of the contingent liabilities as on Mar.31, 2007 are given in the following table:

**(Rs. in lakhs)**

| Brief Particulars                                                                                    | As at Mar-31, 2007 |
|------------------------------------------------------------------------------------------------------|--------------------|
| Counter Guarantees given for obtaining Bank Guarantees from:                                         |                    |
| - Name of the Bank      Indian Overseas Bank                                                         | 10.75              |
| Claims Against the Company not Acknowledged as debts – Claims Against the company pending in Courts. | 3.45               |
| <b>TOTAL</b>                                                                                         | <b>14.20</b>       |

- In terms of Accounting Standard (AS-28) on "Impairment of Asset" issued by the Institute of Chartered Accountants of India (ICAI), the company during the year carried out an exercise of identifying the assets that may have been impaired in accordance with the said Accounting Standard. The Company has identified that no asset of the Company has been impaired during the year.
- Investment of Rs. 59,89,375/- for purchase of 6.19 Acres of Land at Davanageri is in the name of Mr. Gundavaram Venkata Bhaskar Rao, Managing Director of the Company, as the same are not being Register in the name of the company as per the Registration rules of Government of Karnataka for Agricultural Lands.
- On 20 -9- 2006, the company has taken over the running business of M/S Kaveri Agritech, in which directors are interested as partners of the firm, for total consideration of Rs 50,00,000 by issue of 5,00,000 Equity share of Rs 10/- each to the partners of the firm.
- The company has capitalized Rs 2,25,00,000/- of its balance in the profit and loss account by issue of 22,50,000 bonus shares to its members on 4-8-2006.
- Additional information required by Paragraph 3 and 4 of Part II of Schedule VI to the Companies Act, 1956 are not applicable.

# ANNEXURE – IV

## SUMMARY OF CASH FLOW, AS RESTATED

(Rs. in lakhs)

| Particulars                                                | For the Year Ended 31st March |                 |                 |                  |                 |                 |
|------------------------------------------------------------|-------------------------------|-----------------|-----------------|------------------|-----------------|-----------------|
|                                                            | 2002                          | 2003            | 2004            | 2005             | 2006            | 31-Mar-07       |
| <b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>             |                               |                 |                 |                  |                 |                 |
| (I) NET PROFIT BEFORE TAX AND EXTRA ORDINARY ITEMS         | 1.25                          | 21.74           | 119.76          | 179.06           | 412.49          | 1,591.74        |
| <b>(II) Adjustment for:</b>                                |                               |                 |                 |                  |                 |                 |
| Depreciation                                               | 33.92                         | 38.41           | 40.91           | 53.31            | 73.55           | 123.52          |
| Interest Paid                                              | 3.80                          | 3.28            | 7.85            | 14.45            | 67.13           | 142.90          |
| Interest received                                          | 0                             | 5.17            | 5.91            | 9.74             | 1.85            | 3.90            |
| Dividend received                                          | 0                             | 0               | 52.24           | 48.24            | 119.88          | 73.52           |
| Profit Loss on sale of Investments                         | 0                             | 0               | 11.82           | 1.51             | 19.24           | 65.57           |
| Total (II)                                                 | 37.72                         | 36.52           | (21.21)         | 8.27             | (0.29)          | 123.43          |
| Operating Profit before working capital Changes (I) + (II) | 38.97                         | 58.26           | 98.55           | 187.33           | 412.20          | 1,715.17        |
| <b>(III) Adjustment for</b>                                |                               |                 |                 |                  |                 |                 |
| Trade and other receivables                                | (104.38)                      | (39.59)         | (517.13)        | (2.95)           | (108.34)        | (697.67)        |
| Inventories                                                | 90.88                         | (141.35)        | 55.47           | 32.45            | (69.25)         | (753.99)        |
| Loans and Advances                                         | 32.09                         | (77.72)         | (178.48)        | (315.11)         | (188.36)        | 170.91          |
| Trade Payable                                              | (117.85)                      | 309.32          | 728.96          | (165.18)         | (697.96)        | (228.37)        |
| Other Current Liabilities                                  | (156.76)                      | 310.91          | 111.81          | 455.08           | 447.79          | 559.79          |
| Deffered Revenue Expenditure                               | 0                             | 0               | 0               | 0                | 0               | (35.77)         |
| Sub Total (III)                                            | (256.02)                      | 361.57          | 200.63          | 4.29             | (616.12)        | (985.10)        |
| Cash Generated from operation (I) + (II) + (III)           | (217.05)                      | 419.83          | 299.18          | 191.62           | (203.92)        | 730.07          |
| Direct Tax Paid                                            | (1.78)                        | (9.97)          | (21.65)         | (50.05)          | (126.33)        | (528.59)        |
| <b>Net Cash from Operating Activities (A)</b>              | <b>(218.83)</b>               | <b>409.86</b>   | <b>277.53</b>   | <b>141.57</b>    | <b>(330.25)</b> | <b>201.48</b>   |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>              |                               |                 |                 |                  |                 |                 |
| Purchases of Fixed Assets                                  | (71.21)                       | (33.15)         | (36.84)         | (266.94)         | (467.93)        | (1,277.24)      |
| Purchase / Sale of Investments                             | 19.56                         | (78.57)         | (311.68)        | (1100.97)        | 158.56          | 626.13          |
| Interest Receipts                                          | 0                             | 5.17            | 5.91            | 9.74             | 1.85            | 3.90            |
| Dividend received                                          | 0                             | 0               | 52.24           | 48.24            | 119.88          | 73.52           |
| Profit on sale of Investment                               | 0                             | 0               | 11.82           | 1.51             | 19.24           | 65.57           |
| Interest Paid                                              | 0                             | 0               | 0               | 0                | (20.82)         | 0               |
| <b>Net Cash from Investing Activities (B)</b>              | <b>(51.65)</b>                | <b>(106.55)</b> | <b>(278.55)</b> | <b>(1308.42)</b> | <b>(189.22)</b> | <b>(508.12)</b> |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>              |                               |                 |                 |                  |                 |                 |
| Interest Paid                                              | (3.80)                        | (3.28)          | (7.85)          | (14.45)          | (46.31)         | (142.90)        |
| Proceeds from issue of Equity Shares                       | 0                             | 0               | 0               | 0                | 145.00          | 567.23          |

| Particulars                                                               | For the Year Ended 31st March |                |                |                 |               |               |
|---------------------------------------------------------------------------|-------------------------------|----------------|----------------|-----------------|---------------|---------------|
|                                                                           | 2002                          | 2003           | 2004           | 2005            | 2006          | 31-Mar-07     |
| Share Premium                                                             | 0                             | 0              | 0              | 0               | 0             | 280.00        |
| Proceeds from Borrowings                                                  | 19.62                         | (9.51)         | (9.03)         | 1022.39         | 406.41        | (252.66)      |
| For Working Capital                                                       | 0                             | 0              | 0              | 0               | 0             | 0             |
| Share Application Money                                                   | 0                             | 0              | 0              | 0               | 17.77         | 0             |
| <b>Net Cash from Financing Activities (C)</b>                             | <b>15.82</b>                  | <b>(12.79)</b> | <b>(16.88)</b> | <b>1007.94</b>  | <b>522.87</b> | <b>451.66</b> |
| <b>Net Increase / (Decrease) in Cash and Cash Equivalents (A + B + C)</b> | <b>(254.66)</b>               | <b>290.52</b>  | <b>(17.90)</b> | <b>(158.91)</b> | <b>3.40</b>   | <b>145.02</b> |
| <b>Cash and Cash Equivalents (Opening Balance)</b>                        | <b>473.55</b>                 | <b>218.89</b>  | <b>509.41</b>  | <b>491.51</b>   | <b>332.60</b> | <b>336.00</b> |
| <b>Cash and Cash Equivalents (Closing Balance)</b>                        | <b>218.89</b>                 | <b>509.41</b>  | <b>491.51</b>  | <b>332.60</b>   | <b>336.00</b> | <b>481.02</b> |

#### ANNEXURE – V

#### RELATED PARTY DISCLOSURE:

Names of related parties and description of relationship:

| Sr. No. | Name of the Key Management Personnel/Relatives | Relationship                                                                                                                                                                                                                     |
|---------|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | Mr. Gundavaram Venkata Bhaskar Rao             | Chairman-cum-Managing Director                                                                                                                                                                                                   |
| 2       | Mrs. Gundavaram Vanaja Devi                    | Executive Director                                                                                                                                                                                                               |
| 3       | Mr. Rangineni Venu Manohar Rao                 | Executive Director                                                                                                                                                                                                               |
| 4       | Mr. Chennameneni Vamsheedhar                   | Executive Director                                                                                                                                                                                                               |
| 5       | Mr. Chennameneni Mithun Chand                  | Executive Director                                                                                                                                                                                                               |
| 6       | Dr. Gundavaram Pawan                           | Non-Executive Director                                                                                                                                                                                                           |
| 7       | Kaveri Agriteck                                | The following directors of the Company are partners of this firm<br><br>Mr.Gundavaram Venkata Bhaskar Rao<br>Mrs.Gundavaram Vanaja Devi<br>Dr. Gundavaram Pawan<br>Mr.Rangineni Venu Manohar Rao<br>Mr. Chennameneni Vamsheedhar |
| 8       | G V B Constructions Private Limited            | The following directors of the Company are directors of this company<br><br>Mr.Gundavaram Venkata Bhaskar Rao<br>Mrs.Gundavaram Vanaja Devi                                                                                      |
| 9       | Growmore Farms                                 | The following directors of the Company are partners of this firm<br><br>Mr.Gundavaram Venkata Bhaskar Rao<br>Mrs.Gundavaram Vanaja Devi<br>Dr. Gundavaram Madhushree<br>Dr. Gundavaram Pawan<br>Mr.Rangineni Venu Manohar Rao    |

**Disclosure of transaction between the company and related party Transactions for the Year ended on 31.3.2007**

| Sl. No. | Name of Party                        | Nature of transaction                                                                                                                                                                                                                                | Amount (Rs. in lakhs) |
|---------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 1       | Growmore Farms                       | Purchase of 11.38 Acres of Agricultural Land                                                                                                                                                                                                         | 179.25                |
|         | Growmore Farms                       | Purchase of 23.24 Acres of Agricultural Land                                                                                                                                                                                                         | 177.00                |
|         | Growmore Farms                       | Purchase of 31.08 Acres of Agricultural Land                                                                                                                                                                                                         | 85.80                 |
| 2       | Gundavaram Venkata Bhaskar Rao (HUF) | Purchase of 40.00 Acres of Agricultural Land                                                                                                                                                                                                         | 50.00                 |
|         | Gundavaram Venkata Bhaskar Rao (HUF) | Purchase of 50.20 Acres of Agricultural Land                                                                                                                                                                                                         | 63.12                 |
|         | Gundavaram Venkata Bhaskar Rao (HUF) | Purchase of 23.27 Acres of Agricultural Land                                                                                                                                                                                                         | 29.59                 |
|         | Gundavaram Venkata Bhaskar Rao (HUF) | Purchase of 1674 sft of Buildings / Open Plots                                                                                                                                                                                                       | 20.19                 |
|         | Gundavaram Venkata Bhaskar Rao (HUF) | Purchase of 2142 sft of Buildings / Open Plots                                                                                                                                                                                                       | 3.53                  |
|         | Gundavaram Venkata Bhaskar Rao (HUF) | Agricultural Land Lease Rent Paid – as per the agreement entered<br>On April 01, 2006 for a period of 3 years for an amount of<br>Rs. 25000 per acre per annum for a total land of 1.20 acres<br>(one acre= 40guntas) ie 0.20 acres means 20 guntas  | 0.38                  |
|         | Gundavaram Venkata Bhaskar Rao (HUF) | Agricultural Land Lease Rent Paid - as per the agreement entered<br>On April 01, 2006 for a period of 3 years for an amount of<br>Rs. 30000 per acre per annum for a total land of 5 acres                                                           | 1.50                  |
|         | Gundavaram Venkata Bhaskar Rao (HUF) | The Company has given an unsecured loan to Gundavaram Venkata Bhaskar Rao (HUF) and the loan amount of<br>Rs. 7483447 was out standing as on 31.03.2007                                                                                              | 74.83                 |
|         | Gundavaram Venkata Bhaskar Rao (HUF) | Seed purchased by the Company                                                                                                                                                                                                                        | 2.70                  |
| 3       | Mr. Gundavaram Venkata Bhaskar Rao   | Agricultural Land Lease Rent Paid - as per the agreement entered<br>On April 01, 2006 for a period of 3 years for an amount of<br>Rs. 15000 per acre per annum for a total land of 16.25 acres<br>(one acre= 40guntas) ie 0.25 acres means 25 guntas | 2.49                  |
|         | Mr. Gundavaram Venkata Bhaskar Rao   | Purchase of 6.19 Acres of Agricultural Land                                                                                                                                                                                                          | 59.89                 |
|         | Mr. Gundavaram Venkata Bhaskar Rao   | Purchase of 5.22 Acres of Industrial Land                                                                                                                                                                                                            | 83.25                 |
|         | Mr. Gundavaram Venkata Bhaskar Rao   | The Company has given an unsecured loan to Mr. Gundavaram Venkata Bhaskar Rao and the loan amount of<br>Rs. 733215 was out standing as on 31.3.2007                                                                                                  | 7.33                  |
| 4       | Rangineni Venu Manohar Rao (HUF)     | Purchase of 1674 sft of Buildings / Open Plots                                                                                                                                                                                                       | 20.19                 |
| 5       | Mr. Rangineni Venu Manohar Rao       | Agricultural Land Lease Rent Paid - as per the                                                                                                                                                                                                       | 4.64                  |

| Sl. No. | Name of Party                | Nature of transaction                                                                                                                                                                                                                                | Amount (Rs. in lakhs) |
|---------|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
|         |                              | agreement entered<br>On April 01, 2006 for a period of 3 years for an amount of<br>Rs. 12000 per acre per annum for a total land of 38.28 acres<br>(one acre= 40guntas) ie 0.28 acres means 28 guntas                                                |                       |
| 6       | Mrs. Gundavaram Vanaja Devi  | Agricultural Land Lease Rent Paid - as per the agreement entered<br>On April 01, 2006 for a period of 3 years for an amount of<br>Rs. 25000 per acre per annum for a total land of 1.20 acres<br>(one acre= 40guntas) ie 0.20 acres means 20 guntas  | 0.38                  |
|         | Mrs. Gundavaram Vanaja Devi  | The Company has given an unsecured loan to Mrs. Gundavaram Vanaja Devi and the loan amount of<br>Rs. 643668 was out standing as on 31.3.2007                                                                                                         | 6.44                  |
|         | Mrs. Gundavaram Vanaja Devi  | Seed purchased by the Company                                                                                                                                                                                                                        | 5.30                  |
|         | Mrs. Gundavaram Vanaja Devi  | Sale of land at pet basheerbagh 1120 sq. yards                                                                                                                                                                                                       | 56.00                 |
| 7       | Dr. Gundavaram Pawan         | Agricultural Land Lease Rent Paid - as per the agreement entered<br>On April 01, 2006 for a period of 3 years for an amount of<br>Rs. 25000 per acre per annum for a total land of 1.20 acres<br>(one acre= 40guntas) ie 0.20 acres means 20 guntas  | 0.38                  |
|         | Dr. Gundavaram Pawan         | Agricultural Land Lease Rent Paid - as per the agreement entered<br>On April 01, 2006 for a period of 3 years for an amount of<br>Rs. 30000 per acre per annum for a total land of 2.09 acres<br>(one acre= 40guntas) ie 0.09 acres means 9 guntas   | 0.67                  |
|         | Dr. Gundavaram Pawan         | Seed purchased by the Company                                                                                                                                                                                                                        | 4.28                  |
|         | Dr. Gundavaram Pawan         | Sale of land at pet basheerbagh 1100 sq. yards                                                                                                                                                                                                       | 27.50                 |
| 8       | Dr. Gundavaram Madhushree    | Agricultural Land Lease Rent Paid - as per the agreement entered<br>On April 01, 2006 for a period of 3 years for an amount of<br>Rs. 25000 per acre per annum for a total land of 1.20 acres<br>(one acre= 40guntas) ie 0.20 acres means 20 guntas  | 0.38                  |
| 9       | Mr. Chennameneni Vamsheedhar | Agricultural Land Lease Rent Paid - as per the agreement entered<br>On April 01, 2006 for a period of 3 years for an amount of<br>Rs. 12000 per acre per annum for a total land of 20.23 acres<br>(one acre= 40guntas) ie 0.23 acres means 23 guntas | 2.47                  |

| Sl. No.      | Name of Party   | Nature of transaction                           | Amount (Rs. in lakhs) |
|--------------|-----------------|-------------------------------------------------|-----------------------|
| 10           | Kaveri Agriteck | Acquisition of Assets & Liabilities of the Firm | 50.00                 |
| <b>TOTAL</b> |                 |                                                 | <b>1019.48</b>        |

Note: Valuation has not been made at the time of acquisition of land and building during this Financial Year.

**Disclosure of transaction between the company and related parties for the year ended on 31.03.2006**

(Rs. in lakhs)

| Sr. No. | Name of Related Party        | Nature of Transaction                                                                                                                                                                                                                                                                                                         | Amount |
|---------|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 1.      | Growmore Farms               | During the year 2005-06 the Company has purchased Foundation seed from Ms. Growmore Farms for Rs. 2745605                                                                                                                                                                                                                     | 27.46  |
| 2.      | Kaveri Agriteck              | During the year the Company has leased its factory building at Gundlapochampally to Ms. Kaveri Agriteck as per the agreement entered On April 01, 2005 for a period of 2 years for an amount of Rs. 22500 per month                                                                                                           | 2.70   |
| 3.      | Kaveri Agriteck              | The Company has given an unsecured loan to its sister Concern M/s. Kaveri Agriteck and the max. loan amount of Rs. 49363849 was out standing –                                                                                                                                                                                | 493.64 |
| 4.      | G.V.B. Constructions Pvt Ltd | Company has taken a loan from GVB Constructions Pvt. Ltd. of which outstanding amount was Rs. 3075559/-                                                                                                                                                                                                                       | 30.76  |
| 5.      | G V Bhaskar Rao (HUF)        | During the year, Company has given a loan of Rs. 38713523/- to Mr. Gundavarm Venkata Bhaskar Rao (HUF)                                                                                                                                                                                                                        | 387.13 |
| 6.      | G V Bhaskar Rao (HUF)        | Land Lease rent paid - as per the agreement entered On April 01, 2005 for a period of 1 year for an amount of Rs. 30000 per acre per annum for a total land of 5 acres                                                                                                                                                        | 1.50   |
| 7.      | G V Bhaskar Rao (HUF)        | Share Application money held by the Company in Ganga Kaveri Sugars Private Limited transferred to Mr. Gundavarm Venkata Bhaskar Rao (HUF) on receipt of consideration of Rs. 5919000/- from him                                                                                                                               | 59.19  |
| 8.      | G V Bhaskar Rao              | During the year, the Company has given a loan of Rs. 5313137/- To Mr. Gundavarm Venkata Bhaskar Rao                                                                                                                                                                                                                           | 53.13  |
| 9.      | G V Bhaskar Rao              | Land Lease rent paid- Company has taken a lease of 1.2 acres at Bollaram Village at Medchal Mandal, Ranga Redd District as per the agreement entered On April 01, 2005 for a period of 1 year for an amount of Rs. 30000 per acre per annum for a total land of 1.20 acres (one acre= 40guntas) ie 0.20 acres means 20 guntas | 0.45   |
| 10.     | G V Bhaskar Rao              | Share Application Money held by the Company in Ganga Kaveri Sugars Private Limited transferred to Mr. Gundavarm Venkata Bhaskar Rao on receipt of consideration of Rs. 19410000/- from him                                                                                                                                    | 194.10 |
| 11.     | G. Vanaja Devi               | During the year, Company has given a loan of Rs.3122340/- to Mrs. Gundavaram Vanaja Devi                                                                                                                                                                                                                                      | 31.22  |
| 12.     | G. Vanaja Devi               | Land Lease rent paid – Company has taken a lease of 1.2 acres of land at Bollaram Village at Medchal Mandal, Ranga Reddy District as per the agreement entered on April 01, 2005 for a period of 1 year for an amount of Rs. 30000 per acre per annum (one acre= 40guntas) ie 0.20 acres means 20 guntas                      | 0.45   |
| 13.     | G. Pawan                     | During the year, Company has given a loan of Rs. 111355/-to Mr.Gundavaram Pawan                                                                                                                                                                                                                                               | 1.11   |
| 14.     | G. Pawan                     | Land Lease rent paid – Company has taken on lease 1.2 acres at Bollaram Village at Medchal Mandal, Ranga Reddy District and                                                                                                                                                                                                   | 1.11   |

| Sr. No.      | Name of Related Party | Nature of Transaction                                                                                                                                                                                                                                                                          | Amount         |
|--------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
|              |                       | 2.09 acres at Gundlapochampally in Medchal Mandal ,Ranga dy District as per the agreements entered On April 01, 2005 for a period of 1 year for an amount of Rs. 30000 per acre per annum for a total land of 3.29 acres (one acre= 40guntas) ie 0.29 acres means 29 guntas                    |                |
| 15.          | G. Pawan              | Share Application Money held by the Company in Ganga Kaveri Sugars Private Limited transfer to Mr. Gundavarm Pawan on receipt of consideration of Rs. 4688000/- from him                                                                                                                       | 46.88          |
| 16.          | G. Madhusree          | Land Lease rent paid – Company has taken on lease 1.2 acres at Bollaram Village at Medchal Mandal, Ranga Reddy District as per the agreement entered On April 01, 2005 for a period of 1 year for an amount of Rs. 30000 per acre per annum (one acre= 40guntas) ie 0.20 acres means 20 guntas | 0.45           |
| 17.          | G. Madhusree          | Share Application Money held by the Company in Ganga Kaveri Sugars Private Limited transfer to Ms. Gundavarm Madhusree on receipt of consideration of Rs. 1134000/- from her                                                                                                                   | 11.34          |
| <b>TOTAL</b> |                       |                                                                                                                                                                                                                                                                                                | <b>1342.62</b> |

**Disclosure of transaction between the company and related parties for the year ended on 31.03.2005**

| Sl. No.      | Name of related Party                | Nature of transaction                                                                                                                                                                                                                              | Amount (Rs. in lakhs) |
|--------------|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 1            | Growmore Farms                       | Purchase of Foundation Seed                                                                                                                                                                                                                        | 123.91                |
|              | Growmore Farms                       | Sale of Hybrid Seed                                                                                                                                                                                                                                | 30.33                 |
| 2            | Kaveri Agriteck                      | The Company has given an unsecured loan to its sister concern M/s. Kaveri Agriteck and the loan amount of Rs. 32993612 was out standing –                                                                                                          | 329.93                |
|              | Kaveri Agriteck                      | Factory Land Rent Received- During the year the Company has leased its factory building at Gundlapochampally to Ms. Kaveri Agriteck - as per the agreement entered On April 01, 2003 for a period of 2 years for an amount of Rs. 10000 per month. | 1.20                  |
| 3            | G.V.B. Constructions Pvt Ltd         | The Company has Received an unsecured loan from G.V.B. Constructions Pvt Ltd and the loan amount of Rs. 5000000 was out standing –                                                                                                                 | 50.00                 |
| 4            | Gundavaram Venkata Bhaskar Rao (HUF) | Seed purchased by the Company                                                                                                                                                                                                                      | 2.60                  |
|              | Gundavaram Venkata Bhaskar Rao (HUF) | The Company has given an unsecured loan to Gundavaram Venkata Bhaskar Rao (HUF) and the loan amount of Rs. 4178291 was out standing as on 31.3.2005                                                                                                | 41.78                 |
| 5            | Mrs. Gundavaram Vanaja Devi          | Seed purchased by the Company                                                                                                                                                                                                                      | 5.13                  |
| 6            | Dr. Gundavaram Pawan                 | Seed purchased by the Company                                                                                                                                                                                                                      | 4.13                  |
| <b>TOTAL</b> |                                      |                                                                                                                                                                                                                                                    | <b>589.01</b>         |

**Disclosure of transaction between the company and related parties for the year ended on 31.03.2004**

| Sl. No.      | Name of related Party    | Nature of transaction                                                                                                                                                                                                                             | Amount (Rs.in lakhs) |
|--------------|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 1            | Kaveri Agriteck          | The Company has given an unsecured loan to its sister concern M/s. Kaveri Agriteck amounting to Rs. 15341191                                                                                                                                      | 153.41               |
| 2            | Growmore Farms           | During the year the Company has purchased Foundation seed from M/s. Growmore Farms for Rs. 15341191/-                                                                                                                                             | 153.41               |
| 3            | Kaveri Agriteck          | Factory Land Rent Received- During the year the Company has leased its factory building at Gundlapochampally to Ms. Kaveri Agriteck - as per the agreement entered On April 01, 2003 for a period of 2 years for an amount of Rs. 10000 per month | 1.20                 |
| 4            | Kaveri Sales Corporation | Rent Received- During the year Company has leased its building at Secunderabad to M/s. Kaveri Sales Corporation as per the agreement entered On June 01, 2003 for a period of 10 months for an amount of Rs. 2500 per month                       | 0.25                 |
| <b>TOTAL</b> |                          |                                                                                                                                                                                                                                                   | <b>308.27</b>        |

| Particulars                                  | 2006-07         | 2005-06       | 2004-05       | 2003-04       |
|----------------------------------------------|-----------------|---------------|---------------|---------------|
| Aggregate value of Land & Building Purchased | Rs.771.81 lakhs | Nil           | Nil           | Nil           |
|                                              | 75.71%          | Nil           | Nil           | Nil           |
| Aggregate value of Land & Building Sold      | Rs.83.50 lakhs  | Nil           | Nil           | Nil           |
|                                              | 8.19%           | Nil           | Nil           | Nil           |
| Aggregate value of lease rents paid          | Rs. 13.29 lakhs | Rs.3.96 Lakhs | Nil           | Nil           |
|                                              | 1.30%           | 0.29%         | Nil           | Nil           |
| Aggregate value of lease rents received      | Nil             | Rs.2.70 Lakhs | Rs.1.20 Lakhs | Rs.1.45 Lakhs |
|                                              | Nil             | 0.20%         | 0.20%         | 0.47%         |

**ANNEXURE – VI**

**CONTINGENT LIABILITIES**

**(Rs. in lakhs)**

| PARTICULARS                                                                                    | Financial Year Ended on |              |              |              |              |              |
|------------------------------------------------------------------------------------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|
|                                                                                                | 31-Mar-02               | 31-Mar-03    | 31-Mar-04    | 31-Mar-05    | 31-Mar-06    | 31-Mar-07    |
| Counter Guarantees given for obtaining Bank Guarantees from various Banks                      | 13.75                   | 16.50        | 16.50        | 61.50        | 55.75        | 10.75        |
| Claims Against the Company not Acknowledged as debts (Court Cases pending Against the Company) | NIL                     | 0.25         | 0.25         | 3.35         | 3.35         | 3.45         |
| <b>Total</b>                                                                                   | <b>13.75</b>            | <b>16.75</b> | <b>16.75</b> | <b>64.85</b> | <b>59.10</b> | <b>14.20</b> |

## ANNEXURE – VII

### SUMMARY OF ACCOUNTING RATIOS

(Rs. in lakhs)

| PARTICULARS                     | 31-Mar-02    | 31-Mar-03    | 31-Mar-04    | 31-Mar-05     | 31-Mar-06     | 31-Mar-07      |
|---------------------------------|--------------|--------------|--------------|---------------|---------------|----------------|
| <b>Profit after taxation</b>    | <b>-0.53</b> | <b>10.33</b> | <b>94.41</b> | <b>124.52</b> | <b>290.25</b> | <b>1053.98</b> |
| Earning Per Share (Basic)       | 0.00         | 0.431        | 3.93         | 5.19          | 8.28          | 15.05          |
| Earning Per Share (Diluted)     | 0.00         | 0.431        | 3.93         | 5.19          | 8.28          | 15.05          |
| Return on Net Worth (%)         | 0.00         | 11.69        | 51.65        | 40.52         | 39.09         | 40.11          |
| Net Asset Value per Share (Rs.) | 52.03        | 58.91        | 121.85       | 204.87        | 46.41         | 27.09          |
| Weighted Average No. of Shares  | 2400000      | 2400000      | 2400000      | 2400000       | 3504384       | 7004658        |

#### Notes:

(1) The Ratios have been computed as below:

Diluted Earning Per Share (Rs)=  $\frac{\text{Net Profit attributable to Equity Shareholders}}{\text{Weighted average No. of Equity Share outstanding during the period/year}}$

Net Asset Value per Share (Rs)=  $\frac{\text{Net Worth at the end of the Year}}{\text{Equity Shares at the end of the year}}$

Return on Net Worth (%)=  $\frac{\text{Net profit After Tax}}{\text{Net Worth at the end of the year}}$

(2) Profit & Loss as restated has been considered for the purpose of computing the above ratios

(3) Bonus Issue of 2250000 shares issued on 4<sup>th</sup> August 2006 is consider for all the periods from financial year 2001-2002 as per Para 24 & 44 of AS-20

(4) 5,00,000 Equity shares issued during the reporting period as part of the consideration in an amalgamation in the nature of purchase of M/S KAVERI AGRITEK are included in the calculation of the weighted average number of shares from the date of the purchase as per Para 18 of AS-20

**ANNEXURE – VIII**  
**CAPITALISATION STATEMENTS**

(Rs. in lakhs)

| Particulars                                | Pre Issue<br>(as on 31.03.2007) | Post Issue |
|--------------------------------------------|---------------------------------|------------|
| Loans - Secured and Unsecured              |                                 |            |
| Short Term Debt                            | 351.11                          |            |
| Long Term Debt                             | 838.23                          |            |
| <b>Total Debt</b>                          | <b>1189.34</b>                  |            |
| Shareholder's Fund                         |                                 |            |
| Share Capital                              | 970.00                          |            |
| Reserves & Surplus                         | 1693.53                         |            |
| Sub- Total                                 | <b>2663.53</b>                  |            |
| Less: Preliminary Expenses not written off | 35.76                           |            |
| <b>Total Shareholder Fund</b>              | <b>2627.77</b>                  |            |
| <b>Long Term Debt/ Equity</b>              | <b>0.32</b>                     |            |

**ANNEXURE – IX**

**STATEMENT OF TAX SHELTER**

(Rs. in lakhs)

| PARTICULARS                                                   | Financial Year ended on |               |                |                |               |               |
|---------------------------------------------------------------|-------------------------|---------------|----------------|----------------|---------------|---------------|
|                                                               | 31-Mar-02               | 31-Mar-03     | 31-Mar-04      | 31-Mar-05      | 31-Mar-06     | 31-Mar-07     |
| Profit/(Loss) before tax and extraordinary items as per books | 1.25                    | 21.74         | 119.76         | 179.06         | 412.49        | 1591.74       |
| Tax Rate (B)- %                                               | 35.70                   | 36.75         | 35.88          | 36.60          | 33.66         | 33.66%        |
| <b>Adjustments –</b>                                          |                         |               |                |                |               |               |
| Dividend Received                                             | 0                       | 0             | 52.24          | 48.24          | 119.88        | 73.52         |
| Expenses/ Income                                              | 1.99                    | 1.00          | 3.16           | 0.62           | 2.47          | -243.02       |
| <b>Profit Before Tax (A)</b>                                  | <b>3.24</b>             | <b>22.74</b>  | <b>70.68</b>   | <b>131.44</b>  | <b>295.08</b> | <b>1275.2</b> |
| <b>Tax thereon C = (A X B)</b>                                | <b>1.16</b>             | <b>8.35</b>   | <b>25.35</b>   | <b>47.70</b>   | <b>97.44</b>  | 429.23        |
| <b>Permanent Differences (D)</b>                              |                         |               |                |                |               |               |
| Loss/ Profit on sale of fixed assets                          | 0                       | 0             | 0              | 0              | 0             | 243.02        |
| <b>Total Permanent Difference</b>                             | <b>0</b>                | <b>0</b>      | <b>0</b>       | <b>0</b>       | <b>0</b>      | <b>243.02</b> |
| <b>Timing Difference (E)</b>                                  |                         |               |                |                |               |               |
| Depreciation                                                  | 1.74                    | (3.98)        | (10.32)        | (12.27)        | 12.22         | -3.37         |
| Disallowance u/s 43 B (Net)                                   | 0                       | 0             | 0              | 0              | 0             | 0             |
| <b>Total Timing Difference</b>                                | <b>1.74</b>             | <b>(3.98)</b> | <b>(10.32)</b> | <b>(12.27)</b> | <b>12.22</b>  | <b>-3.37</b>  |
| Net Adjustments F = (D + E)                                   | 1.74                    | (3.98)        | (10.32)        | (12.27)        | 12.22         | 239.65        |
| Tax Expenses/(Saving) thereon G = (F X B)                     | 0.62                    | (1.46)        | (3.70)         | (4.49)         | 4.11          | 57.53         |
| <b>Total Tax (Current Tax)</b>                                | <b>1.78</b>             | <b>6.89</b>   | <b>21.65</b>   | <b>43.21</b>   | <b>101.55</b> | <b>486.76</b> |

| PARTICULARS                                       | Financial Year ended on |           |           |           |           |           |
|---------------------------------------------------|-------------------------|-----------|-----------|-----------|-----------|-----------|
|                                                   | 31-Mar-02               | 31-Mar-03 | 31-Mar-04 | 31-Mar-05 | 31-Mar-06 | 31-Mar-07 |
| H = (C -/+ G)                                     |                         |           |           |           |           |           |
| Taxable income as per MAT (I)                     | 0                       | 0         | 0         | 0         | 0         | 0         |
| Tax as per MAT (J)                                | 0                       | 0         | 0         | 0         | 0         | 0         |
| Tax (K) = Higher of H or J                        | 1.78                    | 6.89      | 21.65     | 43.21     | 101.55    | 486.76    |
| Exceptional Items (L)                             | 0                       | 0         | 0         | 0         | 0         | 0         |
| Tax on Exceptional Items M = (L X B)              | 0                       | 0         | 0         | 0         | 0         | 0         |
| Tax on Profit after Exceptional Items N = (K + M) | 1.78                    | 6.89      | 21.65     | 43.21     | 101.55    | 486.76    |

#### ANNEXURE – X

#### PARTICULARS OF OTHER INCOME RECEIVED

( in Rs. Lakhs)

| PARTICULARS                                          | Financial Year ended on |             |              |              |               |               |
|------------------------------------------------------|-------------------------|-------------|--------------|--------------|---------------|---------------|
|                                                      | 31-Mar-02               | 31-Mar-03   | 31-Mar-04    | 31-Mar-05    | 31-Mar-06     | 31-Mar-07     |
| 1. Dividend Received                                 | 0                       | 0           | 52.24        | 48.24        | 119.88        | 73.52         |
| 2. Capital Gain                                      | 0                       | 0           | 11.82        | 1.51         | 19.24         | 65.57         |
| 3. Interest Received                                 | 0                       | 5.17        | 5.91         | 9.74         | 1.85          | 3.90          |
| 4. Processing Charges and Freight forwarding, others | 8.31                    | 0.18        | 5.74         | 7.37         | 14.58         | 3.61          |
| <b>Total</b>                                         | <b>8.31</b>             | <b>5.35</b> | <b>75.71</b> | <b>66.86</b> | <b>155.55</b> | <b>146.60</b> |

Note: The other income accrued over the period of last five years is non-recurring in nature and has arisen out of business activities and activities other than the normal course of business.

## OUR PROMOTER GROUP ENTITIES

We have five Promoter Group Entities, namely:

1. G.V.B. Constructions Private Limited
2. Ganga Kaveri Sugars Private Limited
3. M/s. Growmore Farms
4. M/s. Kaveri Sales Corporation
5. M/s. Kaveri Agriteck
6. Bhaskara Investments

### 1. G.V.B. Constructions Private Limited

G.V.B. Constructions Private Limited was incorporated on February 19, 1998, having registration number 01-28935 of 1997 – 98 and CIN U70100AP1998PTC028935 with registered office at 513-B, Minerva Complex, S.D. Road, Secunderabad, Andhra Pradesh. G.V.B. Constructions Private Limited is authorised to carry on the business of construction, building and developing land. However, the company has not been carrying on any business since its incorporation. However, the company purchased 9.30 acres of land in December 1998 at a cost of Rs.38,49,662/-. Further, the company has sold a part of land measuring 3.22 acres at a sale consideration of Rs. 85,78,000/- in the financial year 2004-05 resulting in a capital gain of Rs.62,08,977/-. Similarly, in the financial year 2005-06, a part of land measuring 0.15 acres was sold for Rs.15,00,000/- resulting in a capital gain of Rs. 11,05,163/-.

#### Board of Directors as on March 31, 2007

| Sr. No. | Directors                          |
|---------|------------------------------------|
| 1.      | Mr. Gundavaram Venkata Bhaskar Rao |
| 2.      | Mrs. Gundavaram Vanaja Devi        |
| 3.      | Mr. C. Janardhan Reddy             |

#### Shareholding Pattern as on March 31, 2007

| Shareholders                       | No. of Shares Held | Percentage of Shareholding |
|------------------------------------|--------------------|----------------------------|
| Mr. Gundavaram Venkata Bhaskar Rao | 5,100              | 50%                        |
| Mr. C. Janardhan Reddy             | 5,100              | 50%                        |
| <b>Total</b>                       | <b>10,200</b>      | <b>100%</b>                |

#### Financial Performance

| Particulars                         | (Rs.)     |           |           |
|-------------------------------------|-----------|-----------|-----------|
|                                     | FY2007    | FY2006    | FY2005    |
| Equity Capital                      | 1,02,000  | 1,02,000  | 1,02,000  |
| Reserves*                           | 57,82,693 | 58,00,297 | 49,50,328 |
| Income (i.e Long Term Capital Gain) | NIL       | 11,05,163 | 62,08,977 |
| Profit after Tax                    | (17,604)  | 8,49,969  | 49,50,328 |
| Earning Per Share (Rs.)             | NIL       | 83.33     | 485.32    |
| Net Worth                           | 58,84,693 | 59,02,297 | 50,52,328 |
| Net Asset Value (Rs.)               | 577.91    | 578.65    | 49.53     |

\* Excluding revaluation reserves.

### 2. Ganga Kaveri Sugars Private Limited

Ganga Kaveri Sugars Private Limited was incorporated on September 30, 2002, having registration number 01-39694 of 2002 – 03 and CIN U15429AP2002PTC39694 with registered office at No. 1406, 14<sup>th</sup> Floor, Babhukhan Estate, Basheerbagh, Hyderabad 500 001, Andhra Pradesh. Ganga Kaveri Sugars Private Limited is authorised to carry on the business of manufacturing sugar and allied products from sugar cane, beetroot, sugar molasses etc. However, the company has not been carrying on any business since its incorporation. The company had purchased 3.80 acres of land at Madhapur

near Hyderabad in 2005 at a total cost of Rs. 8.5 Crores. In order not to keep the existing land idle, the company has entered into a memorandum of understanding and joint development agreement on January 19, 2006 with M/s Puravankara Projects Limited, Mumbai. As one of the terms of this MOU the company has given its land for the proposed development and in return M/s Puravankara Projects Limited has paid a security deposit of seven crores (Rs.7,00,00,000/-). The said security amount was deposited by the company as a fixed deposit with Andhra Bank, M.G.Road, Secunderabad and the interest of Rs 8, 15,080/- was earned on the same during the financial year 2005-06. Since the company did not carry on any business, the reserves were nil during the financial years 2003-04 and 2004-05.

**Board of Directors as on March 31, 2007**

| Sr. No. | Directors                          |
|---------|------------------------------------|
| 1.      | Mr. Muppidi Narashimha Reddy       |
| 2.      | Mr. Muppidi Vijender Reddy         |
| 3.      | Mr. Muppidi Srikanth Reddy         |
| 4.      | Mr. Gundavaram Venkata Bhaskar Rao |
| 5.      | Mr. Muppidi Harish Reddy           |
| 6.      | Dr. Gundavaram Pawan               |

**Shareholding Pattern as on March 31, 2007**

| Shareholders                       | No. of Shares Held | Percentage of Shareholding |
|------------------------------------|--------------------|----------------------------|
| Mr. Muppidi Narashimha Reddy       | 1,500              | 25%                        |
| Mr. Muppidi Vijender Reddy         | 1,500              | 25%                        |
| Mr. Muppidi Srikanth Reddy         | 1,500              | 25%                        |
| Mr. Gundavaram Venkata Bhaskar Rao | 1,500              | 25%                        |
| <b>Total</b>                       | <b>6,000</b>       | <b>100%</b>                |

**Financial Performance**

| Particulars                                         | (Rs.)     |          |          |
|-----------------------------------------------------|-----------|----------|----------|
|                                                     | FY 2007   | FY2006   | FY2005   |
| Equity Capital                                      | 6,00,000  | 6,00,000 | 6,00,000 |
| Reserves*                                           | 27,87,284 | 4,75,484 | NIL      |
| Total Income ( Interest on fixed deposit with Bank) | 36,43,156 | 8,15,080 | NIL      |
| Profit after Tax                                    | 23,11,800 | 4,75,484 | NIL      |
| Earning Per Share (Rs.)                             | 385.30    | 79.25    | NIL      |
| Net Worth                                           | 28,26,314 | 5,35,484 | 60,000   |
| Net Asset Value (Rs.)                               | 471.05    | 89.24    | 10       |

\* Excluding revaluation reserves.

**3. M/s. Growmore Farms**

M/s Growmore Farms is a registered partnership firm established in the year 1996; vide partnership deed dated April 1, 1996 M/s. Growmore Farms currently has its office at No. 3-45-166, D-1, Vikrampuri Colony, Secunderabad, Andhra Pradesh. The firm is engaged in the business of agricultural research, development, seed production and marketing.

In the case of M/s. Kaveri Agriteck, the business, assets and liabilities were purchased, and therefore there was felt a need to have a non-compete and non-hire agreement to protect the interests of the Company after acquiring the same. In case of M/s. Growmore Farms, only the land of M/s. Growmore Farms has been purchased by our Company. Hence, our Company does not propose to enter into and non-compete and non-hire agreement with M/s. Growmore Farms.

Further, during the Financial Year 2006-2007 M/s. Growmore Farms sold 65.7 acres of land to our Company, after which the said firm has ceased its business activities. However, M/s. Growmore Farms still owns approximately 6000 sq. yards of land at Ranga Reddy District and therefore this entity has not been dissolved.

**Partners of M/s. Growmore Farms as on March 31, 2007**

| Partners                           | Stake       |
|------------------------------------|-------------|
| Mr. Gundavaram Venkata Bhaskar Rao | 25%         |
| Mrs. Gundavaram Vanaja Devi        | 20%         |
| Dr. Gundavaram Madhushree          | 20%         |
| Dr. Gundavaram Pawan               | 20%         |
| Mr. Rangineni Venu Manohar Rao     | 15%         |
| <b>Total</b>                       | <b>100%</b> |

**Financial Performance**

(Rs.)

| Particulars      | For the Financial Year ended March 31 |             |             |
|------------------|---------------------------------------|-------------|-------------|
|                  | 2007                                  | 2006        | 2005        |
| Partners Capital | NIL                                   | 94,84,125   | 86,92,738   |
| Sales            | NIL                                   | 1,22,64,566 | 2,78,28,960 |
| Net Profit       | NIL                                   | 62,32,641   | 72,28,317   |

**4. M/s. Kaveri Sales Corporation**

M/s. Kaveri Sales Corporation is a partnership firm established in the year 2003; vide partnership deed dated August 25, 2003. M/s. Kaveri Sales Corporation currently has its principal place of business at 140/A/1, Kandlakoi, Medchal Mandal, Ranga Reddy District. The firm was engaged in the business of marketing of micro nutrients, straight nutrients, bio-fertilizers, bio-activators, bio-pesticides and agricultural implements.

However, as on March 31, 2005, the firm has ceased all its business activities. M/s. Kaveri Sales Corporation was the sole distributor of M/s. Kaveri Agriteck's products in the state of Andhra Pradesh and promoted by our Promoters. Kaveri Agriteck used to sell its products to Kaveri Sales Corporation which used to further sell these products to the final consumer through distributors, thereby availing the second sale (sales tax) exemption (as the first sale made by Kaveri Agriteck was taxed and the subsequent sale by Kaveri Sales Corporation were exempted). Since, VAT was introduced in Andhra Pradesh with effect from April 01, 2006, Kaveri Sales Corporation does not enjoy the second sale exemption and therefore the partners of M/s. Kaveri Sales Corporation have decided to discontinue its operations and close the business and settle all its assets and liabilities.

In view of our management's decision to close the business and settle all its assets and liabilities, the assets were realized and liabilities were discharged and the balance amount was distributed amongst the partners. Hence, as on March 31, 2006 there were no assets, liabilities and partners' capital in the firm.

M/s. Kaveri Sales Corporation has not been dissolved as on date. M/s. Kaveri Sales Corporation has filed five (5) criminal complaints against various parties under Section 138 of the Negotiable Instruments Act for dishonour of cheques issued in favour of M/s. Kaveri Sales Corporation, and has also filed one civil case for recovery of outstanding amounts. Disclosure of the same has been made in the chapter titled '*Outstanding Litigation, Material Development and Other Disclosures*' under the head '*Cases filed by M/s. Kaveri Sales Corporation*' on page no. 166 of this Red Herring Prospectus. The pendency of these cases is the reason why M/s. Kaveri Sales Corporation has not been dissolved.

The circumstances vis-à-vis M/s. Kaveri Agriteck and our Company are not the same, as our Company has not taken over the assets, liabilities or business of M/s. Kaveri Sales Corporation. The takeover by our Company of assets, liabilities and business was restricted to M/s. Kaveri Agriteck. There is no consideration for M/s. Kaveri Sales Corporation to enter into a Non-Compete and Non-Hire Agreement with the Company. Hence, our Company does not propose to enter into a Non-Compete and Non-Hire Agreement with M/s. Kaveri Sales Corporation

**Partners of M/s. Kaveri Sales Corporation as on March 31, 2007**

| Partners                           | Stake  |
|------------------------------------|--------|
| Mr. Gundavaram Venkata Bhaskar Rao | 35%    |
| Mrs. Gundavaram Vanaja Devi        | 17.50% |
| Dr. Gundavaram Pawan               | 22.50% |

|                                |        |
|--------------------------------|--------|
| Mr. Rangineni Venu Manohar Rao | 12.50% |
| Mr. Chennameneni Vamsheedhar   | 12.50% |

### **Financial Performance**

(Rs.)

| Particulars      | For the Financial Year ended March 31 |      |             |
|------------------|---------------------------------------|------|-------------|
|                  | 2007                                  | 2006 | 2005        |
| Partners Capital | NIL                                   | NIL  | 5,92,999    |
| Sales            | NIL                                   | NIL  | 7,48,85,016 |
| Net Profit       | NIL                                   | NIL  | 5,38,223    |

### **5. M/s. Kaveri Agriteck**

M/s. Kaveri Agriteck is a registered partnership firm established in the year 2002; *vide* partnership deed dated September 19, 2002. M/s. Kaveri Agriteck had its office at 513B, 5<sup>th</sup> Floor, Minerva Complex, S.D. Road, Secunderabad 500 003, Andhra Pradesh. The said firm was engaged in the business of producing Bio Products and Micro Nutrients.

Our Company, on September 20, 2006 acquired the business, assets and liabilities of M/s. Kaveri Agriteck for a total sale consideration of Rs. 50,00,000/-. The consideration for the said acquisition was paid *via* an issue of 5,00,000 fully paid up equity shares of Rs. 10/- each, to the partners of M/s. Kaveri Agriteck.

The valuation of M/s. Kaveri Agriteck was done in August, 2006 and the acquisition of assets and liabilities took place during September, 2006. The acquisition was based on the valuation done by M/s. Lalith Prasad and Co. Chartered Accountants, Hyderabad and our Company has paid a consideration of Rs. 50,00,000/- taking the above valuation as the base. This valuation was arrived at considering the profits of the previous three years and the projected profitability of the next two years. The said valuation has been certified by M/s. Lalith Prasad and Co. Chartered Accountants *vide* their certificate dated August 24, 2006

M/s. Kaveri Agriteck has filed a total of thirty (30) criminal complaints against various parties under Section 138 of the Negotiable Instruments Act for dishonour of cheques issued in favour of M/s. Kaveri Agriteck. Disclosure of the same has been made under the head '*Cases filed by M/s. Kaveri Agriteck*' in the chapter titled '*Outstanding Litigation, Material Development and Other Disclosures*' beginning on page no. 158 of this Red Herring Prospectus. The pendency of these cases is the reason why M/s. Kaveri Agriteck has not been dissolved, despite the said sale of assets, liabilities and business.

Our Company purchased the business, assets and liabilities of M/s. Kaveri Agriteck on September 20, 2006, but this sale did not include the transfer of outstanding litigations, and outstanding litigations of M/s. Kaveri Agriteck, which pertain to debts of period prior to the sale, are to be pursued by M/s. Kaveri Agriteck.

Our Company has applied for transfers of all the trade marks that belonged to M/s. Kaveri Agriteck as well as all the government and statutory approvals in the name of M/s. Kaveri Agriteck. For further details, please refer to the chapter titled '*Government / Statutory Approvals*' beginning on page no. 169 of this Red Herring Prospectus.

The intention behind the sale of the assets, liabilities and business of M/s. Kaveri Agriteck was that the business being pursued by that firm, *viz.* bio-products and micro-nutrients, was to be carried on by our Company. In this context, pursuant to sale of assets, liabilities and business for consideration of Rs. 50,00,000/-, it was deemed necessary to have a formal agreement with M/s. Kaveri Agriteck so that they were prohibited from competing with our Company in the same line(s) of business even after the sale of assets, liabilities and business to our Company.

Hence, we have entered into a Non-Compete and Non-Hire Agreement dated March 12, 2007, with the said firm. The salient features of the said Non-Compete and Non-Hire Agreement are as under:

Without the prior consent of our Company in writing, M/s. Kaveri Agriteck shall not, directly or indirectly engage in any of the following activities:

- Sell, transfer or disclose either directly or indirectly to any party, person, firm or company any knowledge, information, trade secrets, etc. relating to and businesses conducted/being conducted by our Company pursuant to acquisition of M/s. Kaveri Agriteck with the exception of any information generally available to the public as on the date of this Non-Compete and Non-Hire Agreement.

- Carry on, or intend to propose to carry on any of the business carried on by M/s. Kaveri Agriteck or our Company The obligations of M/s. Kaveri Agriteck under this Non-Compete and Non-Hire Agreement shall be perpetual in nature.
- M/s. Kaveri Agriteck shall not, directly or indirectly enter into any agreement, arrangement, contract, writing or document by whatever name called with the clients or customers of the business that had been transferred pursuant to the said acquisition of the business, assets and liabilities of M/s. Kaveri Agriteck by our Company.
- Without the prior consent of our Company in writing, M/s. Kaveri Agriteck shall not, directly or indirectly hire or employ, or attempt to hire or employ, whether as employees or as consultants or otherwise, any employee of our Company or any person who had been an employee of our Company for any period in three years before such person was agreed to be hired/employed by or on behalf of M/s. Kaveri Agriteck or other related person/entity in terms of this Clause. It is stated that it is immaterial for the purposes of this restriction that any employee or ex-employee of our Company applied on his or her own accord and was not approached by or on behalf of M/s. Kaveri Agriteck or any other related person or entity mentioned hereinabove.
- M/s. Kaveri Agriteck irrevocably agrees to indemnify our Company for any losses, claims and costs (including legal costs) which our Company may incur due to any defect in the title of assets, the liabilities as on September 20, 2006 being transferred pursuant to the said acquisition of the business, assets and liabilities of M/s. Kaveri Agriteck by our Company, as also for the consequences of the breach of any other provision of or representation contained in this Non-Compete and Non-Hire Agreement.

**Partners of M/s. Kaveri Agriteck as on March 31, 2007**

| Partners                           | Stake       |
|------------------------------------|-------------|
| Mr. Gundavaram Venkata Bhaskar Rao | 35%         |
| Mrs. Gundavaram Vanaja Devi        | 17.5%       |
| Dr. Gundavaram Pawan               | 22.5%       |
| Mr. Rangineni Venu Manohar Rao     | 12.5%       |
| Mr. Chennameneni Vamsheedhar       | 12.5%       |
| <b>Total</b>                       | <b>100%</b> |

**Financial Performance**

| Particulars      | For the Financial Year ended March 31 |             |             |
|------------------|---------------------------------------|-------------|-------------|
|                  | 2007                                  | 2006        | 2005        |
| Partners Capital | NIL                                   | 26,26,885   | 6,40,584    |
| Sales            | NIL                                   | 6,44,52,364 | 6,77,95,707 |
| Net Profit       | NIL                                   | 18,38,439   | 10,92,327   |

(Rs.)

**6. Bhaskara Investments**

Bhaskara Investments is a proprietary concern of Mr. Gundavaram Venkata Bhaskar Rao, our Promoter and Chairman-cum-Managing Director. It has not carried on business except for purchase of 5 acres of land near Gundla Pochampally, Hyderabad in the year 1995 for a total consideration of Rs. 3,00,000/-. As the said concern did not carry on any business, no financials have been prepared and further the said land has not been used for any purpose whatsoever since its purchase. However, the same land has been leased to our Company on April 01, 2006 for Rs. 1,50,000 per annum and these lease rentals will be included in the total income of the proprietor, Mr. Gundavaram Venkata Bhaskara Rao.

## DETAILS OF COMPANIES / FIRMS FROM WHICH PROMOTERS HAVE DISASSOCIATED

During the last three years, our Promoters have not disassociated themselves from any companies/ partnership firms except:

| Name of the Entity     | Relation                                                                                                                                                                                                   | Reason and date of disassociation                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| M/s. Madhu Enterprises | Our Promoters, Mr. Gundavaram Venkata Bhaskar Rao and Dr. Gundavaram Madhushree were the partners of this partnership firm along with Ms. R. Neeraja <i>vide</i> partnership deed dated November 12, 2003. | M/s. Madhu Enterprises was promoted by Mr. Gundavaram Venkata Bhaskar Rao, Dr. Gundavaram Madhushree and Ms. R. Neeraja with the objective of organizing seed production. Organizing seed production is done in vast agricultural lands of growers and requires heavy manpower. However, the firm could not find the required manpower. Hence, the partners dissolved the said firm <i>vide</i> dissolution deed dated March 31, 2006. |

## DETAILS OF GROUP COMPANIES WHOSE NAMES HAVE BEEN STRUCK OFF FROM REGISTRAR OF COMPANIES

None of the companies promoted by our promoters has been struck off the record of Registrar of Companies as “defunct companies”.

## PROMOTER GROUP ENTITIES REFERRED TO BIFR/ UNDER WINDING UP/HAVING NEGATIVE NET WORTH

NIL

## COMMON PURSUITS

M/s Growmore Farms, one of our Promoter Group Entities, is a registered partnership firm established in the year 1996 which was engaged in the business of producing foundation seed. We used to purchase the foundation seed from this firm. However, since a major portion of the lands of M/s. Growmore Farms was purchased by our Company in this current financial year, M/s. Growmore Farms has ceased production of foundation seed since April 1, 2006. Further, there is no non-compete agreement between our Company and M/s. Growmore Farms on account of the said common pursuit between our Company and the said firm. For further details on transactions between M/s Growmore Farms and our Company, please refer to the chapter titled ‘*Related Party Transactions*’ beginning on page no. 110 of this Red Herring Prospectus.

M/s. Kaveri Sales Corporation, one of our Promoter Group Entities, is a partnership firm established in the year 2003 which was engaged in the business of marketing of micro nutrients, straight nutrients, bio-fertilizers, bio-activators, bio-pesticides and agricultural implements. However, as on March 31, 2005, the firm has ceased all its business activities. Further, there is no non-compete agreement between our Company and M/s. Kaveri Sales Corporation on account of the said common pursuit between our Company and the said firm.

M/s. Kaveri Agriteck, one of our Promoter Group Entities, is a registered partnership firm established in the year 2002 which was engaged in the business of producing Bio Products and Micro Nutrients. Our Company, on September 20, 2006 acquired the business, assets and liabilities of M/s. Kaveri Agriteck. Pursuant to the said acquisition, M/s. Kaveri Agriteck has not yet been dissolved. However, we have entered into a Non-Compete and Non-Hire Agreement dated March 12, 2007, with the said firm. For further details on transactions between M/s Kaveri Agriteck and our Company, please refer to the chapter titled ‘*Related Party Transactions*’ beginning on page no. 110 of this Red Herring Prospectus.

**DETAILS OF PUBLIC ISSUE / RIGHTS ISSUE OF CAPITAL IN THE LAST THREE YEARS**

Our aforesaid Promoter Group Entities have not come out with any public issues / rights issues in the last three years. Further, none of our aforesaid Promoter Group Entities are listed on any stock exchanges.

**CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS**

There have been no changes in the accounting policies of our Company in the last three years.

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

*You should read the following discussion and analysis of our Company's financial condition and results of operations together with our restated financial statements included in this Red Herring Prospectus, along with the section titled 'Financial Statements' beginning on page no. 112 of this Red Herring Prospectus. You should also read the section titled 'Risk Factors' beginning on page no. x of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. The following discussion relates to our Company and is based on our Company's restated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act. The following discussion is also based on internally prepared statistical information and on publicly available information. Our Company's fiscal year ends on March 31, so all references to a particular fiscal year of the Company are to the 12-month period ended March 31. Certain industry, technical and financial terms used in this discussion shall have the meanings ascribed to them in the section titled 'Definitions and Abbreviations' beginning on page no. i of this Red Herring Prospectus.*

### **Overview**

We are one of the few recognized agri-input companies in India. The other recognized seed producers in India in terms of value are Monsanto, Syngenta, JK Agri-genetics, Advanta, etc., whose approximate turnover from their seeds business is Rs. 18,497 lakhs, Rs. 15,381 lakhs, Rs. 6,366 lakhs and Rs. 4,633 lakhs, respectively, for the financial year 2005-06. Our Company has achieved a total turnover of Rs. 4,816.74 lakhs for the financial year 2005-06. On the basis of the volume, we believe that we are one of the recognized seed producers in the country. Moreover, our total sales for the financial year 2006-07 amounted to Rs. 6577.16 lakhs." Further, we have consistently been able to improve our turnover by establishing credibility among the farming community.

We are mainly into the business of production, processing and marketing of high quality hybrid seeds for different crops like corn, sunflower, cotton, paddy, grain sorghum, etc. and have recently forayed into micronutrients and bioproducts.

Mr. Gundavaram Venkata Bhaskar Rao, a graduate in agricultural science, is one of the founder Promoters of our Company. He started the business of seed production of public bred varieties of corn, bajra, sunflower on his own lands in the village of Gatla Narsingapur, Karimgar District, Andhra Pradesh. Subsequently, our Company was incorporated on August 27, 1986 at Hyderabad.

We have attained over twenty years of experience in this business and are proceeding further towards realizing our objective of developing seeds having superior yield potential, drought tolerance, tolerance to pests and diseases etc.

We currently have production, processing and R&D facilities in Andhra Pradesh and Karnataka. Our research mainly focuses on developing superior hybrids in different crops like corn, cotton, sunflower, paddy, bajra, etc. All the hybrids developed by our R&D team are marketed under the brand name of 'Kaveri Seeds'. Our in-house R&D facilities located at Ranga Reddy District are recognized by the Department of Science & Technology, Government of India. We expect our R&D facilities to drive the future growth of our Company.

We have an extensive marketing network with loyal and committed distributors and dealers in Karnataka, Tamilnadu, Maharastra & Andhra Pradesh. We have recently entered other states such as Bihar, Madhya Pradesh, Gujarat, Uttar Pradesh, Punjab, Haryana and Rajasthan, where the response received has prompted us to enter these states in a big way.

In the year 2002, our Promoters began a new venture to produce and market bio-pesticides, bio-fertilizers, micronutrients, fertilizer mixtures & plant growth regulators under the name and style of "M/s. Kaveri Agriteck", a partnership firm. This firm started a manufacturing unit at Hyderabad and was marketing its products in Karnataka, Andhra Pradesh and in some parts of Tamilnadu and Maharashtra. The products were marketed under the brand name "Microteck". M/s. Kaveri Agriteck had a strong marketing network in Karnataka and Andhra Pradesh and a dealers' network was being developed in other states as well.

Seeds, bio-fertilizers, micronutrients etc. are related products having the same end user i.e. the farmer, and are usually sold through similar dealer networks. With a view of achieving the benefit of synergy in marketing the aforesaid products, our Company, acquired the business, assets and liabilities of M/s. Kaveri Agriteck for a total sale consideration of Rs. 50,00,000/- on September 20, 2006. The Microteck division was added to our business pursuant to the acquisition of assets and liabilities

of Kaveri Agriteck. We believe that this acquisition would enable us to address the needs of the farmers like plant protection and nourishment.

Our focus is to be a leading provider of crop solutions to the farmer by supplying high yielding hybrid seeds and crop management products namely micronutrients, bioproducts etc. For achieving this, we are engaging in research and development efforts in the areas of superior breeding programmes and biotechnology tools that will enable us to develop highly effective and differentiated hybrid seeds, micronutrients and bioproducts.

We have entered into a sub-licensing agreement with Mahyco Monsanto Biotech (India) Limited on March 9, 2004, whereby, a non-exclusive and non-transferable sub-license has been granted to our Company.

Further, Mahyco Monsanto Biotech (India) Limited shall provide or cause to be provided cotton planting seed that exhibits a reduced damage from boll worms as well as certain other insects, embodying Bt. genes for use by our Company. Subsequently, our Company may carry out further activities associated with its regular course of business towards preparation of the genetically modified planting seed so modified using the aforesaid Bt. genes and for subsequent sale to the farmers.

This enables us to enter into Bt. Cotton market and adds another variety to our existing product portfolio. We have already initiated the process of developing the hybrid seed using this technology. We have developed a new hybrid KCH -135 “Encounter” and trial is being undertaken. The trial run has been successful and we have received a very good response from farmers. We will be starting the commercial sale during this year.

We have also entered into a non-exclusive licensing agreement with JK Agri Genetics Limited for using insect tolerant seed lines for producing, testing, marketing and selling genetically modified hybrid cotton planting seed in India.

The seed market is dynamic in nature. Once a hybrid seed is developed and introduced in the market, its acceptability gradually declines over a period of time. Therefore, we need to consistently introduce different high quality hybrids in the market to ensure sustainable growth levels in our revenues. Each new hybrid developed attracts the attention of farming community. Consistent focus and efforts on R & D enable us to come with improvised version of hybrids in each of the seeds that we are producing. We have our own land resources to the extent of 186.68 acres in AP and Karnataka and also taken on lease 86.65 acres in AP for undertaking R & D activity. We are planning to acquire another 200 acres out of the proceeds of the issue around Hyderabad, Alwar and Ahmedabad would further strengthen our R & D capabilities and put us in a leadership position among our competitors.

Exploitation of results of Research & Development need strong back up of infrastructure like production & processing facilities, sales & distribution network. We plan to automate our processing plants at Kandlakoi, Gundla Pochampally, Gatala Narsingapur, Bellary and open marketing offices at Delhi, Lucknow, Ahmedabad and Aurangabad. Our proposed marketing offices will make us stronger in northern and western parts of the country where we anticipate high growth rate and for our hybrid seed.

Microteck division has been an important addition to our business. Now our expanded business includes manufacturing of micro-nutrients and bio-products which have a promising future. With this acquisition we can provide complete crop solutions to farmers. Kaveri Agriteck's turnover as on March 31, 2006 and September 30, 2006 was Rs. 644.52 lakhs and Rs. 269.70 lakhs respectively.

We have a very good human resource pool comprising of three hundred and twenty three (323) employees out of which more than 50% are in marketing and sales, fifty five (55) people are in research and remaining are in production, processing and administration.

Our sales and profit after tax (PAT) for the period ended March 31, 2007 are 6577.16 lakhs and 1053.98 lakhs respectively and for the period ended March 31, 2006 are 4816.74 lakhs and 293.21 lakhs respectively.

#### **Factors affecting our results of operations**

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

#### ***Demand for Agri-inputs***

The agri-inputs industry produces products that provide essential support to modern agriculture. Seeds are one of the most critical inputs in agricultural production. Improvements in quality and production of seeds along with an improved agronomy have brought about several modern agricultural productivity improvements, including increased food production to keep pace with increased domestic as well as global demand from population and economic growth. Since rapid urbanization and development over the last few decades has reduced the total area of land under cultivation, substantially higher crop yields and multiple cropping have become increasingly important for meeting domestic as well as global demand for food. The demand for seeds and other agri-inputs that augment production of crops is expected to continue. Our ability to capitalize on this increasing demand will be the key factor to our success of operations.

### ***Competition***

We face substantial competition due to technological advances by our competitors in various facets of the agri-inputs business. We compete with other seed manufacturers on the basis of availability of products, product range, product traits as well as for production inputs, such as arable land and seed growers. Further, the introduction of biotechnology has resulted in the entry of various agro-input companies into the seed industry, thus increasing the competition in the industry.

In most facets of the agri-inputs business, the number of products available to the farmer is steadily increasing as new products are introduced. As a result, we anticipate that we will continue to face newer and different competitive challenges. The period for developing and commercializing a hybrid can run into several years. If a competitor introduces a better product, it could take a long period for us to develop a suitably competing product, which could have a material adverse effect on our business, results of operations and financial condition.

Some of our competitors may have, or are subsidiaries of large international corporations that have, significantly greater resources than those available to us. If we are unable to compete effectively, including in terms of pricing or providing quality products, our market share may decline, which could have a material adverse effect on our financial condition and results of operations.

### ***Seasonality and weather conditions***

The seed agri-inputs business is highly seasonal in our country. Our raw material supplies are seasonal and our sales are also seasonal in nature. Thus, we are subject to seasonal factors, which make our operating results relatively unpredictable. We recognize revenues upon the sale of our seed agri-input products. Our sales activities, as far as seeds are concerned, take place only after the seeds have been planted, harvested and prepared for sale. Traditionally, the revenues recorded during planting and harvesting seasons are traditionally lower compared to revenues recorded during the periods following such seasons. During periods of lower sales activities, we may continue to incur substantial operating expenses, but our revenues may bear usually much lower or delayed or reduced. Due to the inherent seasonality of our business, results of one reporting period (quarter/half year/year) may not be necessarily comparable with preceding or succeeding reporting periods.

### ***Ability to attract, recruit and retain key personnel.***

The agri-inputs business we are involved in is highly specialized in nature and the available, especially skilled technical and marketing, talent pool is limited. Further, each producer has its own set of customized products and processes, and it takes substantial time and resources to adequately train human resource talent to understand and adapt to the producer's business. The future success of our business will also depend on our ability to identify, attract, hire, train, retain and motivate skilled technical and managerial personnel, who may be highly sought by competing entities. Competition for qualified agribusiness professional personnel is intense given the limited supply of such personnel, and our professionals are highly sought after by our competitors. If we fail to hire and retain sufficient numbers of key personnel, primarily skilled R&D, technical, sales and marketing personnel, qualified personnel for functions such as research and development, production, marketing and sales, operations, our business operating results and financial condition could be adversely affected.

For a detailed discussion on the factors that affect our results of operations, please refer to the chapter titled 'Risk Factors' beginning on page no. x of this Red Herring Prospectus.

## **COMPONENTS OF REVENUE & EXPENDITURE**

### **Revenues**

Our Company's total income consists primarily of revenues from sales operations and other income. Our Company's sales income principally consists of sales of hybrid seeds produced by the Company. We have other additional sources of income, which is principally comprised of investment income.

(in Rs. Lakhs)

| Particulars             | Year Ended     |                |                |                |                |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
|                         | 31-Mar-03      | 31-Mar-04      | 31-Mar-05      | 31-Mar-06      | 31-Mar-07      |
| <b>Income</b>           |                |                |                |                |                |
| Sales                   | 2359.52        | 3887.77        | 4755.34        | 4816.74        | 6577.16        |
| Increase/Decrease in %  | 31.48          | 64.77          | 22.32          | 1.29           | 36.55          |
| Other Income            | 5.35           | 75.71          | 66.86          | 155.55         | 146.60         |
| As a % of total income  | 0.22           | 1.91           | 1.39           | 3.13           | 5.75           |
| <b>Total Income (A)</b> | <b>2364.87</b> | <b>3963.48</b> | <b>4822.20</b> | <b>4972.29</b> | <b>6723.76</b> |

**Sales Revenue**

Our Company derives revenues from sale of hybrid seeds produced by the Company, including paddy, sunflower, corn, bajra, cotton, etc.

The following is the sales mix in terms of percentage of total sales of our Company for different products

| Particulars    | For the yr ended |                |                |                |
|----------------|------------------|----------------|----------------|----------------|
|                | 2007             | 2006           | 2005           | 2004           |
| Corn           | 42.39%           | 42.95%         | 42.85%         | 46.08%         |
| Sunflower      | 26.02%           | 28.91%         | 28.13%         | 27.24%         |
| Paddy          | 10.56%           | 08.24%         | 09.21%         | 06.88%         |
| Cotton         | 05.60%           | 08.50%         | 10.35%         | 10.99%         |
| Bajra          | 07.18%           | 08.92%         | 07.78%         | 06.79%         |
| Others         | 02.10%           | 02.48%         | 01.68%         | 02.02%         |
| Micronutrients | 06.14%           | -              | -              | -              |
| <b>Total</b>   | <b>100.00%</b>   | <b>100.00%</b> | <b>100.00%</b> | <b>100.00%</b> |

The following is the sales mix in terms of value of total sales of our Company for different products

| Particulars    | For the yr ended (in Rs. Lakhs) |                |                |                |
|----------------|---------------------------------|----------------|----------------|----------------|
|                | 2007                            | 2006           | 2005           | 2004           |
| Corn           | 2788.25                         | 2068.79        | 2037.66        | 1791.48        |
| Sunflower      | 1711.49                         | 1392.52        | 1337.68        | 1059.03        |
| Paddy          | 472.43                          | 396.90         | 437.97         | 267.48         |
| Cotton         | 3679.96                         | 409.43         | 492.18         | 427.27         |
| Bajra          | 694.51                          | 429.65         | 369.96         | 263.98         |
| Others         | 138.37                          | 119.45         | 79.89          | 78.53          |
| Micronutrients | 404.09                          | -              | -              | -              |
| <b>Total</b>   | <b>6577.16</b>                  | <b>4816.74</b> | <b>4755.34</b> | <b>3887.77</b> |

**Other Income**

Our Company's other income is principally comprised of investment income.

**Sundry Debtors**

The following table presents the details of our Company's sundry debtors.

| Particulars                                                        | Year Ended |           |           |           |           |
|--------------------------------------------------------------------|------------|-----------|-----------|-----------|-----------|
|                                                                    | 31-Mar-07  | 31-Mar-06 | 31-Mar-05 | 31-Mar-04 | 31-Mar-03 |
| Debts outstanding for a period exceeding six months (in Rs. Lakhs) | 433.00     | 278.07    | 157.48    | 74.13     | 80.14     |
| As a % of total                                                    | 24.81      | 26.55%    | 16.77%    | 7.92%     | 19.12%    |

| Particulars                                                            | Year Ended |           |           |           |           |
|------------------------------------------------------------------------|------------|-----------|-----------|-----------|-----------|
|                                                                        | 31-Mar-07  | 31-Mar-06 | 31-Mar-05 | 31-Mar-04 | 31-Mar-03 |
| debtors                                                                |            |           |           |           |           |
| Debts outstanding for a period not exceeding six months (in Rs. Lakhs) | 1312.13    | 769.37    | 781.63    | 862.03    | 338.89    |
| As a % of total debtors                                                | 75.19%     | 73.45%    | 83.23%    | 92.08%    | 80.87%    |
| Total - Sundry Debtors (in Rs. Lakhs)                                  | 1745.13    | 1047.45   | 939.11    | 936.16    | 419.03    |
| Avg. Debtors (in Rs. Lakhs)                                            | 1369.00    | 993.28    | 937.61    | 677.60    | 399.24    |
| Debtor Turnover Ratio                                                  | 3.67       | 3.72      | 4.30      | 4.81      | 5.10      |
| Average Collection Period ( in days)                                   | 99         | 98        | 85        | 76        | 72        |

The debtors' turnover ratio for the financial year 2006-07 is 3.67 times. If we compare this with the previous year's ratio i.e 3.72 times, there is no high variation.

However, for the last few years the major debtors of the Company are Karnataka State Seeds Corporation and Andhra Pradesh State Seed Development Corporation from whom payment is realized in 4 to 5 months and therefore there is a gradual decrease in debtors' turnover ratio from 5.1 times in 2002-03 to 3.67 times in 2006-07.

### **Expenditure**

Our Company's operating expenditure consists of (i) procurement and processing charges, (ii) establishment charges, (iii) selling and distribution expenses and (iv) finance charges.

*Procurement and Processing Charges:* Procurement and Processing Charges include seed procurement charges from contract growers, lease rentals and organizer service charges.

*Establishment Charges:* Establishment Charges include employee remuneration and benefits include (i) salaries, wages and performance bonus payments to our employees, (ii) contributions made to provident, gratuity and superannuation funds, (iii) expenses relating to staff welfare, (iv) travelling expenses and other administration expenses etc.

*Selling and Distribution expenses:* Selling and Distribution expenses include (i) sales promotion expenses (ii) customer incentive expenses, such as discounts, claims and rebates, (iii) advertisement expenses, (iv) freight and forwarding expenses and (v) farmers' and dealers' meetings expenses.

*Finance Charges:* Finance charges include (i) interest payable on loans and credit facilities (ii) other miscellaneous bank charges.

*Depreciation:* It includes depreciation on plant and machinery

## **RESULTS OF OPERATIONS**

### **Statement of profits and losses**

The following table sets forth, for the fiscal years indicated, certain items derived from our Company's audited restated financial statements, in each case stated in absolute terms and as a percentage of total sales and/or total revenue

(in Rs. Lakhs)

| Particulars                                                    | Year Ended     |                |                |                |                |
|----------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                                                | 31-Mar-07      | 31-Mar-06      | 31-Mar-05      | 31-Mar-04      | 31-Mar-03      |
| <b>Income</b>                                                  |                |                |                |                |                |
| Sales                                                          | 6577.16        | 4816.74        | 4755.34        | 3887.77        | 2359.52        |
| Increase/Decrease in %                                         | 36.55          | 1.29           | 22.32          | 64.77          | 31.48          |
| Other Income                                                   | 146.61         | 155.55         | 66.86          | 75.71          | 5.35           |
| As a % of total sales                                          | (5.75)         | 3.13           | 1.39           | 1.91           | 0.22           |
| <b>Total Income (A)</b>                                        | <b>6723.76</b> | <b>4972.29</b> | <b>4822.20</b> | <b>3963.48</b> | <b>2364.87</b> |
| <b>Expenditure</b>                                             |                |                |                |                |                |
| Material Consumption                                           | 2871.52        | 3037.37        | 3561.62        | 3256.37        | 1914.53        |
| Increase/Decrease in %                                         | (5.46)         | (14.72)        | 9.37           | 70.09          | 35.95          |
| As a % of total sales ( excluding other income)                | 43.66          | 63.06          | 74.90          | 83.76          | 81.14          |
| Establishment Expenses                                         | 660.59         | 402.85         | 262.62         | 235.93         | 166.69         |
| Increase/Decrease in %                                         | 63.98          | 53.40          | 11.31          | 41.54          | 5.79           |
| As a % of total sales ( excluding other income)                | 10.04          | 8.36           | 5.52           | 6.07           | 7.06           |
| Selling & Distribution Expenses                                | 1333.49        | 978.90         | 751.14         | 302.66         | 220.22         |
| Increase/Decrease in %                                         | 36.22          | 30.32          | 148.18         | 37.44          | 11.18          |
| As a % of total sales ( excluding other income)                | 20.27          | 20.32          | 15.80          | 7.78           | 9.33           |
| Interest & Financial Charges                                   | 142.90         | 67.13          | 14.45          | 7.85           | 3.28           |
| Increase/Decrease in %                                         | 112.80         | 364.57         | 84.08          | 139.32         | (13.68)        |
| As a % of total sales ( excluding other income)                | 2.17           | 1.39           | 0.30           | 0.20           | 0.14           |
| <b>Total Expenditure (B)</b>                                   | <b>5008.50</b> | <b>4486.25</b> | <b>4589.83</b> | <b>3802.81</b> | <b>2304.72</b> |
| Increase/Decrease in %                                         | <b>11.64</b>   | <b>(2.26)</b>  | <b>20.70</b>   | <b>65.00</b>   | <b>30.38</b>   |
| As a % of total sales ( excluding other income)                | <b>76.14</b>   | <b>93.14</b>   | <b>96.51</b>   | <b>97.81</b>   | <b>97.68</b>   |
| <b>Profit before Depreciation, Tax and Extraordinary items</b> | <b>1715.26</b> | <b>486.04</b>  | <b>232.37</b>  | <b>160.67</b>  | <b>60.15</b>   |
| As a % of total sales                                          | <b>26.08</b>   | <b>9.77</b>    | <b>4.82</b>    | <b>4.05</b>    | <b>2.54</b>    |
| Increase/Decrease in %                                         | <b>252.91</b>  | <b>109.17</b>  | <b>44.63</b>   | <b>167.12</b>  | <b>71.03</b>   |
| Depreciation                                                   | 123.52         | 73.55          | 53.31          | 40.91          | 38.41          |
| <b>Net Profit Before Tax &amp; Extra Ordinary Items (A-B)</b>  | <b>1591.74</b> | <b>412.49</b>  | <b>179.06</b>  | <b>119.76</b>  | <b>21.74</b>   |
| As a % of total sales                                          | <b>24.20</b>   | <b>8.30</b>    | <b>3.71</b>    | <b>3.02</b>    | <b>0.91</b>    |
| Income Tax (Current)                                           | 486.76         | 101.55         | 43.21          | 21.65          | 6.89           |
| Deferred Tax (Asset)/Liability                                 | 9.17           | (4.09)         | 4.49           | 3.70           | 1.44           |
| Fringe Benefit Tax Paid                                        | 41.83          | 21.82          | 0              | 0              | 0              |
| <b>Net Profit Before Extra Ordinary Items</b>                  | <b>1053.98</b> | <b>293.21</b>  | <b>131.36</b>  | <b>94.41</b>   | <b>13.41</b>   |
| As a % of total sales                                          | <b>16.02</b>   | <b>5.90</b>    | <b>2.72</b>    | <b>2.40</b>    | <b>0.57</b>    |
| <b>Extra Ordinary Items:</b>                                   |                |                |                |                |                |
| Tax Adjustment                                                 | 0              | 2.96           | 6.84           | 0              | 3.08           |
| <b>Net Adjustment</b>                                          | <b>0</b>       | <b>2.96</b>    | <b>6.84</b>    | <b>0</b>       | <b>3.08</b>    |
| <b>Net profit After Tax and Extra Ordinary Items</b>           | <b>1053.98</b> | <b>290.25</b>  | <b>124.52</b>  | <b>94.41</b>   | <b>10.33</b>   |
| As a % of total sales                                          | <b>16.02</b>   | <b>5.84</b>    | <b>2.58</b>    | <b>2.38</b>    | <b>0.44</b>    |
| Increase/Decrease in %                                         | <b>263.13</b>  | <b>133.10</b>  | <b>31.89</b>   | <b>814</b>     | <b>-</b>       |

## **Fiscal year ended March 31, 2007 compared with the fiscal year ended March 31, 2006**

### *Income*

Total income increased by Rs. 1741.47 lakhs, or 35.22, from Rs. 4972.29 lakhs in the fiscal year ended March 31, 2006 to Rs. 6723.76 lakhs in the fiscal year ended March 31, 2007. This is due to 36.55% increase in sales compared to the fiscal year ended March 31, 2006. The increase in total income is due to the increase in total sales.

### *Sales Revenue*

Total sales increased by Rs. 1760.42 lakhs or 36.55%, from Rs. 4816.74 lakhs in the fiscal year ended March 31, 2006 to Rs. 6577.16 lakhs in the fiscal year ended March 31, 2007.

This higher percentage of increase is mainly attributable to make over of the Company to value based sales and precisely because of the following

- a) High realization in hybrids of cotton, bajra and paddy
- b) Increase in sale of sunflower

Further, on September 20, 2006 the Company has acquired assets and liabilities of promoter group entity i.e Kaveri Agriteck. Microteck division was added pursuant to this acquisition. The revenues of this division for this period were 404.08 lakhs. Hence, this is also another important factor for increase of sales revenue.

### *Other Income*

Other income decreased by Rs. 8.94 lakhs or 5.75%, from Rs. 155.55 lakhs in the fiscal year ended March 31, 2006 to Rs. 146.61 lakhs in the fiscal year ended March 31, 2007. This is because of sale of part of investments by the Company.

### *Expenditure*

Expenditure increased by Rs. 522.25 lakhs, or 11.64%, from Rs. 4486.25 lakhs in the fiscal year ended March 31, 2006 to Rs. 5008.50 lakhs in the fiscal year ended March 31, 2007.

Overall expenditure has increased mainly because of the increase in establishment expenses, selling and distribution expenses and partly because of increase in other like depreciation and finance charges. Further, finance charges were increase in loan amount. However, the percentage increase in expenditure is lesser than the percentage increase in sales because of the reduction in material consumption.

### *Material Consumption*

Material consumption decreased by Rs.165.85 lakhs or 5.46% from Rs.3037.37 lakhs to in the fiscal year ended March 31, 2006 to Rs. 2871.52 lakhs in the fiscal year ended March 31, 2007. This decrease in material consumption is mainly attributable to the cost of the foundation seed that goes as a main component of the raw material. Earlier the Company used to purchase the foundation seed from M/s. Growmore Farms and now it has acquired all the lands belonging to M/s. Growmore Farms and produces foundation on its own. Therefore, the cost of the raw material has gone down by a large extent.

Further, the cost of material consumption as a percentage of total sales was reduced from 63.06% to 43.66% . This is because Company has been able to realize better margins on hybrids like cotton, bajra and paddy. For example, earlier the company was selling hybrids in cotton, bajra and paddy at lesser value. During the year 2006-07 these hybrids have generated a better realization without not much increase in cost of production.

### *Research and development expenditure*

During the financial year our Company has incurred expenditure on research and development amounting to Rs. 143.44 lakhs that has been included in total cost of material consumption. This expenditure forms 2.8% of the total expenditure and 5% of the total cost of material consumption respectively.

### *Establishment Expenses*

These expenses were increased by Rs. 257.44 lakhs or 63.98%, from Rs. 402.85 lakhs in the fiscal year ended March 31, 2006 to Rs. 660.59 lakhs in the fiscal year ended March 31, 2007.

With the growing business, the Company engaged more personnel (from 254 in the financial year 2005-06 to 323 in the financial year 2006-07) , particularly marketing department which has lead to the growth in business and there by the incidental expenses on traveling and vehicle maintenance have significantly gone up. Therefore, the main reason for increase in establishment expenses is increase in salaries, traveling expenses and vehicles maintenance.

### *Selling & Distribution Expenses*

These expenses increased by Rs. 354.59 or 36.22%, from Rs. 978.90 lakhs in the fiscal year ended March 31, 2006 to Rs. 1333.49 lakhs in the fiscal year ended March 31, 2007.

This increase is line with the increase in total sales and is also due to the increased efforts put in by the Company to boost the growth. Therefore, the main reasons for increase in selling and distribution expenses is increase in promotional expenses and various schmes that involve giving gifts, etc announced by the Company

### *Net Profit after Tax and Extraordinary items*

Net profit has been increased by 760.77 lakhs or 263.13%, from Rs. 290.25 lakhs in the fiscal year ended March 31, 2006 to Rs.1053.98 lakhs in the fiscal year ended March 31, 2007.

As the company is moving towards more value based selling, the realizations are higher than the earlier years and further they were increased without any corresponding increasing their cost of material consumption. Therefore, the main reason for high increase is 5.75% reduction in cost of material consumed and very high realization in hybrids of cotton, bajra and paddy and increase in sales of sunflower hybrid.

For a further comparison of assets and liabilities for the fiscal year ended March 31, 2007 with the fiscal year ended March 31, 2006, please refer to the heading titled '*Comparison of assets and liabilities as on the March 31, 2007 with the assets and liabilities as on March 31, 2006*' in the chapter titled '*Summary*' beginning on page no. 1 of this Red Herring Prospectus.

## **Fiscal year ended March 31, 2006 compared with the fiscal year ended March 31, 2005**

### *Income*

Total income increased by Rs. 150.09 lakhs, or 3.11%, from Rs.4822.20 lakhs in the fiscal year ended March 31, 2005 to Rs. 4972.29 lakhs in the fiscal year ended March 31, 2006. This is due to 1.74% increase in other income and 1.29% increase in sales compared to the fiscal year ended March 31, 2005.

### *Sales Revenue*

Total sales increased by Rs. 61.4 lakhs or 1.29%, from Rs. 4755.34 lakhs in the fiscal year ended March 31, 2005 to Rs. 4816.74 lakhs in the fiscal year ended March 31, 2006.

The company's major revenue is derived from two products namely corn and sunflower. During the year, the sales of sunflower variety Kaveri -678 were affected because of the unfavourable weather conditions in Karnataka. This had a negative impact on the growth of sales. However, the overall sales have not been decreased because one of the other varieties of sunflower Kaveri-618 had done well and this has enabled very low increase in sales.

### *Other Income*

Other income increased by Rs. 88.69 lakhs or 132.65%, from Rs. 66.86 lakhs in the fiscal year ended March 31, 2005 to Rs. 155.55 lakhs in the fiscal year ended March 31, 2006.

This is mainly due to increase in dividend received and capital gain by Rs. 71.64 lakhs, 17.73 lakhs respectively as the company has received increased dividend on its investments in mutual funds and capital gain on sale of part of investments in mutual funds.

### *Expenditure*

Expenditure decreased by Rs. 103.58 lakhs, or 2.26%, from Rs. 4589.83 lakhs in the fiscal year ended March 31, 2005 to Rs. 4486.25 lakhs in the fiscal year ended March 31, 2006.

This is mainly due to 14.72% decrease in cost of material consumption compared to the fiscal year ended March 31, 2005.

### *Material Consumption*

Material consumption decreased by Rs.524.25 lakhs or 14.72% from Rs.3561.62 lakhs to in the fiscal year ended March 31, 2005 to Rs. 3037.37 lakhs in the fiscal year ended March 31, 2006.

This decrease in material consumption is mainly attributable the reduction in cost of developing the agricultural land for the purpose of a particular crop. These developmental expenses incurred during the preceding period the same developed land is used during the financial year 2005-06.

#### *Establishment Expenses*

These expenses increased by Rs. 140.23 lakhs or 53.40%, from Rs. 262.62 lakhs in the fiscal year ended March 31, 2005 to Rs. 402.85 lakhs in the fiscal year ended March 31, 2006. Increased selling and distribution expenses have had an effect on these expenses also. This high increase in establishment expenses is due to increase in salaries, traveling expenses and vehicle maintenance.

#### *Selling & Distribution Expenses*

These expenses increased by Rs. 227.76 or 30.32%, from Rs. 751.14 lakhs in the fiscal year ended March 31, 2005 to Rs. 978.90 lakhs in the fiscal year ended March 31, 2006.

Generally sales promotion expenses are incurred by both the Company and distributors. However, when subsidy sales are announced by state governments, company has to bear entire promotional expenses. Hence this increase is mainly due to the promotional expenses borne by us totally, as subsidy sales announced by the Karnataka and the AP state governments.

#### *Net Profit after Tax and Extraordinary items*

Net profit has been increased by Rs. 165.73 or 133.09%, from Rs. 124.52 lakhs in the fiscal year ended March 31, 2005 to Rs. 290.25 lakhs in the fiscal year ended March 31, 2006.

Though the total sales of the Company have increased marginally, but the cost material consumption was decreased by a higher percentage. Hence this contributed the increase in net profit after tax. Precisely, the increase in Net Profit after Tax is because of 14.72% reduction in cost of material consumed thereby effecting a 2.26% reduction of total expenditure.

### **Fiscal year ended March 31, 2005 compared with the fiscal year ended March 31, 2004**

#### *Income*

Total income increased by Rs. 858.72 lakhs, or 21.66%, from Rs. 3963.48 lakhs in the fiscal year ended March 31, 2004 to Rs. 4822.20 lakhs in the fiscal year ended March 31, 2005. This is due to 22.32% increase in sales compared to the fiscal year ended March 31, 2004.

#### *Sales Revenue*

Total sales increased by Rs. 867.57 lakhs or 22.32%, from Rs. 3887.77 lakhs in the fiscal year ended March 31, 2004 to Rs. 4755.34 lakhs in the fiscal year ended March 31, 2005.

During the financial year, the Company has come out with varieties of hybrids in different products. This increase is mainly attributable to overall increase in sales of all varieties of seeds.

#### *Other Income*

Other income decreased by Rs. 8.85 lakhs or 11.69%, from Rs. 75.71 lakhs in the fiscal year ended March 31, 2004 to Rs. 66.86 lakhs in the fiscal year ended March 31, 2005. This is due to decrease in dividend received and capital gain by Rs. 4.00 lakhs, Rs. 10.31 lakhs respectively. This decrease is due to sale of some of our investment in mutual funds.

#### *Expenditure*

Expenditure increased by Rs. 787.02 lakhs, or 20.70%, from Rs. 3802.81 lakhs in the fiscal year ended March 31, 2004 to Rs. 4589.83 lakhs in the fiscal year ended March 31, 2005. This is due to 148.18% increase in selling & distribution expenses compared to the fiscal year ended March 31, 2004. This is mainly due to very high increase in cost of packing material.

#### *Material Consumption*

Material consumption in terms of value and percentage increased by Rs. 305.25 lakhs and 9.37%, from Rs. 3256.37 lakhs in the fiscal year ended March 31, 2004 to Rs. 3561.62 lakhs in the fiscal year ended March 31, 2005. The reason for increase in the same is increased growth of the Company which has led to less than proportionate increase in material consumption.

#### *Establishment Expenses*

These expenses increased by Rs. 26.69 lakhs or 11.31%, from Rs. 235.93 lakhs in the fiscal year ended March 31, 2004 to Rs. 262.62 lakhs in the fiscal year ended March 31, 2005. This is due to the general increase in sales. With a good growth percentage in sales, the establishment expenses like salaries, traveling expenses and maintenance have normally gone up.

#### *Selling & Distribution Expenses*

These expenses increased by Rs. 448.48 lakhs or 148.18%, from Rs. 302.66 lakhs in the fiscal year ended March 31, 2004 to Rs. 751.14 lakhs in the fiscal year ended March 31, 2005. This extraordinary increase is due to various promotional expenses incurred and introduction of several new schemes for selling as the competition was very high.

### *Net Profit after Tax and Extraordinary items*

Net profit has been increased by Rs. 30.11 lakhs or 31.89%, from Rs. 94.41 lakhs in the fiscal year ended March 31, 2004 to Rs. 124.52 lakhs in the fiscal year ended March 31, 2005. This is because of reduction in total expenditure compared to the fiscal year ended March 31, 2004. This is due to the lesser increase in expenditure compared to the increase in sales.

### **Fiscal year ended March 31, 2004 compared with the fiscal year ended March 31, 2003**

#### *Income*

Total income increased by Rs. 1598.61 lakhs, or 67.60%, from Rs. 2364.87 lakhs in the fiscal year ended March 31, 2003 to Rs. 3963.48 lakhs in the fiscal year ended March 31, 2004. This is due to 64.77% & 1315.14% increase in sales and other income respectively, compared to the fiscal year ended March 31, 2004.

#### *Sales Revenue*

Total sales increased by Rs. 1528.25 lakhs or 64.77%, from Rs. 2359.52 lakhs in the fiscal year ended March 31, 2003 to Rs. 3887.77 lakhs in the fiscal year ended March 31, 2004. Total sales were increased mainly due to the introduction of a new sunflower hybrid Kaveri- 678 and phenomenal increase in sales of sunflower hybrid Kaveri-618.

#### *Other Income*

Other income increased by Rs. 70.36 lakhs or 1315.14%, from Rs. 5.35 lakhs in the fiscal year ended March 31, 2003 to Rs. 75.71 lakhs in the fiscal year ended March 31, 2004. This is due to dividend received and capital gain amounting to Rs. 52.24 lakhs, Rs. 11.82 lakhs respectively.

#### *Expenditure*

Expenditure increased by Rs. 1498.09 lakhs, or 65.00%, from Rs. 2304.72 lakhs in the fiscal year ended March 31, 2003 to Rs. 3802.81 lakhs in the fiscal year ended March 31, 2004. This is due to 70.09% increase in raw material consumption compared to the fiscal year ended March 31, 2003. The increase is mainly due to the introduction of sunflower hybrids in new areas (In the first year, cost price is higher due to the change of soil application). Further increase in establishment expenses, selling and distribution expenses has also added to the overall increase in expenditure.

#### *Material Consumption*

Material consumption in terms of value and percentage increased by Rs.1341.84 lakhs and 70.09%, from Rs. 1914.53 lakhs in the fiscal year ended March 31, 2003 to Rs.3256.37 lakhs in the fiscal year ended March 31, 2004. The reason for increase in the same is increased growth of the Company which has lead to increased material consumption

#### *Establishment Expenses*

These expenses increased by Rs. 69.24 lakhs or 41.54%, from Rs. 166.69 lakhs in the fiscal year ended March 31, 2003 to Rs. 235.93 lakhs in the fiscal year ended March 31, 2004. This is mainly due to increase in staff employed in R & D.

With the growing business, the Company engaged more personnel, particularly marketing department which has lead to the growth in business and there by the incidental expenses on traveling and vehicle maintenance have significantly gone up. Therefore, the main reason for increase in establishment expenses is increase in salaries, traveling expenses

#### *Selling & Distribution Expenses*

These expenses increased by Rs. 82.44 lakhs or 37.44%, from Rs. 220.22 lakhs in the fiscal year ended March 31, 2003 to Rs. 302.66 lakhs in the fiscal year ended March 31, 2004. The increased sales warranted for this increase in expenses.

This increase is line with the increase in total sales and is also due to the increased efforts put in by the Company to boost the growth. Therefore, the main reasons for increase in selling and distribution expenses is increase in promotional expenses, freight and forwarding and dealers' meeting expenses

### *Net Profit after Tax and Extraordinary items*

Net profit has been increased by Rs. 84.08 lakhs or 813.93%, from Rs. 10.33 lakhs in the fiscal year ended March 31, 2003 to Rs. 94.41 lakhs in the fiscal year ended March 31, 2004.

This is because higher increase in sales compared to the fiscal year ended March 31, 2003. Further, it is attributable to better efficiency of operations and increase in other income.

### **Liquidity and Capital Resources**

Historically, our primary liquidity requirements have been to finance our working capital needs and our capital expenditures. Our Company's business requires a significant amount of working capital to finance the purchase of materials and to process the seed products before payment is received from customers. To fund these costs, we have relied on short-term and other borrowings, including working capital financing, and on cash flows from operating activities.

### **Cash Flows**

The table below sets forth our Company's cash flows for the periods indicated:

( in Rs. Lakhs)

| Particulars                                            | Year Ended |           |           |           |           |
|--------------------------------------------------------|------------|-----------|-----------|-----------|-----------|
|                                                        | Ended      |           |           |           | Half year |
|                                                        | 31-Mar-03  | 31-Mar-04 | 31-Mar-05 | 31-Mar-06 | 31-Mar-07 |
| Net Cash from Operating Activities                     | 409.86     | 277.53    | 141.57    | (330.25)  | 201.48    |
| Net Cash from Investing Activities                     | (106.55)   | (278.55)  | (1308.42) | (189.22)  | (508.12)  |
| Net Cash from Financing Activities                     | (12.79)    | (16.88)   | 1007.94   | 522.87    | 451.66    |
| Net Increase / (Decrease) in Cash and Cash Equivalents | 290.52     | (17.90)   | (158.91)  | 3.40      | 145.02    |

### **Cash Flows from Operating Activities**

Our Company's net cash from operating activities in the fiscal year ended March 31, 2007 was Rs. 201.48 lakhs. The difference was mainly attributable to better operational performance of the Company whereby the Company has generated an operating profit of Rs. 1715.17 lakhs.

Our Company's net cash from operating activities in the fiscal year ended March 31, 2006 was Rs. (330.25) lakhs, although our Company's profit before tax for such period was Rs. 412.49 lakhs. The difference was mainly attributable to a decrease in trade payables of Rs. 697.96 lakhs, an increase in loans & advances of Rs. 188.36 lakhs and an increase in trade and other receivables of Rs. 108.34 lakhs. These were partially offset by an increase in current liabilities of Rs. 447.79 lakhs.

Our Company's net cash from operating activities in the fiscal year ended March 31, 2005 was Rs. 141.57 lakhs, although our Company's profit before tax for such period was Rs. 179.06 lakhs. The difference was mainly attributable to an increase in loans and advances of Rs. 315.11 lakhs, decrease in trade payables of Rs. 165.18 lakhs, decrease in trade receivables of 2.85 lakhs and increase in income tax payment of Rs. 28.40 lakhs. These were partially offset by an increase in current liabilities of Rs. 455.08 lakhs.

Our Company's net cash from operating activities in the fiscal year ended March 31, 2004 was Rs. 277.53 lakhs, although our Company's profit before tax for such period was Rs. 119.76 lakhs. The difference was mainly attributable to an increase in trade payables of Rs. 728.96 lakhs, increase in current liabilities of Rs. 111.81 lakhs and an increase in inventories of Rs. 55.47 lakhs. These were partially offset by a decrease in trade and other receivables of Rs. 517.13 lakhs and a decrease in loans & advances of Rs. 178.48 lakhs.

### **Cash Flows from Investment Activities**

Our Company's net cash from investing activities was Rs. (508.12) lakhs, Rs. (189.22) lakhs, Rs. (1308.42) lakhs and Rs. (278.55) lakhs in Fiscal 2007, 2006, 2005 and 2004, respectively.

Our Company's net cash from investing activities reflects investments consisting of (i) purchase of fixed assets; (ii) purchase/sale of investments; (iii) dividend received; and (v) interest received/paid.

### **Cash Flows from Financing Activities**

Our Company's net cash from financing activities was Rs. 451.66 lakhs Rs. 522.87 lakhs, Rs. 1007.94 lakhs and Rs. (16.88) lakhs in Fiscal 2007, 2006, 2005 and 2004, respectively.

The net cash provided by financing activities in the fiscal year ended March 31, 2007 was Rs. 451.66 lakhs comprised of the proceeds from issue of equity shares at premium.

The net cash provided by financing activities in the fiscal year ended March 31, 2006 was Rs. 522.87 lakhs comprised of increase in proceeds from long term and short term borrowings and proceeds from issue of equity shares, which was partially offset by a Rs. 46.31 lakhs interest paid.

The net cash provided by financing activities in Fiscal 2005 was Rs. 1007.94 lakhs comprised of an increase in long term borrowing and an increase of Rs. 6.60 lakhs in interest paid

The net cash provided by financing activities in Fiscal 2004 was Rs. (16.88) lakhs comprised of a Rs. 9.03 lakhs repayment of long term borrowings and Rs. 7.85 lakhs interest paid.

#### ***Indebtedness***

As of March 31, 2007, our Company had secured indebtedness of Rs. 1189.34 lakhs . For a description of the restrictive covenants of such indebtedness, please refer to the section titled '*Risk Factors*' beginning on page no. x of this Red Herring Prospectus.

#### ***Contingent Liabilities***

As of March 31, 2007 our company had contingent liabilities amounting to Rs. 14.20 lakhs comprising (i)Counter Guarantees given for obtaining Bank Guarantees from various Banks amounting to Rs. 10.75 lakhs and (ii) Claims Against the Company not Acknowledged as debts (Court Cases pending Against the Company) amounting to Rs. 3.45 lakhs.

### **SWOT ANALYSIS**

#### **STRENGTHS**

##### ***We are one of the leading seed producers in the country.***

The leading seed producers in India in terms of value are Monsanto, Syngenta, JK Agri-genetics, Advanta, etc., whose approximate turnover from their seeds business is Rs. 18,497 lakhs, Rs. 15,381 lakhs, Rs. 6,366 lakhs and Rs. 4,633 lakhs, respectively, for the financial year 2005-06. Our Company has achieved a total turnover of Rs. 4,816.74 lakhs for the financial year 2005-06. Further, our various hybrids in the market include twelve varieties of corn (Kaveri 244+, 244, 225, 235, 2020, 2288, 280, 218, 07, 50, 218+, 2020+), five varieties of sunflower (Kaveri-618, 631, 678, 642 and 618 extra), six varieties of cotton (Kaveri - 707+, 707, 766, 135, 155 and 119) and thirteen varieties of paddy (BPT – 5204, Erramallelu, IET-1444, IR-64, MTU-1001, JGL-1798, MTU-1010, MTU-7029, Tellahamsa, 9090 Sona, No – 10, Super Sona). On the basis of the volume and variety of our various hybrids, we believe that we are one of the leading seed producers in the country. Further, such hybrids are adaptable with conditions including *inter alia* varied agro-climates and soil types. Moreover, our total sales for the financial year 2006-07 amounted to Rd. 6577.16 lakhs.

##### ***We have hybrid seeds for a wide range of crops***

We have hybrid seeds for corn, sunflower, cotton, paddy etc. These varieties give us an edge in the market and we have the ability and infrastructure to further develop different hybrids in these crops. Our product portfolio gives us a natural hedge against dependence on any particular crop(s), and we have an advantage to meet changing farmer needs even in the event of crop-shifting by farmers.

##### ***Established brand***

We have been serving the Indian farmers for more than two decades now and have been consistently improving our turnover, as well as our presence and profitability. We have withstood the pressures of competition and continue to serve quality seeds to the Indian farmers. On account of such long standing efforts, farmers recognize our brand "Kaveri seeds" because of its quality. Further, with constant and consistent improvement in performance of our hybrids, augmented with quality, naturally we believe that have become the preferred seed brand for the Indian farmer.

##### ***Our presence in the industry for over two decades***

Our Promoter, Mr. Gundavaram Venkata Bhaskar Rao started the business of seed production of public bred varieties of corn, bajra, sunflower on his own lands in the village of Gatla Narsingapur, Karimgar District, Andhra Pradesh. Subsequently, on August 27, 1986, our Company was incorporated as Kaveri Seed Company Private Limited under the Companies Act, 1956. Our Company has thus been involved in the agri-inputs business for the last two decades. We believe that we are one of the very few players in the industry who have more than more than two decades' experience and have a consistent track record of accomplishment. This experience has helped us in understanding ever-changing needs and demands

of our customers. On account of this long-standing presence in the Indian market, we believe that we enjoy high ranking brand equity and reliability in the farming community.

#### ***Our Research & Development Capabilities***

We have been undertaking R&D for breeding high performance hybrids and also value added micronutrients and bioproducts. We have an experienced and professionally qualified R&D team who are engaged in full time research. Our R&D infrastructure includes 273 acres of farmland and state of the art lab facilities, which we believe makes us a competitive R&D player in the industry. Further, during the financial year 2006-2007 our Company has incurred capital expenditure on research and development amounting to Rs. 861.43 lakhs that has been accounted for in the balance sheet. This expenditure forms 59.5% of the total capital expenditure i.e. Rs. 1448.53 lakhs.

#### ***Marketing & Distribution***

We have a technically skilled marketing team which constitutes almost 50% of our total number of employees. Further we have around 736 distributors across the nation. This enables us to reach all the important markets of the country.

#### ***Owned land for R&D***

R&D is the backbone of the agri-inputs industry and our success depends upon various infrastructure facilities particularly land. Our Company owns approximately 187 acres of farm land. The ownership of such land is integral to the development of our hybrids as the gestation period is anywhere between three to five years. Other advantages include security whereby the hybrids are secured against misuse and piracy. The nature of the agri-inputs industry is such that we require adequate protection of our germplasm and related operations. R&D on third party land carries a higher risk of biopiracy. Of the total land under R&D, over two-thirds ( $2/3^{\text{rd}}$ ) of the land is owned by us. This gives us a unique advantage over most other players in the Indian industry.

#### ***Our focused management***

Our Promoters have been engaged in the seeds business for over two decades, and have gathered valuable experience, insights and goodwill in the market. Our Promoters have always focused on the seeds (and now agri-inputs) business, and their focus has been the driving force behind our success as one of the extremely few Indian companies to succeed and hold their own in a business otherwise dominated by MNCs with far greater resources.

We compete with MNCs on the basis of availability of products, product range, product traits as well as for production inputs, such as arable land and seed growers. Further, the introduction of biotechnology has resulted in the entry of various agro-input companies into the seed industry, thus increasing the competition in the industry. On the basis of the above, we see that in order to effectively compete with the Company's peers, they require not merely significant investment in R&D but also the ability to acquire new technologies. The leading seed producers in India in terms of value are Monsanto, Syngenta, JK Agri-genetics, Advanta, etc. Of these Monsanto, Syngenta and Advanta are MNCs and their approximate turnover from their seeds business is Rs. 18,497 lakhs, Rs. 15,381 lakhs and Rs. 4,633 lakhs, respectively, for the financial year 2005-06. However, the Company has achieved a total turnover of Rs. 4,816.74 lakhs for the financial year 2005-06 which is comparable with the aforesaid MNCs.

#### ***Our infrastructure in R & D***

Kaveri's investment in infrastructure development is phenomenal. R&D main stations measuring 275.42 acres are strategically located around Hyderabad claimed to be India's seed hub. These research facilities enable us to come out with different high quality hybrids suitable for various climatic conditions. Farmers' reliance on our quality seeds today put us in a leadership position in terms of volumes and margins in Sunflower and Corn.

#### ***Our talent pool***

We have very well qualified and outstanding employees who have been instrumental in our success. We have 55 persons working in the research department including 13 scientists. Further almost 50% of our total employees are engaged in marketing and sales who have been on a regular contact with the dealers and distributors.

### **WEAKNESSES**

#### ***Our limited presence in the Northern and Eastern parts of the country***

We have a well knit dealer and distribution network in Southern and Western India. However, we have a limited presence in North Central and Eastern Indian states. We are ready with products suitable for these areas also. We are planning set up of our own marketing offices there. Nevertheless, there is a need to workout the logistics and workforce. This in real terms is an opportunity to spread wings in these areas and make profit from the untapped resources.

#### ***Seasonal nature of business***

Because of the seasonality of our business, our production and processing capacities are under-utilized. But we are overcoming this by introducing new varieties and new crops as well as penetrating into new markets with different seasonalities.

#### ***Our absence in exports***

At present, we do not have any presence in export market. We are evaluating various options for entering the export business, either by ourselves or through a tie-up/strategic partner/collaboration. However, as on the date of filing this Red Herring Prospectus with RoC, we have not yet finalised or taken any concrete steps towards entering the export market. However, the same remains as one of the areas which our Company would definitely like to enter in the future.

### **OPPORTUNITIES**

#### ***Potential of North and East Indian Markets***

The North and East Indian markets offer enormous potential. Of late, farmers have begun to understand the importance of hybridization for improved production and productivity and the demand for hybrid seeds and agri-inputs are growing.

#### ***Farmers' acceptance of new hybrids developed with innovative technologies***

Overall seed replacement ratio i.e. conventional varieties to improved varieties / hybrids, is low in India compared to other developed countries. The Government of India has been stressing upon importance of increasing productivity through improved farm practices. Thus, the farmers have realised the importance of switching over to HYVs / hybrids. This has opened the floodgates for companies like us to cater to their needs. Farmers are willing to pay higher prices for value-added products.

#### ***Increased acceptance of Bt. cotton as a reliable hybrid***

From the total area under cotton cultivation in the country, the proportionate area used for cultivation of Bt.cotton has increased from 6.2% in 2004-05 to 39% in 2006-07. According to a study conducted by IRMB International, of total 91.32 lakh hectares under cotton cultivation in India, about 35.61 lakh hectares is under certified Bt.cotton cultivation. The overall cotton production in the country has also increased from 19.2 million bales in 2005-06 to 21 million bales in 2006-07. The study also reveals that Bt. cotton seeds were able to provide better return on investment to farmers compared to other hybrids.

#### ***Very low levels of hybridization in paddy cultivation***

The total area under paddy cultivation is approximately 42 M Ha out of which less than 1 M Ha is under hybridization. However, the area under hybridization is growing and provides a big opportunity in terms of its growth potential.

#### ***Growing importance for organic farming***

Unjudicious usage of chemicals in farming has affected the fertility of soil, resulting in its steady deterioration. Further, there has been increasing awareness among people as to the hazards posed by pesticide residues in food articles. We have observed that customers are, in several instances, willing to pay a premium for residue-free food products. The horticultural products meant for exports are bound to follow organic farming practices. Organic farming facilitates chemical-free production of food. In fact, recognizing the importance of organic farming, the Central Government and several State Governments have taken several initiatives to promote this concept. We believe that the area under organic farming has been steadily increasing over the past few years. Under the 'Microteck' brand, we are ready with several organic products to cater to the growing demand for organic farming.

### **THREATS**

#### ***Pinching of parent lines for hybrid***

We have a large number of seed growers who have been loyal to our Company for the past 20 years. However, there is always a threat of pinching of parent lines.

#### ***Declining soil fertility***

Soil fertility is declining over the time. Yields have plateaued and started declining because of poor soil fertility. Increased use of chemicals has further aggravated this problem. Keeping this in mind, the Microteck division was started where micro-nutrients and bio-products were manufactured to enable farmers to augment fertility of soil.

#### ***Adverse climatic conditions***

Climatic conditions always play a big role in deciding the type of a crop. Demand for a particular seed varies from year to year based on these conditions. Our wide product mix and retailer net work helps us in minimizing losses in case of adverse climatic conditions.

#### ***Emergence of Multi National Corporations in seed industry***

Seed market is a crowded market but with only a few quality players. Many Indian players could not sustain the onslaught of MNCs. But we could withstand the onslaught because of our complete focus on this industry that enabled us to supply high quality seeds at a competitive price.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

We are exposed to market risk like equity risk and inflation.

#### ***Equity price risk***

Equity price risk arises when we are exposed to changes in the fair value of any traded equity instruments that we may hold due to changes in the equity markets. Our exposure to changes in equity prices is not material to our financial position or results of operations.

#### ***Inflation***

In recent years, although India has experienced fluctuation in inflation rates, inflation has not had material impact on our Company's business and results of operations. According to the Office of the Economic Advisor, Department of Industrial Policy and Promotion, the inflation rate in India was approximately 3.7%, 3.4%, 5.4%, 6.4% and 4.5% in the Fiscal 2002, 2003, 2004, 2005 and 2006, respectively.

### **OTHER INDUSTRY AND COMPANY SPECIFIC INFORMATION**

#### **INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 (A) OF THE DIP GUIDELINES**

#### ***Unusual or Infrequent Events or Transactions***

Except as described in the chapter titled '*Risk Factors*' beginning on page no. x of this Red Herring Prospectus, there have been no other events or transactions to our knowledge, which may be described as "unusual" or "infrequent".

#### ***Known Trends or Uncertainties***

Except as described in the chapter titled '*Risk Factors*' beginning on page no. x of this Red Herring Prospectus there are no known trends or uncertainties that have or had or expected to have any material adverse impact on our revenues or income from continuing operations.

#### ***Future Relationship between Cost and Income***

Except as described in the chapters titled '*Risk Factors*', '*Business Overview*' and '*Management's Discussion and Analysis of Financial Condition and Results of Operations*' beginning on page nos. x, 64 and 142 of this Red Herring Prospectus, to our knowledge there are no known factors that will have a material adverse impact on our operations and finances.

#### ***Seasonality of Business***

The business of the company is seasonal because many of the products it has at present are sold in *Kharif* season though some products are also sold in *Rabi* season. Further, majority of farmers depend on rain for cultivation. Generally rainfall occurs during *Kharif* season and hence, the timing of rainfall also has significant impact on the business of the Company.

Planting and harvesting months of main crops of the company are

| Crop          | Planting Months |             | Harvesting Months |             |
|---------------|-----------------|-------------|-------------------|-------------|
|               | <i>Kharif</i>   | <i>Rabi</i> | <i>Kharif</i>     | <i>Rabi</i> |
| Sunflower     | August          | October     | December          | February    |
| Corn          | May/June        | October     | September         | March       |
| Cotton        | May             | -           | December          | -           |
| Bajra         | June            | November    | September         | March       |
| Paddy         | June            | November    | October           | March       |
| Grain Sorghum | -               | September   | -                 | February    |

Sometimes, if there is a slight change in timing of rain fall, the sales will get deferred from one reporting period to another reporting period.

Our business operations may be materially and adversely affected by seasonal and weather factors, which can materially and adversely affect the quality and quantity of seeds produced. The weather can also affect the presence of disease and pests. Any sudden changes in the local weather could potentially affect a substantial portion of our production in any year and have a material and adverse affect our business, results of operations and financial condition.

### **Competitive Conditions**

For information regarding competition, please refer to page no. 76 under the heading titled '*Our Competition*' in the chapter titled '*Business Overview*' and to risk factor no. 4 in the chapter titled '*Risk Factors*' beginning on page nos. 64 and x of this Red Herring Prospectus, respectively.

### **Significant Developments after the Date of the Last Financial Statement**

#### **License agreement with JK Agri Genetics Ltd.**

We have entered into a licensing agreement with JK Agri Genetics Ltd. on August 04, 2007 whereby a non-exclusive and non-transferable license has been granted to our Company for

- to use JK Technology (i.e shall mean using the insect tolerant seed lines containing Cry 1Ac gene of JK Event 1 which is referred by the name as "X-gene" to produce or cause to be produced, test, market and sell Genetically Modified Hybrid Cotton Planting Seed in India
- right to utilize the services of third parties to act for on behalf of the licensee in conducting those activities directly associated with the Hybrid Cotton Planting Seed Business and which are directed towards the production of Genetically Modified Hybrid Cotton Planting Seed for subsequent sale by the Licensee to farmers
- royalty payment will be 16% of the Net Sales Realization

Except as stated above , to the extent of our knowledge no circumstances have arisen since March 31, 2007, which is the date of the last financial statements as disclosed in this Red Herring Prospectus, that materially and adversely affect or are likely to affect our Company's profitability, our Company's financial condition or our Company's ability to pay its material liabilities within the next 12 months.

### **Significant Accounting Policies**

Our financial statements are prepared on historical cost basis and on going concern basis in accordance with generally accepted accounting principles, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. Certain of our accounting policies are particularly important to the portrayal of our financial position and further details please refer to the heading titled '*Significant Accounting Policies*' in Annexure - III to the section titled '*Financial Statements*' beginning on page no. 112 of this Red Herring Prospectus.

## SECTION VI LEGAL AND REGULATORY INFORMATION

### OUTSTANDING LITIGATION, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

Except as described below, there are no outstanding litigations, suits, civil or criminal prosecutions, proceedings before any judicial, quasi-judicial, arbitral or administrative tribunals, including pending proceedings for violation of statutory regulations or, alleging criminal or economic offences or tax liabilities 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) against our Company, our Directors, our Promoters and our Promoter Group Entities that would have a material adverse effect on our business. Further there are no defaults, non-payments or overdue of statutory dues, institutional/bank dues and dues payable to holders of debentures or fixed deposits and arrears of cumulative preference shares that would have a material adverse effect on our business.

This section has been divided into eight parts

Part 1 Contingent Liabilities of our Company  
Part 2 Litigation relating to our Company  
Part 3 Litigation against our Directors  
Part 4 Litigation relating to our Promoter and Promoter Group Companies  
Part 5 Penalties imposed in past cases  
Part 6 Litigation relating to the seeds industry  
Part 7 Amounts owed to Small Scale Undertakings and other Creditors  
Part 8 Material Developments

The commercialization of Monsanto Company's genetically engineered Bt. cotton seeds in India has ignited a royalty controversy in India. As a result, the State of Andhra Pradesh filed a reference and an application against Monsanto Company and its Indian venture *i.e.* Mahyco Monsanto Biotech (India) Limited before the Monopolies and Restrictive Trade Practices Commission, wherein a temporary injunction was granted by the said Monopolies and Restrictive Trade Practices Commission, directing Mahyco Monsanto Biotech (India) Limited to fix a reasonable trait value on the basis of the trait value charged by Monsanto Company in the neighbouring countries like China.

Mahyco Monsanto Biotech (India) Limited has appealed against this order of the Monopolies and Restrictive Trade Practices Commission before the Supreme Court of India. Our Company has entered into a sub-license agreement with Mahyco Monsanto Biotech (India) Limited and will be selling Bt. cotton seeds as per the terms and conditions of this agreement. However, in view of these proceedings our Company may have to sell these Bt. cotton seeds on the basis of ceiling rates imposed pursuant to the cessation of these proceedings. These proceedings are summarized in Part 6 of this Chapter.

#### **PART 1 – CONTINGENT LIABILITIES OF OUR COMPANY**

##### **Contingent liabilities as on March 31, 2007**

As of March 31, 2007, our Company's contingent liabilities consist of: (i) Counter Guarantees given for obtaining Bank Guarantees from various Banks; (ii) Claims against the Company not acknowledged as debts – Claims against the company pending in Courts. As of March 31, 2007, our Company had an aggregate amount of Rs. 14.20 lakhs in contingent liabilities outstanding, which comprised of: (i) Rs. 10.75 lakhs towards counter guarantees given for obtaining bank guarantees from various Banks (ii) Rs. 3.45 lakhs towards claims against the Company not acknowledged as debts – Claims against the company pending in Courts.

#### **PART 2 – LITIGATION RELATING TO OUR COMPANY**

##### **CASES FILED AGAINST OUR COMPANY**

###### **A. Criminal Cases**

**A1. *State of Andhra Pradesh ("Complainant") v. Udayasri Seeds and Pesticides Yerragondapalem ("Accused No. 1") & Kaveri Seed Company Limited* before the Second Additional Magistrate at Ongole  
[Criminal Complaint No. 920 of 2006]**

Accused No. 1, a dealer, was appointed by our Company to sell hybrid seeds. In the course of inspection of Accused No. 1's shop, the Agricultural Officer collected the seed samples and sent it for testing and also seized a purchase invoice dated January 8, 2001 issued by our Company. These seized seed samples were allegedly found to be of sub-standard quality, thus contravening the provisions of section 7 (b) of the Seeds Act. The records of the tests were produced before the aforesaid Judicial Magistrate and a show cause notice dated April 16, 2001 was issued to our Company and Accused No. 1 for violation of section 19(a) of the Seeds Act. We filed our reply before the District Sessions Court. However, the case has been transferred to the Second Additional Magistrate at Ongole.

**A2. Agricultural Office, Kurnool v. Kaveri Seed Company Limited before the First Class Judicial Magistrate at Kurnool [Criminal Complaint No. 335 of 2006]**

Our Company has been served a summons by the aforesaid Judicial Magistrate relating to a charge for allegedly not maintaining the minimum level of germination as prescribed under section 6(a) and 7(b) of the Seeds Act. The case is currently pending before the First Class Judicial Magistrate.

**B. Civil Cases**

**B1. Karnataka State Federation of Consumers' Organizations ("Complainant") v. Kaveri Seed Company Limited & Another before the National Consumer Disputes Redressal Commission [Original Petition No. 10 of 1998]**

Farmers in various villages in Mysore District alleged defects in the corn seeds sold to them by our Company, alleging drastic reduction in the yield of corn crop and loss of nearly Rs. 8,000/- to Rs. 9,000/- per hectare. The Joint Director of Agriculture, Mysore investigated the matter and issued a press release in September 1996 calling upon the aggrieved farmers to lodge their complaints before the Mysore District Forum. Subsequently, the Complainant filed this case under section 2(b) of the Consumer Protection Act, alleging unfair trade practices on the part of our Company, thus, allegedly violating the provisions of section 6(b) of the Consumer Protection Act and claiming compensation on behalf of the aggrieved farmers as per section 2 of the Consumer Protection Act. *Vide* notice dated [●] May 3, 2007 we have been summoned for a hearing before the said Commission on August 11, 2007.

**B2. Mrs. Annapurnamma ("Appellant") v. Kaveri Seed Company Limited & Another before the Karnataka State Consumer Disputes Redressal Commission [Appeal No. 45/ 2005]**

The Appellant's late husband had purchased cotton seeds from the area organizer of our Company. The Appellant filed a case against our Company before the District Forum, Koppal, alleging that these seeds did not yield any cotton as a result of which they sustained heavy losses and thereby alleging deficiency of service on the part of our Company and the said area organizer. The District Forum, however, dismissed the complaint on the grounds that the Appellant failed to prove that her husband was a consumer within the meaning of section 2(1)(d) of the Consumer Protection Act and further, failed to establish deficiency of service on the part of our Company and the area organizer. Aggrieved by this order the Appellant filed an appeal with Karnataka State Consumer Disputes Redressal Commission, which, *vide* its order dated October 16, 2006 has allowed the appeal in favour of the Appellant on the grounds that the Appellant's late husband was in fact a consumer as contemplated by section 2(1)(d) of the Consumer Protection Act. The case has been remitted to the District Forum for fresh disposal wherein hearings have not yet begun.

**B3. Mr. Basavaraj Kanada Mane ("Complainant") v. Kaveri Seed Company Limited ("Respondent") before the District Consumer Court-Davangere [Complaint No. 07/2007]**

One Mr. Basavaraj Kanada Mane has filed a complaint before District Consumer Forum, Davangere stating that he had purchased Kaveri Seeds Paddy MTU-1010 from M/s. Gurubasava Traders, Harihar. In his complaint, he has alleged that the quantity harvested by him is much lesser than what is normally harvested, and therefore this complaint against our Company for compensation for the loss of yield.

Our Company has filed its objections in the matter, and the matter is pending before the District Consumer Forum, Davangere.

**B4. Kaveri Seed Company Limited ("Appellant") v. Anand Ekaram Mali ("Respondent") before the Maharashtra State Consumer Disputes Redressal Commission, Mumbai**

**[Appeal No. 736/2004]**

The Respondent had filed a complaint before the Consumer Disputes Redressal Forum at Jalgaon against the Appellant alleging that the hybrid jowar seeds produced by the Appellant, on sowing, did not germinate by reason of defect in the seeds and as a result of which they sustained heavy losses and thereby alleging deficiency of service on the part of the Appellant. The Consumer Disputes Redressal Forum at Jalgaon vide its order dated January 23, 2004 disposed off the Respondent's complaint and directed the Appellant (that is, our Company) to pay the claim of Rs. 25,000/- along with 6% p.a. interest from the date of filing the complaint till the date of realization of the claim amount and an additional Rs. 5,000/- as compensation. Aggrieved by this order, our Company has preferred an appeal before the Maharashtra State Consumer Disputes Redressal Commission, Mumbai. This appeal is pending. The Respondent has also filed a recovery application dated March 4, 2004 to enforce the order of the Consumer Disputes Redressal Forum at Jalgaon against the Appellant.

**B5. Amar Singh ("Appellant") v. Kaveri Seed Company Limited ("Respondent") before the M.P. State Consumer Disputes Redressal Commission, Bhopal  
[Appeal No. 2680/06]**

The Appellant had purchased cotton seeds from the area organizer of our Company. The Appellant filed a case against our Company before the District Forum, Ratlam, alleging that these seeds did not yield any cotton as a result of which they sustained heavy losses and thereby alleging deficiency of service on the part of our Company and the said area organizer. The Appellant has in his appeal stated that the District Forum had vide its order, although accepted the contentions of the Appellant for claim of damages and compensation, it was not sufficient and commensurate to the losses suffered by the Appellant. Therefore, aggrieved by that order, the Appellant filed has filed this appeal with the Madhya Pradesh State Consumer Disputes Redressal Commission. This appeal is pending.

**B6. Mangilal ("Appellant") v. Kaveri Seed Company Limited ("Respondent") before the M.P. State Consumer Disputes Redressal Commission, Bhopal  
[Appeal No. 2681/06]**

The Appellant had purchased cotton seeds from the area organizer of our Company. The Appellant filed a case against our Company before the District Forum, Ratlam, alleging that these seeds did not yield any cotton as a result of which they sustained heavy losses and thereby alleging deficiency of service on the part of our Company and the said area organizer. The Appellant has in his appeal stated that the District Forum had vide its order, although accepted the contentions of the Appellant for claim of damages and compensation, it was not sufficient and commensurate to the losses suffered by the Appellant. Therefore, aggrieved by that order, the Appellant filed has filed appeal with the Madhya Pradesh State Consumer Disputes Redressal Commission. This appeal is pending.

**B7. Dhulchand ("Appellant") v. Kaveri Seed Company Limited ("Respondent") before the M.P. State Consumer Disputes Redressal Commission, Bhopal  
[Appeal No. 2682/06]**

The Appellant had purchased cotton seeds from the area organizer of our Company. The Appellant filed a case against our Company before the District Forum, Ratlam, alleging that these seeds did not yield any cotton as a result of which they sustained heavy losses and thereby alleging deficiency of service on the part of our Company and the said area organizer. The Appellant has in his appeal stated that District Forum had vide its order, although accepted the contentions of the Appellant for claim of damages and compensation, it was not sufficient and commensurate to the losses suffered by the Appellant. Therefore, aggrieved by that order, the Appellant filed has filed appeal with the Madhya Pradesh State Consumer Disputes Redressal Commission. This appeal is pending.

**B8. Deputy Director, Department of Agriculture, Merta, Rajasthan v. Kaveri Seed Company Limited and Others before the Upper Civil Magistrate (Senior), Merta City, Rajasthan  
[Case No. 258 of 2006]**

Our Company has been served a summons relating to a charge for allegedly not maintaining the minimum level of germination as required under the Seeds Act. The case is currently pending before the Upper Civil Magistrate (Senior), Merta City, Rajasthan.

**B9. D. Harinatha Reddy ("Complainant") v. Kaveri Seed Company Limited & Another before the President, District Consumer Forum, Anantapur  
[Consumer Complaint No. 89/2007]**

The Complainant had purchased six packets of sun flower seeds produced by our Company. Thereafter, on non-germination of the said seeds, the Complainant filed this consumer complaint under Section 12 of the Consumer Protection Act, 1986 before the President, District Consumer Forum, Anantapur, alleging defects in the sun flower seeds sold to him by our Company. *Vide* notice issued by the said District Forum dated July 5, 2007 the Complainant has claimed compensation of Rs. 90,000/- towards the loss and crop expenditure. The case is currently pending before the President District Consumer Forum, Anantapur.

***B10. V. V. Subryamanya Sastry (“Complainant”) v. Kaveri Seed Company Limited & Others (“Accused ”) before the Court of the III Additional District Magistrate, Chittoor [Consumer Complaint No. 15/2007]***

This complaint has been filed by the Complainant on January 18, 2007, under Rule 23(g) of the Seed Rules and Sections 6(a) and 7(b) read with Section 19 of the Seeds Act, alleging that the seeds produced, distributed and sold by the Accused do not conform to the prescribed standards of germination (as minimum 80%) since the germination percentage of the seeds produced, distributed and sold by the Accused is only 65% as against 80%. The case is currently pending before the Court of the III Additional District Magistrate, Chittoor.

***B11. Rakesh Kumar Tiwari (“Complainant”) v. Kaveri Seed Company Limited***

The Complainant has issued a legal notice dated July 4, 2007, to our Company alleging defects in the water melon seeds sold to him, on account of which he has suffered drastic reduction in the yield of water melon and losses amounting to nearly Rs.1,50,000/-.

***CASES FILED BY OUR COMPANY***

***A. Criminal Cases***

***Cases under Section 138 of the Negotiable Instruments Act:***

Our Company has filed a total of four suits against various parties under Section 138 of the Negotiable Instruments Act for dishonour of cheques issued in favour of our Company.

The detailed particulars of these cases are specified in the table below:

| <b>Sr. No.</b> | <b>Date of Filing</b> | <b>Name of Court</b>                                      | <b>Name of the Accused and Criminal Complaint Number</b>                                                                                           | <b>Amount (Rs. in lakhs) of the dishonoured cheques issued in favour of our Company</b> |
|----------------|-----------------------|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| 1.             | September 8, 1999     | The Additional Chief Metropolitan Magistrate at Hyderabad | M/s. Divya Enterprises<br><br>Criminal Complaint No. 994 of 1999                                                                                   | 3.50                                                                                    |
| 2.             | July 22, 2006         | The Additional Chief Metropolitan Magistrate at Hyderabad | M/s Venkateshwara Fertilizers<br><br>Criminal Complaint No. 3865 of 2006                                                                           | 1.62                                                                                    |
| 3.             | May 25, 2006          | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | 1. M/s. Ghataprabha Agro Agencies<br>2. Mr. Laxman K. Balagnur (partner of M/s. Ghataprabha Agro Agencies)<br><br>Criminal Complaint No. 2203/2006 | 0.53                                                                                    |
| 4.             | May 3, 2006           | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | 1. M/s. Marulasiddha Agro Centre<br>2. Mr. Chandrashekara Revanappa Tembad (managing partner of M/s. Marulasiddha Agro                             | 2.62                                                                                    |

| Sr. No. | Date of Filing | Name of Court | Name of the Accused and Criminal Complaint Number | Amount (Rs. in lakhs) of the dishonoured cheques issued in favour of our Company |
|---------|----------------|---------------|---------------------------------------------------|----------------------------------------------------------------------------------|
|         |                |               | Centre)<br>Criminal Complaint No. 2469/2006       |                                                                                  |

## B. Civil Cases

### **B1. *Kaveri Seed Company Limited v. the District Collector (Civil Supplies) (“Respondent No. 1”) & the Inspector of Police (VCCS) (“Respondent No. 2”) (collectively “the Respondents”) before the Andhra Pradesh High Court [Writ Petition No. 33956 of 1997]***

On the basis of allegations that our Company was storing paddy seed at an unauthorized godown, Respondent No. 2 had confiscated the paddy seed situated therein, arrested Mr. Cheekatle Rajaish, godown in charge and issued a notice for the arrest of Mr. Gundavaram Venkata Bhaskar Rao, our Chairman-cum-Managing Director. They were subsequently released on bail. However, *vide* order dated December 13, 1997, the Joint Collector (Civil Supplies) at Karimnagar, refused to release the seized paddy seed on furnishing bank guarantee for the value of the said paddy seed. Our Company filed a writ petition against the said order in the High Court, contending that the season for grading paddy had commenced and that our Company would suffer irreparable losses. The High Court *vide* its order dated December 19, 1997 disposed off this writ petition ordering Respondent No. 1 to take the assistance of an expert and release the paddy seed in favour of our Company on the condition that we submit a bank guarantee for the value of the seized paddy seed. Our Company had furnished the bank guarantee dated December 26, 1997 for the value of Rs. 10.75 lakhs and the said paddy seeds were consequently released. The case is pending for release of the said bank guarantee by the Joint Collector (Civil Supplies) at Karimnagar.

### **B2. *Kaveri Seed Company Limited v. M/s. Khadri Agro (“Defendant”) before the Junior Civil Judge: City Civil Court at Secunderabad [Original Suit No. 1051 of 2004]***

Our Company had appointed the Defendant as our dealer for selling our products in Adoni district. Our Company supplied the Defendant, seeds worth Rs. 1,00,000/- for which the Defendant issued two cheques of Rs. 50,000/- each in favour of our Company. The said cheques were consequently dishonoured on August 6, 2003 and our Company issued a legal notice to the Defendant, dated September 3, 2003, for payment of Rs. 1,00,000/-. The Defendant failed to pay the aforesaid amount. Thus, our Company has filed this suit on August 7, 2004 praying for payment of Rs. 1,00,000/- and future interest @ 12% from the date of this suit till the date of payment. The City Civil Court *vide* its order dated July 6, 2006 has passed an *ex parte* decree in our favour awarding Rs. 1,00,000/- together with interest @ 6% p.a. from the date of this suit till realization and a sum of Rs. 6,078/- towards the cost of this suit. The case is currently pending as the decreed amount has not yet been paid.

### **B3. *Kaveri Seed Company Limited v. M/s. Vaibhav Krushi Kendra (“Defendant No. 1”) & Mr. D. B. Kusekar (“Defendant No. 2”) (collectively “the Defendants”) before the Senior Civil Judge: City Civil Court at Secunderabad [Original Suit No. 620 of 2004]***

Our Company had appointed Defendant No.1, represented by Defendant No. 2, as our dealer for selling our products in Panjarpol Chowk, Sholapur district. Our Company supplied the Defendants, seeds worth Rs. 3,09,360/- for which the Defendants issued a cheque of Rs. 3,09,360/- in favour of our Company. The said cheque was consequently dishonoured on March 24, 2004 and our Company issued a legal notice to the Defendants, dated April 16, 2004, for payment of Rs. 3,09,360/-. The Defendants failed to pay the aforesaid amount. Thus, our Company has filed this suit on August 9, 2004 praying for payment of Rs. 3,09,360/- and future interest @ 12% from the date of this suit till the date of payment. The City Civil Court *vide* its order dated October 26, 2005 has passed an *ex parte* decree in our favour awarding Rs. 3,09,360/- together with interest @ 6% p.a. from the date of this suit till realization. The case is currently pending before the City Civil Court as the decreed amount has not yet been paid.

### **B4. *Kaveri Seed Company Limited v. M/s. Sree Neelakanteswar Traders (“Defendant No. 1”) & Mr. Chandrasekhar (“Defendant No. 2”) (collectively “the Defendants”) before the Junior Civil Judge: City Civil Court at Secunderabad***

**[Original Suit No. 1050 of 2004]**

Our Company had appointed Defendant No.1, represented by Defendant No. 2, as our dealer for selling our products in parts of Adoni district. Our Company supplied the Defendants, seeds worth Rs. 46,358/- for which the Defendants issued a cheque of Rs. 46,358/- in favour of our Company. The said cheque was consequently dishonoured on April 15, 2004. Our Company issued a legal notice to the Defendants, dated May 7, 2004, for payment of Rs. 46,358/-. The Defendants failed to pay the aforesaid amount. Thus, our Company has filed this suit on August 9, 2004 praying for payment of Rs. 46,358/- and future interest @ 12% from the date of this suit till the date of payment. The case is currently pending.

**B5. *Kaveri Seed Company Limited v. M/s. Sri Saibaba Raithu Department* (“Defendant No. 1”) & *Mr. Y. Ramesh* (“Defendant No. 2”) (collectively “the Defendants”) before the Junior Civil Judge: City Civil Court at Secunderabad**

**[Original Suit No. 1052 of 2004]**

Our Company had appointed Defendant No.1, represented by Defendant No. 2, as our dealer for selling our products in Udaygiri, Nellore district. Our Company supplied the Defendants, seeds worth Rs. 62,228/- for which the Defendants cleared the payment to the tune of Rs. 10,000/- and issued a cheque of Rs. 52,288/- in favour of our Company, towards the outstanding amount. The said cheque was consequently dishonoured on July 21, 2003. Our Company issued a legal notice to the Defendants, dated August 5, 2003, for payment of Rs. 52,288/-. The Defendants failed to pay the aforesaid amount. Thus, our Company has filed this suit on August 9, 2004 praying for payment of Rs. 52,288/- and future interest @ 12% from the date of this suit till the date of payment. The City Civil Court *vide* its order dated July 24, 2006 has passed an *ex parte* decree in our favour awarding Rs. 52,288/- together with interest @ 6% p.a. from the date of this suit till realization and a sum of Rs. 2,968/- towards the cost of this suit. The case is currently pending as the decreed amount has not yet been paid.

**B6. *Kaveri Seed Company Limited v. M/s. Om Krushi Seva Kendra* (“Defendant No. 1”) & *Mr. Hari Om Dube* (“Defendant No. 2”) (collectively “the Defendants”) before the Senior Civil Judge: City Civil Court at Secunderabad**

**[Original Suit No. 142 of 2006]**

Our Company had appointed Defendant No.1, represented by Defendant No. 2, as our dealer for selling our products in Punnur district. Our Company supplied the Defendants, seeds worth Rs. 5,76,770/- over a period of time, for which the Defendants issued a cheque of Rs. 5,76,770/- in favour of our Company. The said cheque was consequently dishonoured on May 30, 2005. Our Company issued a legal notice to the Defendants, dated October 25, 2005, for payment of Rs. 5,76,770/-. The Defendants failed to pay the aforesaid amount. Thus, our Company has filed this suit on March 2, 2006 praying for payment of Rs. 5,76,770/- and future interest @ 12% from the date of this suit till the date of payment. The case is currently pending.

**B7. *Kaveri Seed Company Limited v. M/s. Rajani Seeds* (“Defendant No. 1”) & *Mr. M. V. Srinivas Rao* (“Defendant No. 2”) (collectively “the Defendants”) before the Junior Civil Judge: City Civil Court at Secunderabad**

**[Original Suit No. 439 of 2006]**

Our Company had appointed Defendant No.1, represented by Defendant No. 2, as our dealer for selling our products in Punnur district. Our Company supplied the Defendants, seeds worth Rs. 44,297/- over a period of time, for which the Defendants issued two cheques of Rs. 20,000/- & Rs. 24,000/- in favour of our Company. The said cheques were consequently dishonoured on January 8, 2005. Our Company issued a legal notice to the Defendants, dated February 2, 2005, for payment of Rs. 44,000/-. The Defendants failed to pay the aforesaid amount. Thus, our Company has filed this suit on January 22, 2006, praying for payment of Rs. 44,000/- and future interest @ 12% from the date of this suit till the date of payment. The case is currently pending.

**B8. *Kaveri Seed Company Limited v. M/s. Sesha Sai Agencies* (“Defendant No. 1”) & *Sri Thali Shetti Dorababu* (“Defendant No. 2”) (collectively “the Defendants”) before the Senior Civil Judge: City Civil Court at Secunderabad**

**[Original Suit No. 428 of 2004]**

Our Company had appointed Defendant No.1, represented by Defendant No. 2, as its dealer for selling our Company's products in Petthapuram. Our Company supplied the Defendants, seeds worth Rs. 1,55,360/- for which the Defendants issued a cheque on November 21, 2002, for Rs. 1,55,360/- in favour of our Company. The said cheque was consequently dishonoured. Our Company issued a legal notice to the Defendants, dated February 26, 2003, for payment of Rs. 1,55,360/-. The Defendants failed to pay the aforesaid amount inspite of receipt of the legal notice. Thus, our Company has filed this suit

on August 2, 2003 praying for payment of Rs. 1,55,360/-, future interest @ 12% from the date of this suit till the date of payment, cost of suit and other relief it may be found entitled to. The case is pending.

### **PART 3 – LITIGATION AGAINST OUR DIRECTORS**

There are no litigations pending against any of our Directors.

### **PART 4 – LITIGATION RELATING TO OUR PROMOTERS AND PROMOTER GROUP ENTITIES**

There are no litigations pending against any of our Promoters.

### **CASES FILED AGAINST M/S. KAVERI AGRITECK**

NIL

### **CASES FILED BY M/S. KAVERI AGRITECK**

#### **A. Criminal Cases**

#### **Cases under Section 138 of the Negotiable Instruments Act:**

M/s. Kaveri Agriteck has filed a total of thirty criminal complaints against various parties under Section 138 of the Negotiable Instruments Act for dishonour of cheques issued in favour of M/s. Kaveri Agriteck.

The detailed particulars of these cases are specified in the table below:

| <b>Sr. No.</b> | <b>Date of Filing</b> | <b>Name of Court</b>                                      | <b>Name of the Accused and Criminal Complaint Number</b>                                                                | <b>Amount (Rs. in lakhs) of the dishonoured cheques issued in favour of M/s. Kaveri Agriteck</b> |
|----------------|-----------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| 1.             | October 25, 2005      | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Srinidhi Agri Care Centre<br>Criminal Complaint No. 183/2006 and Criminal Complaint No. 79/2006                         | 6.50                                                                                             |
| 2.             | October 25, 2005      | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Sri Lashmi Narasimha Traders<br>Criminal Complaint No. 78/06                                                            | 0.60                                                                                             |
| 3.             | October 26, 2005      | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Pavithra Trader<br>Criminal Complaint No. 1116/2006 and Criminal Complaint No.1120/06                                   | 3.70                                                                                             |
| 4.             | October 26, 2005      | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | M/s. Srinivasa Fertilisers<br>Criminal Complaint No. 1134/2006                                                          | 3.00                                                                                             |
| 5.             | November 17, 2005     | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | M/s. Sagar Agro Agencies<br>Criminal Complaint No. 307/06                                                               | 2.05                                                                                             |
| 6.             | November 17, 2005     | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Srinidhi Agri Care Centre<br>Criminal Complaint No. 317/06                                                              | 3.50                                                                                             |
| 7.             | December 15, 2005     | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Balaji Agencies<br>Criminal Complaint No. 114/2006, Criminal Complaint No.1122/2006 and Criminal Complaint No.1133/2006 | 7.13                                                                                             |

| <b>Sr. No.</b> | <b>Date of Filing</b> | <b>Name of Court</b>                                      | <b>Name of the Accused and Criminal Complaint Number</b>                                                                  | <b>Amount (Rs. in lakhs) of the dishonoured cheques issued in favour of M/s. Kaveri Agriteck</b> |
|----------------|-----------------------|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| 8.             | December 16, 2005     | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | M/s. Mutturani Bio-Oregano Agencies and Nurseries<br>Criminal Complaint No. 1960/2006 and Criminal Complaint No.1970/2006 | 2.06                                                                                             |
| 9.             | December 30, 2005     | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Srinidhi Agri Care Centre<br>Criminal Complaint No. 948/2006                                                              | 1.00                                                                                             |
| 10.            | February 25, 2006     | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | M/s. Annadata Commercial Corporation<br>Criminal Complaint No. 1965/2006                                                  | 1.16                                                                                             |
| 11.            | April 15, 2006        | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | M/s. Mahaveera Krushi Bhandar<br>Criminal Complaint No. 2342/2006                                                         | 0.19                                                                                             |
| 12.            | April 15, 2006        | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Mr. Siddegouda (proprietor of M/s. Siddeshwara Traders)<br>Criminal Complaint No. 2343/2006                               | 0.57                                                                                             |
| 13.            | May 16, 2006          | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Mr. Ramana Gouda (proprietor of M/s. Basaveshwara Agro Centre)<br>Criminal Complaint No. 2115/2006                        | 2.00                                                                                             |
| 14.            | May 16, 2006          | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Nandi Fertilisers<br>Criminal Complaint No. 2116/2006                                                                     | 0.52                                                                                             |
| 15.            | May 16, 2006          | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Mr. Ningana Gouda (proprietor of M/s. Ganesh Trading Company)<br>Criminal Complaint No. 2118/2006                         | 1.16                                                                                             |
| 16.            | June 17, 2006         | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Mr. B.M. Shivashankar (proprietor of M/s. Shiva Agro Centre)<br>Criminal Complaint No. 2691/2006                          | 0.68                                                                                             |
| 17.            | June 17, 2006         | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | M/s. Shanthala Agro Sales<br>Criminal Complaint No. 2692/06                                                               | 1.90                                                                                             |
| 18.            | July 30, 2006         | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | M/s. Shri Krishna Agro Agencies<br>Criminal Complaint No. 2974/2006                                                       | 0.34                                                                                             |
| 19.            | July 30, 2006         | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | Mr. H.S. Nandeesh (proprietor of M/s. Veerabhadreshwara)<br>Criminal Complaint No. 2977/2006                              | 0.47                                                                                             |
| 20.            | December 16, 2006     | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | M/s. Shah Agro Agencies<br>P.C.R. No. 1606/2006                                                                           | 2.16                                                                                             |
| 21.            | January 24, 2007      | In the Court of the J.M.F.C. 2 <sup>nd</sup> at Davangere | O.L.V. Agri Clinic<br>P.C.R. No. 157/2007                                                                                 | 0.80                                                                                             |
| 22.            | October 12, 2006      | In the Court of the Additional Chief Metropolitan         | Sai Agro Agencies                                                                                                         | 1.06                                                                                             |

| Sr. No. | Date of Filing   | Name of Court                                                             | Name of the Accused and Criminal Complaint Number                  | Amount (Rs. in lakhs) of the dishonoured cheques issued in favour of M/s. Kaveri Agriteck |
|---------|------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
|         |                  | Magistrate at Hyderabad                                                   | Criminal Complaint No. 6002 of 2006                                |                                                                                           |
| 23.     | October 12, 2006 | In the Court of the Additional Chief Metropolitan Magistrate at Hyderabad | M/s. Maheshwari Enterprises<br>Criminal Complaint No. 6005 of 2006 | 0.71                                                                                      |
| 24.     | October 27, 2006 | In the Court of the Additional Chief Metropolitan Magistrate at Hyderabad | Thirumala Fertilizers<br>Criminal Complaint No. 6005 of 2006       | 1.27                                                                                      |
| 25.     | October 27, 2006 | In the Court of the Additional Chief Metropolitan Magistrate at Hyderabad | M/s. Mohan Traders<br>Criminal Complaint No. 6679 of 2006          | 0.84                                                                                      |

#### **CASES FILED AGAINST M/S. KAVERI SALES CORPORATION**

NIL

#### **CASES FILED BY M/S. KAVERI SALES CORPORATION**

##### **A. Criminal Cases**

##### **Cases under Section 138 of the Negotiable Instruments Act:**

M/s. Kaveri Sales Corporation has filed a total of five criminal complaints against various parties under Section 138 of the Negotiable Instruments Act for dishonour of cheques issued in favour of the Company.

The detailed particulars of these cases are specified in the table below:

| Sr. No. | Date of Filing   | Name of Court                                                             | Name of the Accused and Criminal Complaint Number                  | Amount (Rs. in lakhs) of the dishonoured cheques issued in favour of M/s. Kaveri Sales Corporation |
|---------|------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 1.      | October 12, 2006 | In the Court of the Additional Chief Metropolitan Magistrate at Hyderabad | M/s Rythumithra Fertilizers<br>Criminal Complaint No. 6001 of 2006 | 0.93                                                                                               |
| 2.      | October 12, 2006 | In the Court of the Additional Chief Metropolitan Magistrate at Hyderabad | M/s Chandra Pesticides<br>Criminal Complaint No. 6003 of 2006      | 0.40                                                                                               |

| Sr. No. | Date of Filing     | Name of Court                                                             | Name of the Accused and Criminal Complaint Number                       | Amount (Rs. in lakhs) of the dishonoured cheques issued in favour of M/s. Kaveri Sales Corporation |
|---------|--------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 3.      | October 12, 2006   | In the Court of the Additional Chief Metropolitan Magistrate at Hyderabad | M/s. Laxmi Narasimha Fertilizers<br>Criminal Complaint No. 6004 of 2006 | 1.38                                                                                               |
| 4.      | October 27, 2006   | In the Court of the Additional Chief Metropolitan Magistrate at Hyderabad | M/s. Sivaji Seeds & Pesticides<br>Criminal Complaint No. 6678 of 2006   | 1.72                                                                                               |
| 5.      | September 29, 2006 | In the Court of the Additional Chief Metropolitan Magistrate at Hyderabad | M/s. Nirupama Sai Agro Agencies<br>Criminal Complaint No. 6002 of 2006  | 0.60                                                                                               |

## B. Civil Cases

### **B1. *M/s. Kaveri Sales Corporation (“Plaintiff”) v. Sri Lakshmi Fertilisers (“Defendant”) in the Court of the Hon’ble Principal Civil Judge (Senior Division) at Davangere*** **[Original Suit No. 36/2007]**

The Plaintiff had appointed the Defendant represented by its proprietor, Mr. K.R. Suresh, as the registered trader and dealer of the Plaintiff’s firm for several years. The Defendant had purchased the plaintiff’s products such as All rounder, Boro-Rich 250 gm, Cop-sulp-CRY, Zinc, Monozinc and several other products worth Rs. 2.45 lakhs in the year 2004-2005. For this the Defendants made part payment and issued a cheque of Rs. 40,000/- in favour of our Company. The said cheque was consequently dishonoured on and the Plaintiff filed a complaint under Section 138 of the Negotiable Instruments Act, 1881 before the JMFC Davangere. Thereafter, the Defendant deposited the cheque of Rs. 40,000/- but did not pay the balance amount of Rs. 2.05 lakhs. Thus, our Company has filed this suit in January 2007, praying for payment of Rs. 2.05 lakhs and future interest @ 18% p.a. from July 20, 2005 till the date of realization of the amount. The case is currently pending before the Court of the Hon’ble Principal Civil Judge (Senior Division) at Davangere.

## PART 5 – PENALTIES IMPOSED IN PAST CASES

No penalties have been imposed on our Company in the last five years

## PART 6 – LITIGATION RELATING TO THE SEEDS INDUSTRY

***Mahyco Monsanto Biotech (India) Limited (“Appellant”) v. State of Andhra Pradesh (“Respondent No. 1”), Commissioner & Director of Agriculture (“Respondent No. 2”), Monsanto Company (“Respondent No. 3”), Maharashtra Hybrid Seeds Limited (“Respondent No. 4”), Rasi Seeds Private Limited (“Respondent No. 5”), Nuziveedu Seeds Limited (“Respondent No. 6”) & Pro Agro Seed Company Private Limited (“Respondent No. 7”) (collectively “the Respondents”) before the Supreme Court of India***  
**[Civil Appeal No. 2681 of 2006]**

Respondent No. 1 had filed a reference as well as a separate application before the Monopolies and Restrictive Trade Practices Commission under the Monopolies and Restrictive Trade Practices Act, 1969 for issuing a temporary injunction restraining the Appellant, Respondent No. 3, Respondent No. 4, Respondent No. 5, Respondent No. 6 and Respondent No. 7 from collecting Rs. 1250/- per 450 grams for Bt. cotton seed as trait value from the farmers as per the agreements executed between the Appellant and Respondent No. 4, Respondent No. 5, Respondent No. 6 and Respondent No. 7, till disposal of the reference. The Monopolies and Restrictive Trade Practices Commission vide its order dated May 11, 2006 granted the

temporary injunction in favour of Respondent No. 1 and Respondent No. 2 and further directed the Appellant to fix a reasonable trait value considering the trait value charged by the Appellant's parent company in the neighbouring countries like China.

Aggrieved by the aforesaid order of the Monopolies and Restrictive Trade Practices Commission, the Appellant has filed this appeal under section 55 of the Monopolies and Restrictive Trade Practices Act.

#### **PART 7 – AMOUNTS OWED TO SMALL SCALE UNDERTAKINGS AND OTHER CREDITORS**

As on March 31, 2007, except as enumerated below, our Company does not owe a sum exceeding Rs. 1 lakh to any small scale undertaking or other creditor which is outstanding for more than 30 days:

| <b>Sr.No</b> | <b>Names of Creditors</b>                      | <b>Amount in Rs.</b> |
|--------------|------------------------------------------------|----------------------|
| 1            | Ganga Kaveri Seed Pvt.Ltd                      | 1,89,87,843          |
| 2            | Naman Flexi Pack Industries-Nacharam-Hyderabad | 44,63,777            |
| 3            | Seed Stock Foundation                          | 36,35,675            |
| 4            | National Trading Corporation- Kolkata          | 28,28,910            |
| 5            | PI Industries Ltd.-Udaipur                     | 13,52,000            |
| 6            | P.V.N. Plastic Industries                      | 12,25,322            |
| 7            | Chemtura Chemicals India Pvt. Ltd.             | 8,95,458             |
| 8            | Krishi Rasayan Exports Ltd.- Hyderabad         | 7,81,575             |
| 9            | Littles Oriental Balm & Pharmaceuticals Ltd.   | 7,78,420             |
| 10           | Dharani Packaging Industries Ltd.              | 7,77,178             |
| 11           | Aditya Innovations                             | 6,34,323             |
| 12           | Sunil Textiles                                 | 5,91,036             |
| 13           | Galore Prints Industries Ltd.                  | 5,30,829             |
| 14           | Dharampal Satyapal Ltd.                        | 4,92,609             |
| 15           | Abdul Sattar Kasim                             | 4,19,250             |
| 16           | IT Park                                        | 4,16,950             |
| 17           | Core Agro Machines Pvt. Ltd.                   | 3,86,162             |
| 18           | Heritage Print Services Ltd.                   | 3,53,255             |
| 19           | Suraj Trading Company –Sangli                  | 3,32,490             |
| 20           | M.K.Furniture                                  | 2,49,425             |
| 21           | In Co Tech Pvt.Ltd.- Ahmadabad                 | 2,22,400             |
| 22           | Sai Sri Woven Sacks (P) Ltd.                   | 2,14,400             |
| 23           | M/s. Sai Plast                                 | 1,57,680             |
| 24           | Gubba Cold Storage Ltd.-Hyderabad              | 1,20,720             |
| 25           | IT SERV                                        | 1,15,000             |
| 26           | Sri Venkataramana Lorry Transport              | 1,13,788             |
| 27           | Nis Printex- Hyderabad                         | 1,02,740             |
| 28           | D.Sign                                         | 1,01,550             |
| 29           | Chandan Prasad –Painter (Gp)                   | 1,00,409             |
|              | <b>TOTAL</b>                                   | <b>4,13,81,172</b>   |

#### **PART 8 – MATERIAL DEVELOPMENTS**

Except as mentioned under the sub heading ‘*Significant Developments after the Date of the Last Financial Statement*’ on page no. 157 under the heading ‘*Information Required As Per Clause 6.10.5.5 (A) Of The SEBI (DIP) Guidelines*’ in the chapter titled ‘*Mangement’s Discussion and Analysis of Financial Condition and Results of Operations*’ beginning on page no.142 of this Red Herring Prospectus, in the opinion of the Board of Directors of our Company, there have not arisen since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of our Company to pay their material liabilities within the next twelve months.

## GOVERNMENT / STATUTORY APPROVALS

On the basis of the major approvals enumerated below, our Company can undertake its current business activities. Further, no major approvals are required from any Government authority to continue these activities, save and except as mentioned below. It must be distinctly understood that, in granting these approvals, the Government of India does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf. We have not applied for any licenses/permissions/approvals in relation to our proposed activities for which funds are being raised through this Issue.

Our Company has received the following material government approvals / licenses / permissions:

### General

1. Certificate of Incorporation dated August 27, 1986 issued in the name of 'KAVERI SEED COMPANY PRIVATE LIMITED' bearing registration no. 6728 of 1986-87 by RoC.
2. Fresh Certificate of Incorporation dated November 7, 2006 issued in the name of 'KAVERI SEED COMPANY LIMITED' by RoC.
3. PAN Card issued by the Department of Income Tax (Computer Operations) stating Permanent Account Number of our Company as AABCK2468C.
4. TAN Card issued by the Commissioner of Income Tax (Computer Operations) stating TAN of our Company as HYDM02188E.
5. Value Added Tax Registration Certificate issued by the Government of Andhra Pradesh is registered with VAT Registration Number 28960131856.
6. Certificate issued by the Regional Office of Employees State Insurance Corporation, Andhra Pradesh dated August 7, 2003 issued in the name of our Company bearing Code No. 52 – 22555 – 06 for registration of employees with effect from April 1, 2003.
7. Employees Provident Fund Registration Number AP/HYD/26317.
8. Service Tax Registration number AABCK2468CST001 issued by the Superintendent (Service Tax) Customs & Central Excise, Hyderabad, dated June 28, 2005.
9. Certificate of recognition of our in-house R&D unit(s) located at Ranga Reddy District, renewed *vide* renewal certificate April 7, 2006 bearing number TU/TV-RD/2201/2006, valid upto March 31, 2009.

### Licenses under the Seeds (Control) Order

1. License to carry on the business of a dealer in seeds bearing number 41 dated July 7, 1999, subsequently renewed upto July 5, 2008, issued by the Additional Director of Agriculture, Commissionerate of Agriculture, Hyderabad for our registered office and our processing plants located at Gatlanarasingapuram, Kandlakoi, Gundla Pochampally and Eluru.
2. License to carry on the business of a dealer in seeds bearing license number BR –193 granted on August 1, 2003 issued by the Licensing Authority, Director of Agriculture, Bellary and renewed till July 31, 2009.
3. License to carry on the business of a dealer in seeds bearing license number 156 dated May 24, 2002 issued by the Director, Commissionerate of Agriculture, State of Maharashtra to sell and store seeds in our office at Akola, renewed upto May 22, 2008.
4. License to carry on the business of a dealer in seeds bearing license number 109 dated May 2, 2001, subsequently renewed upto May 2, 2010 issued by the Licensing Authority, Punjab & Chandigarh for the premises situated in Punjab through our authorized seed dealers,

## **Marketing Licenses**

1. License for the production, sale, import and export of seeds, dated June 12, 2002, bearing license number 150/Raj/2002 valid upto June 11, 2005; subsequently renewed upto June 11, 2008 for carrying on the seeds business at Samastha Rajasthan store, Mai Mittal Agricultural Godown, Godarpur road, Rajasthan.

## **Office Licenses**

8. Registration certificate of Establishment bearing registration no. LID – 1/VI/S/522, issued by the Inspector under the Karnataka Shops and Commercial Establishments Act, 1951 for our office at Davangere, valid till December 31, 2008.
9. Registration certificate bearing registration certificate no. Co11/Hyd/249/96, issued by the Inspector under the Andhra Pradesh Shops and Establishments Act, 1988 for our Registered Office, valid till December 31, 2007.

## **Bellary Plant**

8. License for registration and running of a factory bearing registration and license no. MY/BY-760, dated May 19, 2005, issued by the Deputy Director of Factories for our Bellary Plant, renewed upto December 31, 2007.
9. Grama Panchayath Amarapura Factory License bearing license no. 1/2003-04, dated January 1, 2004, issued by the Secretary, Gram Panchayath as per the Mandal Panchayath Rules for our seed processing plant at Bellary.
10. Certificate of registration dated March 24, 2006 granting permanent registration no. 0803AN1155/PMT/May/05-06 registering our factory at Bellary as a small scale enterprise for seed processing,.
11. Certificate of renewal of registration dated November 3, 2006 bearing book no. 01/R. No/357/06-07 issued by the Asst. Controller, Weights & Measure, registering our Bellary Plant as per rule of Weights & Measures Act, 1985 which is valid till November 2, 2011.
12. License issued for the processing and packaging & sales of seeds bearing license no. BP-193 and granted on August 1, 2003, issued by the Licensing Authority, Department of Agriculture, Bellary and is valid till July 31, 2009.
13. Consent order dated March 29, 2007 bearing number 324/KSPCB/EO(BLY)DEO/AEO-1SG1401/IND/APC/2006-2007/3913 issued by the Environment Officer, Karnataka State Pollution Control Board for our Bellary Plant under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981, valid till December 31, 2015.

## **Gatla Narsingapur Plant**

1. License to work a factory bearing license number 29065 and registration number 91352 dated April 24, 2007 issued by the Inspector of Factories, Karimnagar, to our factory at Gatla Narsingapur, valid till duly cancelled.
2. Acknowledgement dated December 5, 2007 allocating entrepreneurs memorandum no. 28/003/12/00012 registering our factory at Gatla Narsingapur as a small scale unit for seed processing / manufacturing.
3. Seed Processing Unit Renewal Certificate dated January 23, 2006, issued by the Senior Seed Certification Officer, Andhra Pradesh State Seed Certification Agency, assigned to our processing unit no. 407-A at Gatla Narsingapur, which is renewed, from January 1, 2006 to December 31, 2008.
4. License bearing number 29/2004-05 dated April 22, 2004 to sell and purchase agricultural produce at Huzurabad from April 1, 2004 to March 31, 2009.

### **Gundla Pochampally Plant**

1. License to work a factory bearing license number 42397 and registration number 67753 dated August 18, 2004 issued by the Inspector of Factories, Jeedimetla Circle, to our factory at Gundla Pochampally, valid till duly cancelled.
2. Permanent registration certificate dated November 24, 2005 granting permanent registration no. 28/06/68900 registering our factory at Gundla Pochampally as a small scale industry for seed processing, valid till our factory exists.
3. Permanent registration certificate dated February 28, 2004 granting permanent registration no. 28/06/68305 registering our factory at Gundla Pochampally as a tiny unit for manufacture of micronutrient fertilizer mixture, bio-pesticides, strait fertilizers and bio-activators, valid till November 25, 2011.
4. Consent Order No. 515-RR-II/PCB/ZOII/CFO/2006 – 2447 dated November 18, 2006 issued by the Joint Chief Environmental Engineer for existing / new or altered discharge of sewage and /or trade effluents / outlet under section 25 / 26 of the Water (Prevention and Control of Pollution) Act and operation of the plant under section 21 of the Air (Prevention and Control of Pollution) Act, 1981, by the Andhra Pradesh Pollution Control Board to our plant at Gundla Pochampally in the name of M/s Kaveri Agriteck which is valid till September 30, 2007.
5. Acknowledgement bearing number 4035/A1/04 under Rule No. 32 A of the Water (Prevention and Control of Pollution) Rules, 1994 and Rule No. 29-A of the Air (Prevention and Control of Pollution) Rules, 1994 dated December 17, 2004 issued by the General Manager, District Industries Centers. This acknowledgement is treated as consent of the Andhra Pradesh Control Board to establish and operate the unit at Gundla Pochampally for the line of seed processing subject to conditions therein.
6. Renewal of the certificate of registration to carry on the business of selling fertilizers in whole sale under the Fertilizers (Control) Order, 1985, bearing renewal number 09/2006 dated August 30, 2006 issued by the Additional Directorate of Agriculture – III, Commissionerate of Agriculture, Andhra Pradesh to our godown at Gundla Pochampally and our sales depot at Minerva Complex, S.D. Road, Secunderabad in the name of M/s Kaveri Agriteck and valid till July 25, 2009.
7. License to manufacture insecticides bearing no. 289 / 2006-07 dated September 29, 2006 issued by the Commissioner & Director of Agriculture, Andhra Pradesh to manufacture Trichoderma Viride 1% W.P. at our Gundla Pochampally plant in the name of M/s Kaveri Agriteck, valid till December 31, 2007.
8. Certificate of manufacture in respect of micronutrient mixture of fertilizer bearing certificate number 20 / 2003 dated April 26, 2006 issued by the Commissioner & Director of Agriculture, Andhra Pradesh to our plant at Gundla Pochampally in the name of M/s Kaveri Agriteck and is valid till February 27, 2009.
9. Certificate of registration of insecticides under section 9(3B) of the Insecticides Act bearing registration number CIR 360/2004(245) – Trichoderma Viride (WP) – 45 issued by the Secretary, Central Insecticides Board and Registration Committee to our Gundla Pochampally plant in the name of M/s. Kaveri Agriteck for our insecticide, Trichoderma Viride 1% W.P., valid till February 12, 2008.
10. Certificate of registration of insecticides under section 9(3B) of the Insecticides Act bearing registration number CIR 634/2006(270) – Pseudomonas Fluorescens (WP) – 51 issued by the Secretary, Central Insecticides Board and Registration Committee to our Gundla Pochampally plant in the name of M/s. Kaveri Agriteck for our insecticide, Pseudomonas Fluorescens 0.5% W.P., valid till February 5, 2009.

### **Kandlakoi Plant**

1. License to work a factory bearing license number 41653 and registration number 67247 issued by the Inspector of Factories, Jeedimetla to our factory at Kandlakoi, valid till duly cancelled.
2. Certificate of registration, registering our factory at Kandlakoi as a small scale enterprise.

## Registered Trade Marks

We sell seeds under the brand name '*Kaveri Seeds*' and micro-nutrients and bio-products under the brand name '*Microteck*'. Our Company owns the trade mark for the brand name '*Kaveri Seeds*'. However, the trade marks under the brand name '*Microteck*' are owned by M/s. Kaveri Agriteck, one of our Promoter Group Entities. Our Company, on September 20, 2006, acquired the business, assets and liabilities of M/s. Kaveri Agriteck for a total sale consideration of Rs. 50,00,000/-. Further, vide application letter dated July 13, 2007, our Company has applied to the Trade Mark Registry for transferring the said trade marks in the name of our Company.

| Sr. No. | Date of Application | Trade Mark Number | Trade Mark Registered        | Authority                    | Class | Date of Registration | Validity                                                   |
|---------|---------------------|-------------------|------------------------------|------------------------------|-------|----------------------|------------------------------------------------------------|
| 1       | September 30, 2004  | 1312350           | Kaveri Seeds (word)          | Trade Marks Registry, Mumbai | 31    | August 22, 2006      | 10 years from the date of application (Subject to renewal) |
| 2       | September 30, 2004  | 1312352           | Kaveri Seeds (logo)          | Trade Marks Registry, Mumbai | 31    | August 25, 2006      | 10 years from the date of application (Subject to renewal) |
| 3       | September 27, 2004  | 1311448           | Microteck Microzyme (logo)   | Trade Marks Registry, Mumbai | 1     | May 12, 2006         | 10 years from the date of application (Subject to renewal) |
| 4       | September 27, 2004  | 1311444           | Microteck Commander (logo)   | Trade Marks Registry, Mumbai | 1     | March 28, 2006       | 10 years from the date of application (Subject to renewal) |
| 5       | September 27, 2004  | 1311443           | Microteck All Rounder (logo) | Trade Marks Registry, Mumbai | 1     | May 23, 2006         | 10 years from the date of application (Subject to renewal) |
| 6       | September 30, 2004  | 1312355           | Microteck Bio Guard (logo)   | Trade Marks Registry, Mumbai | 5     | August 25, 2006      | 10 years from the date of application (Subject to renewal) |
| 7       | February 21, 2005   | 1339805           | Microteck Fire (logo)        | Trade Marks Registry, Mumbai | 5     | October 19, 2006     | 10 years from the date of application (Subject to renewal) |
| 8       | September 27, 2004  | 1311442           | Microteck Booster (logo)     | Trade Marks Registry, Mumbai | 1     | January 22, 2007     | 10 years from the date of application (Subject to renewal) |

### **Licenses applied for but not yet received**

1. Application dated April 20, 2007 for transfer of consent order bearing number 515-RR-II/PCB/ZOII/CFO/2006 – 2447 dated November 18, 2006 issued by the Joint Chief Environmental Engineer for existing / new or altered discharge of sewage and /or trade effluents / outlet under section 25 / 26 of the Water (Prevention and Control of Pollution) Act, 1994, and operation of the plant under section 21 of the Air (Prevention and Control of Pollution) Act by the Andhra Pradesh Pollution Control Board to our plant at Gundla Pochampally in the name of our Company
11. Application for transfer of certificate of registration of insecticides under section 9(3B) of the Insecticides Act bearing registration number CIR 360/2004(245) – Trichoderma Viride (WP) – 45 and certificate of registration of insecticides under section 9(3B) of the Insecticides Act bearing registration number CIR 634/2006(270) – Pseudomonas Fluorescens (WP) – 51 issued by the Secretary, Central Insecticides Board and Registration Committee to our Gundla Pochampally plant for our insecticides, Trichoderma Viride 1% W.P. and Pseudomonas Fluorescens 0.5% W.P., respectively, in the name of our Company.
2. Application dated July 13, 2007 to the Trade Mark Registry for registering our Company as a subsequent proprietor of the trade marks under the brand name '*Microteck*'.
3. Application dated July 10, 2007 for cancellation of license to carry on the business of a dealer in seeds bearing license no. 456 dated September 14, 2006 issued by the Additional Director of Agriculture-II, Commissionerate of Agriculture, Andhra Pradesh to our storage and processing plant at Kandlakoi and sales office at Minerva Complex, in the name of M/s Kaveri Agriteck.
4. Application dated March 28, 2007 for transfer of permanent registration certificate dated February 28, 2004 granting permanent registration no. 28/06/68305 registering our factory at Gundla Pochampally as a tiny unit for manufacture of micronutrient fertilizer mixture, bio-pesticides, strait fertilizers and bio-activators, in the name of our Company.
5. Application dated June 18, 2007 for transfer of certificate of manufacture in respect of micronutrient mixture of fertilizer bearing certificate number 20 / 2003 dated April 26, 2006 issued by the Commissioner & Director of Agriculture, Andhra Pradesh to our plant at Gundla Pochampally in the name of our Company.
6. Application dated June 18, 2007 for transfer of certificate of registration to carry on the business of selling fertilizers in whole sale under the Fertilizers (Control) Order, 1985, bearing renewal number 09/2006 dated August 30, 2006 issued by the Additional Directorate of Agriculture – III, Commissionerate of Agriculture, Andhra Pradesh to our godown at Gundla Pochampally and our sales depot at Minerva Complex, S.D. Road, Secunderabad in the name of our Company.
7. Application dated July 6, 2007 for renewal of certificate dated September 15, 2006 bearing R. No. 53/06 issued by the Director, Karanataka State Seed Certification Agency, authorising our plant at Bellary bearing registration number III to take up processing of seeds that are notified by the Government of India under section 5 of the Seeds Act.

### **Notes:**

1. In addition to the aforesaid, pursuant to our application, our Eluru plant was inspected by the Joint Director of Agriculture, West Godavari District, Andhra Pradesh and the a report has been submitted to Commissioner and Director of Agriculture, Hyderabad on March 12, 2007 and further approvals / communication in this regard is expected in due course.

## SECTION VII – OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for this Issue

Our Board has, pursuant to a resolution passed at its meeting held on February 15, 2007, authorised the Issue, subject to the approval of our shareholders under Section 81 (1A) of the Companies Act.

Our shareholders have authorised the Issue by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Extraordinary General Meeting held on February 15, 2007.

### Prohibition by SEBI

Our Company, our Directors, our Promoters, our Promoter Group Entities /companies in which our Directors are associated as directors or promoters, have not been prohibited from accessing capital markets under any order or direction passed by SEBI.

The listing of securities of our Company has never been refused at any time by any stock exchange in India.

Further, our Promoters, their relatives (as per Companies Act, 1956), our Company and our Promoter Group Entities have confirmed that they have not been declared as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

### ELIGIBILITY FOR THIS ISSUE

Our Company is an “Unlisted Company” in terms of the SEBI Guidelines; and this Issue is an “Initial Public Offer” in terms of SEBI Guidelines.

Our Company is not eligible to come out with the issue under 2.2.1 of SEBI (DIP) Guidelines. This has been certified by the Auditor of the Company vide his letter dated March 9, 2007.

The following is the reproduction of his certificate.

This is to certify, in relation to Kaveri Seed Company Limited (the “**Company**”):

“The Company is not eligible for the Issue in accordance with Clause 2.2.1 of the SEBI DIP Guidelines as explained under, with the eligibility criteria calculated in accordance with Restated Financial Statements as per Indian GAAP:

- The Company has not had net tangible assets of at least Rs. 3 crores in each of the preceding three full years (of twelve months each) of which not more than 50% is held in monetary assets and as such does not comply with Clause 2.2.1(a) of the SEBI DIP Guidelines;
- The Company has a track record of distributable profits in accordance with Section 205 of Companies Act, 1956 for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI DIP Guidelines;
- The Company has a net worth of at least Rs. 1 crore in each of the three preceding full years (of twelve months each) and is compliant with Clause 2.2.1(c) of the SEBI DIP Guidelines;
- The aggregate of the proposed Issue size and all previous issues made in the same financial year in terms of size (*i.e.* offer through the offer document + firm allotment + promoter’s contribution through the offer document) is not expected to exceed five times the pre-Issue net worth of the Company as per the audited balance sheet of the last financial year and is compliant with Clause 2.2.1(e) of the SEBI DIP Guidelines.
- There has been no change in the name of the Company in the last one year.

The net tangible assets, monetary assets, net profits (as restated) and networth (as restated) as derived from the Restated Financial Statements, as per Indian GAAP as per the Auditors Report dated March 9, 2007 as at March 31, 2006 and for the last four years ended March 31, 2005, 2004, 2003, 2002 is set forth below:

(Rs. in lakhs)

|                                                               | 31.3.2006 | 31.3.2005 | 31.3.2004 | 31.3.2003 | 31.3.2002 |
|---------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>Net Tangible Assets (1)</b>                                | 2234.40   | 1370.02   | 215.36    | 116.65    | 110.99    |
| <b>Monetary Assets (2)</b>                                    | 1516.40   | 1651.08   | 873.90    | 585.23    | 221.38    |
| <b>Monetary Assets as a Percentage of Net Tangible Assets</b> | 67.87%    | 120.51%   | 405.78%   | 501.70%   | 199.46%   |
| <b>Net Profits as restated</b>                                | 290.25    | 124.52    | 94.41     | 10.33     | -0.53     |
| <b>Net worth as restated</b>                                  | 742.55    | 307.30    | 182.78    | 88.37     | 78.04     |
| <b>Distributable profits (3)</b>                              | 581.50    | 291.25    | 166.73    | 72.32     | 61.99     |

1. Net tangible assets is defined as the sum assets of fixed assets (including capital work in progress and excluding revaluation reserves,) trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities),
2. Monetary assets include cash on hand and bank and quoted investments.
3. The Distributable profits of the company as per Section 205 of the Act, and has been calculated from the audited financials statements of the respective year/period before making adjustments for restatement of financial statements.”

Yours truly,

**For P R REDDY & CO**  
**CHARTERED ACCOUNTANTS**

**(P. RAGHUNADHA REDDY)**  
**PARTNER**

Date: March 09, 2007

Place: Hyderabad

Our Company is eligible for the Issue as per Clause 2.2.2 of the SEBI Guidelines as explained hereunder, and will fulfill the eligibility criteria as per Clause 2.2.2(a)(i) and Clause 2.2.2(b)(i) of the SEBI Guidelines as stated hereinbelow:

**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) The issue is made through the book-building process, with at least 50% of the Net Issue being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded; and
- (b) The minimum post-issue face value capital of the company shall be Rs. 10 crores.”

Our Company is an unlisted company that does not comply with the conditions specified in Clause 2.2.1 of the SEBI Guidelines and is therefore required to meet both the conditions set forth in clause 2.2.2(a)(i) and clause 2.2.2(b)(i) of the SEBI Guidelines, as specified above.

- a) Our Company will comply with Clause 2.2.2(a) of the SEBI Guidelines and at least 50% of the Net Issue shall be allotted to QIBs and in the event we fail to do so, the full subscription monies shall be refunded to the Bidders.

- b) Our Company will also comply with Clause 2.2.2(b) of the SEBI Guidelines and the post-Issue face value capital of our Company shall be Rs. 1370.00 lakhs, which is more than the minimum requirement of Rs. 10 crores (Rs. 1000 lakhs).

Hence, our Company is eligible for the Issue under Clause 2.2.2 of the SEBI Guidelines.

Our Company undertakes that the number of allottees in the Issue shall be at least 1,000. Otherwise, the entire application money shall be refunded forthwith. Further, if at least 50% of the Net Issue cannot be allotted to QIBs, then the entire subscription moneys shall be refunded forthwith. In case of delay, if any, in refund of application money, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

#### **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 THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ANAND RATHI SECURITIES LIMITED AND SOBHAGYA CAPITAL OPTIONS LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE 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 OUR COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ANAND RATHI SECURITIES LIMITED AND SOBHAGYA CAPITAL OPTIONS LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MARCH 26, 2007 AND APRIL 18, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:**

**“WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

**ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THIS 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:**

- 1. THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS ISSUE;**
- 2. 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**

3. **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.**
4. **BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**
5. **WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**
6. **WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND 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 BRLMs, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS."**

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

#### **Disclaimer Statement from our Company and the BRLMs**

Our Company and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, [www. kaveriseeds.com](http://www.kaveriseeds.com), would be doing so at his or her own risk.

The BRLMs accepts no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into between the Underwriters and our Company and the Memorandum of Understanding between the BRLMs and our Company.

Our Company and the BRLMs shall make all information available 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 or at bidding centers, etc.

Neither our Company 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.

#### **Caution**

**Investors that bid in the Issue will be required to confirm and will be deemed to have represented to our Company 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 and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.**

## **Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Eligible Employees, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under applicable law who are authorised under their constitution to hold and invest in shares). This Red Herring Prospectus does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession this 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 appropriate court(s) in Hyderabad, India 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 filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus has been filed with RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be issued 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 from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**The Equity Shares have not been and will not be registered under the 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, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.**

## **Disclaimer Clause of Bombay Stock Exchange Limited**

Bombay Stock Exchange Limited (“the Exchange”) has given *vide* its letter ref: DCS/IPO/SI/IPO-IP/0138/2007-08 dated April 23, 2007 permission to this Company to use the Exchange’s name in this offer document as one of the stock exchanges on which this company’s securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:-

- warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. 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 the Exchange 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 National Stock Exchange of India Limited**

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given *vide* its letter ref.: NSE/LIST.47049-4 dated May 23, 2007 permission to the Issuer to use the Exchange’s name in this Offer Document as one of the stock exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE

should not in any way be deemed or construed 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 this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange 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 this Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Plot No.C4-A,'G' Block,Bandra Kurla Complex,Bandra(East), Mumbai 400 051. A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered to the RoC. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC upon closure of the Issue and finalisation of the Issue Price.

### **Listing**

Applications have been made to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for permission to deal in and for an official quotation of our Equity Shares. BSE shall be the Designated Stock Exchange.

If the permission to deal in and for an official quotation of our Equity Shares is not granted by any of the Stock Exchanges mentioned above, our Company 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 eight days from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then our Company, and every Director of our Company, who is an officer in default shall, on and from such expiry of such period, be jointly and severally liable to repay the money with interest at the rate of 15% per annum on application money as prescribed under Section 73 of the Companies Act.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the Basis of Allotment for this Issue.

### **IMPERSONATION**

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A 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 from:

- i. the Directors
- ii. the Promoters
- iii. the Company Secretary and Compliance Officer
- iv. the Auditors
- v. Bankers to our Company and Bankers to this Issue\*,
- vi. Book Running Lead Managers to this Issue and Syndicate Members\*
- vii. Escrow Collection Banks\*

- viii. Underwriters
- ix. Registrar to this Issue
- x. Legal advisors to this Issue and
- xi. Mr. Y.R. Shankar Kumar Reddy, a chartered engineer and professional valuer
- xii. Indian Overseas Bank\*\*

to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC at Hyderabad as required under Sections 60 and 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.

\* - Consents from Bankers to the Issue, Syndicate Member(s) and Escrow Collection Banks shall be obtained prior to filing Red Herring Prospectus with the RoC. Other consents mentioned hereinabove have been obtained prior to filing of this Draft Red Herring Prospectus with SEBI.

M/s. P.R. Reddy & Co., Chartered Accountants, our statutory auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this 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.

M/s P.R. Reddy & Co., Chartered Accountants, our statutory auditors have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of the Red Herring Prospectus for registration with RoC.

\*\* - Our Company has entered into various agreements with Indian Overseas Bank, Hyderabad for short term and long term borrowings. Further, *vide* sanction letter dated June 11, 2007, Indian Overseas Bank has granted us an adhoc cash credit facility of Rs. 3,00,00,000/- (Three Crores). The short term credit availed off from Indian Overseas Bank, Hyderabad as on March 31, 2007 amounts to Rs. 3,51,10,198/- and the long term credit availed off from Indian Overseas Bank, Hyderabad as on March 31, 2007 amounts to Rs. 1,09,12,521/-. These agreements contain certain restrictive covenants which require us to take the prior written consent of Indian Overseas Bank before undertaking the following activities throughout the currency of the agreement including but not limited to:

1. Affecting any change in our Company's capital structure;
2. Implementing any scheme of expansion or acquire fixed assets;
3. Making investment/advances or deposit amount with any other concern;
4. Entering into borrowing arrangement with any bank /financial institution/ company;
5. Undertaking guarantee obligations on behalf of any other company; and
6. Declaring any dividend for any year except out of profits relating to that year

Pursuant to the aforesaid, we have received a No Objection Certificate from Indian Overseas Bank for the Issue *vide* their letter dated January 19, 2007.

### Expert Opinion

Except as mentioned in the third paragraph on page no. 31 in the chapters titled '*Objects of this Issue*' and '*Statement of Tax Benefits*' and the section titled '*Financial Statements*', beginning on page nos. 31, 48 and 112 respectively, 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 follows:

| <i>(Rs. in lakhs)</i>                                      |          |                           |                       |
|------------------------------------------------------------|----------|---------------------------|-----------------------|
| Activity                                                   | Expenses | % of total issue expenses | % of total issue size |
| Lead management fee*                                       | [•]      | [•]                       | [•]                   |
| Registrar's fee                                            | [•]      | [•]                       | [•]                   |
| Bankers to the Issue                                       | [•]      | [•]                       | [•]                   |
| Underwriting commission, Brokerage and Selling Commission* | [•]      | [•]                       | [•]                   |

| Activity                                                                                                                                                                                                                                                 | Expenses | % of total issue expenses | % of total issue size |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------|-----------------------|
| Advertising & Marketing Costs**                                                                                                                                                                                                                          | [•]      | [•]                       | [•]                   |
| Printing & stationery                                                                                                                                                                                                                                    | [•]      | [•]                       | [•]                   |
| Others (Legal fees, fees for auditors and stamp duty, initial listing fees and annual listing fees, SEBI filing fees, other statutory fees, depository fees, charges for using the book building software of the exchanges and other related expenses)** | [•]      | [•]                       | [•]                   |
| Total Estimated Issue Expenses                                                                                                                                                                                                                           | [•]      | -                         | -                     |

\* Will be incorporated after finalisation of Issue Price

\*\* Will be incorporated prior to filing Red Herring Prospectus with the RoC

All expenses with respect to the Issue will be borne by our Company. So far, the Company has incurred a sum of Rs. 85.27 lakhs towards issue expenses.

### **Fees Payable to the Book Running Lead Managers**

The total fees payable to the Book Running Lead Managers including brokerage and selling commission for the Issue will be as stated in the Engagement Letter executed between our Company and the BRLMs dated January 3, 2007, copy of which is available for inspection at our Registered Office.

### **Fees Payable to the Registrar to this Issue**

The fees payable to the Registrar to this Issue will be as per the MoU dated January 20, 2007 a copy of which is available for inspection at our Registered Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

### **Underwriting Commission, Brokerage and Selling Commission**

An underwriting commission not exceeding [•]% of the total amount underwritten is payable to the underwriters on the Issue Price of the Equity Shares offered through this Red Herring Prospectus to the public for subscription and underwritten in the manner mentioned in this Red Herring Prospectus.

Brokerage for the issue will be upto [•]% of the issue price of the Equity Shares, which would be paid by our Company on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/Agents' codes on the application form, our Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

### **Previous Rights and Public Issues**

We have not made any previous rights and public issues during the last five years, and are an "Unlisted Company" in terms of the SEBI Guidelines and this Issue is an "Initial Public Offering" in terms of the SEBI Guidelines.

### **Previous issue of shares otherwise than for cash**

Except as stated in the chapter titled 'Capital Structure' beginning on page no. 16 of this Red Herring Prospectus, we have not issued any Equity Shares for consideration other than for cash.

### **Commission and Brokerage on Previous Issues**

We have not made any previous public issues. Therefore, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of our Company since its inception.

**Listed companies under the same Management**

There are no listed companies under the same management with our Company within the meaning of Section 370(1B) of the Companies Act, 1956 which have made any capital issues in the last three years.

**Promise vis-à-vis performance for our Company**

Our Company is an “Unlisted Company” in terms of the SEBI Guidelines, and this Issue is an “Initial Public Offering”. Our Company has not made any public issues in the past. Therefore, data regarding promise versus performance is not applicable to us.

**Promise vis-à-vis Performance – Previous Issues of Promoter Group Entities.**

None of our Promoter Group Entities have made any public issues in the past. Therefore, data regarding promise versus performance is not applicable.

**Outstanding debentures, bonds, redeemable preference shares and other instruments issued by our Company**

Our Company has no outstanding debentures, bonds or redeemable preference shares.

**Option to Subscribe**

Equity Shares being offered through this Red Herring Prospectus can be applied for in dematerialized form only.

**Stock Market Data for our Equity Shares**

This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchange.

**Mechanism for Redressal of Investor Grievances**

The memorandum of understanding between the Registrar and us will provide for retention of records with the Registrar for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

**Disposal of Investor Grievances by our Company**

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be 15 days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have constituted an Investors' Grievances Committee of the Board *vide* resolution passed at the Board Meeting held on February 15, 2007. The composition of the Investors' Grievances Committee is as follows:

| <b>Name of the Director</b>       | <b>Designation in the Committee</b> | <b>Nature of Directorship</b> |
|-----------------------------------|-------------------------------------|-------------------------------|
| Mr. Kasuganti Vaman Rao           | Chairman                            | Independent Director          |
| Mrs. Gundavaram Vanaja Devi       | Member                              | Executive Director            |
| Mr. Chennameneni Mithun Chand     | Member                              | Executive Director            |
| Mr. Muppidi Srikanth Reddy        | Member                              | Independent Director          |
| Mr. Kolli Venkat Durga Prasad Rao | Member                              | Independent Director          |

For further details, please refer to the chapter titled ‘Our Management’ beginning on page 92 of this Red Herring Prospectus.

Our Company has appointed Mr. P. Satish Chandra Mouli, Company Secretary as the Compliance Officer and he may be contacted at the Registered Office of our Company. His contact details are as follows:

**Mr. P. Satish Chandra Mouli,**  
513B, 5<sup>th</sup> Floor,  
Minerva Complex,  
S.D. Road,  
Secunderabad 500 003  
Andhra Pradesh.  
**Tel:** +91 40 27721457 / 27899833  
**Fax:** +91 40 27811237  
**Email:** [ipo@kaveriseeds.com](mailto:ipo@kaveriseeds.com)

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.

#### **Changes in Auditors during the last three financial years and reasons therefore**

There have been no changes in our statutory auditors in terms of the Companies Act, of our Company in the last three financial years

#### **Capitalisation of Reserves or Profits**

The details regarding capitalisation of reserves are enumerated in the chapter titled '*Capital Structure*' beginning on page no. 16 of this Red Herring Prospectus. Other than as mentioned therein, we have not capitalised any of our reserves.

#### **Revaluation of assets**

We have not revalued assets of our Company in the past five years.

## SECTION VIII – ISSUE RELATED INFORMATION

### ISSUE STRUCTURE

The present Public Issue is of 40,00,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share) for cash aggregating to Rs. [●] lakhs (the “Issue”), out of which 2,00,000 Equity Shares have been reserved for Eligible Employees of our Company on a competitive basis (“Employee Reservation Portion”). The Net Issue to the Public shall be 38,00,000 Equity Shares of Rs.10 each for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share) for cash aggregating to Rs. [●] lakhs (the “Net Issue”) The Issue will constitute 29.20 % of the post Issue paid-up capital of the Company and the Net Issue will constitute 27.74 % of the post Issue paid -up capital of our Company.

If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith. The Issue is being made through the 100% Book Building Process:

|                                                              | <b>Eligible Employees of our Company on a competitive basis (“Employee Reservation Portion”)</b> | <b>QIBs</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Non-Institutional Bidders</b>                                                                                                           | <b>Retail Individual Bidders</b>                                                                     |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Number of Equity Shares*                                     | Upto 2,00,000 Equity Shares                                                                      | At least 19,00,000 Equity Shares must be allotted to QIBs.                                                                                                                                                                                                                                                                                                                                                                                                                      | Upto 5,70,000 Equity Shares.                                                                                                               | Up to 13,30,000 Equity Shares.                                                                       |
| Percentage of Issue size available for Allocation            | Upto 5% of the Issue                                                                             | At least 50% of the Net Issue (of which 5% shall be reserved for Mutual Funds) subject to the preceding condition that the QIB Portion may be Net Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders.*<br><br>Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund Portion will be available to QIBs. | Up to 15% of the Net Issue or Net Issue size less allocation to QIBs and Retail Individual Bidders.*                                       | Up to 35% of the Net Issue or Net Issue size less allocation to QIBs and Non-Institutional Bidders.* |
| Basis of Allocation if respective category is oversubscribed | Proportionate                                                                                    | Proportionate<br><br>(a) 95,000 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only; and<br><br>(b) the balance 18,05,000 Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above.                                                                                                                                                                         | Proportionate                                                                                                                              | Proportionate                                                                                        |
| Minimum Bid                                                  | 40 Equity Shares and in multiples of 40 Equity Share thereafter                                  | Such number of Equity Shares in multiples of 40 Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 40 Equity Shares thereafter.                                                                                                                                                                                                                                                                                                                         | Such number of Equity Shares in multiples of 40 Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of 40 Equity Shares | 40 Equity Shares and in multiples of 40 Equity Share thereafter                                      |

|                   | <b>Eligible Employees of our Company on a competitive basis ("Employee Reservation Portion")</b>                                     | <b>QIBs</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Non-Institutional Bidders</b>                                                                                                            | <b>Retail Individual Bidders</b>                                                                                                                                          |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   |                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | thereafter.                                                                                                                                 |                                                                                                                                                                           |
| Maximum Bid       | Not exceeding the size of the Issue subject to regulations as applicable to the Eligible Employees.                                  | Not exceeding the size of the Issue subject to regulations as applicable to the Bidder                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Not exceeding the size of the Issue subject to regulations as applicable to the Bidder                                                      | Such number of Equity Shares per Retail Individual Bidder so as to ensure that the Bid Amount does not exceed Rs. 1,00,000                                                |
| Mode of Allotment | Compulsorily in dematerialized form.                                                                                                 | Compulsorily in dematerialized form.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Compulsorily in dematerialized form.                                                                                                        | Compulsorily in dematerialized form.                                                                                                                                      |
| Trading Lot       | One Equity Share                                                                                                                     | One Equity Share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | One Equity Share                                                                                                                            | One Equity Share                                                                                                                                                          |
| Who can Apply **  | Eligible Employees of our Company                                                                                                    | Public financial institutions as specified in Section 4A of the Companies Act, FIs 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 registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lakhs (subject to applicable law) and pension funds with minimum corpus of Rs. 2500 lakhs (subject to applicable law). | Resident Indian individuals, HUFs (in the name of karta), companies, corporate bodies, NRI's, societies and trusts.                         | Individuals (including HUFs in the name of karta) applying for Equity Shares such that the Bid Amount per Retail Individual Bidder does not exceed Rs. 1,00,000 in value. |
| Terms of Payment  | Margin Amount applicable to Eligible Employees at the time of submission of Bid Cum Application Form to the Member of the Syndicate. | Margin Amount applicable to QIB Bidders at the time of submission of Bid Cum-Application Form to the Member of the Syndicate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the Member of the Syndicate. | Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid Cum Application Form to the Member of the Syndicate.                                |
| Margin Amount #   | Full Bid Amount on submission of Bid Cum Application Form.                                                                           | At least 10% of the Bid Amount in respect of bids placed by QIB Bidder on Bidding.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Full Bid Amount on submission of Bid Cum Application Form.                                                                                  | Full Bid Amount on submission of Bid Cum Application Form.                                                                                                                |

\* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spillover *inter-se* from any of the other categories, at the sole discretion of our Company in consultation with the BRLMs and subject to applicable provisions of the SEBI Guidelines. Under-subscription, if any, in the Employee Reservation Portion shall be allowed to be met with spillover *inter-se* from any other categories at the sole discretion of our Company in consultation with 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 at the discretion of our Company in consultation with the BRLMs. Such *inter-se* spillover if any, would be effected in accordance with applicable laws, rules, regulations and guidelines

\*\* 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 in the same sequence in which they appear in the Bid Cum Application Form.

**# After the Bid / Issue Closing Date, depending upon the level of subscription, additional margin amount, if any, may be called from the QIB Bidders.**

**If the aggregate demand by Mutual Funds is less than 95,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.**

## **TERMS OF THIS ISSUE**

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, the terms of this Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus and Bid Cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allocation / allotment advice, and other documents/certificates that may be issued / executed in respect of this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of this Issue and to the extent applicable.

### **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* in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment. For a description of the Articles of Association of our Company please refer to the section titled '*Main Provisions of the Articles of Association of our Company*' beginning on page no. 213 of this Red Herring Prospectus.

### **MODE OF PAYMENT OF DIVIDEND**

Payment of dividend by our Company, if recommended by our Board and declared at our General Meeting, would be as per the provisions of Companies Act, 1956.

### **FACE VALUE AND ISSUE PRICE**

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Red Herring Prospectus at a price of Rs. [●] per share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

### **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 SHAREHOLDERS**

Subject to applicable laws, the equity shareholders shall have the following rights:

- (1) Right to receive dividend, if declared;
- (2) Right to attend general meetings and exercise voting powers, unless prohibited by law;
- (3) Right to vote on a poll either in person or by proxy;
- (4) Right to receive offers for rights shares and be allotted bonus shares, if announced;
- (5) Right to receive surplus on liquidation;
- (6) Right of free transferability; and
- (7) Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For further details on the main provisions of our Company's Articles of Association including those dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to the section titled '*Main Provisions of the Articles of Association of our Company*' beginning on page no. 213 of this Red Herring Prospectus.

### **MARKET LOT AND TRADING LOT**

In terms of Section 68B of the Companies Act, the Equity Shares of our Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of our Company shall only be in dematerialized form for all investors. Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share.

Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share to the successful Bidders subject to a minimum Allotment of 40 Equity Shares. For details of allocation and allotment, please refer to the chapter titled '*Issue Procedure*' beginning on page no. 189 of this Red Herring Prospectus.

## **JURISDICTION**

The jurisdiction for the purpose of this Issue is with competent courts/authorities in Hyderabad, India.

## **NOMINATION FACILITY TO THE INVESTOR**

In accordance with Section 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 transferred, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in this Issue will be made only in dematerialized mode, there is no need to make a separate nomination with our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require a change the 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 Net Issue to the Public, including devolvement of the Underwriters, if any, 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 eight days after our Company becomes liable to pay the amount, our Company shall pay interest as per Section 73 of the Companies Act.

Further in terms of Clause 2.2.2A of the SEBI Guidelines, our Company shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will be not less than 1,000.

## **ARRANGEMENTS FOR DISPOSAL OF ODD LOTS**

Trading lot for our shares is one share, therefore, there are no odd lots.

## **RESTRICTIONS ON TRANSFER OF SHARES ETC. AND ALTERATION OF CAPITAL STRUCTURE**

There are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting except as provided in our Articles. For further details, please refer to the section titled '*Main Provisions of the Articles of Association of our Company*' beginning on page no. 213 of this Red Herring Prospectus.

## ISSUE PROCEDURE

The present Public Issue is of 40,00,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share) for cash aggregating to Rs. [●] lakhs (“Issue”), out of which 2,00,000 Equity Shares have been reserved for Eligible Employees of our Company on a competitive basis (“Employee Reservation Portion”). The Net Issue to the Public shall be 38,00,000 Equity Shares of Rs.10 each for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share) for cash aggregating to Rs. [●] lakhs (the “Net Issue”) The Issue will constitute 29.20 % of the post Issue paid-up capital of the Company and the Net Issue will constitute 27.74 % of the post Issue paid -up capital of our Company.

## BOOK BUILDING PROCEDURE

This Issue is being made through the 100% Book Building Process wherein at least 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, including upto 5% of the QIB Portion, which shall be available for allocation to Mutual Funds only. Further, up to 35% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and up to 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. Our Company, in consultation with the BRLMs, may reject any Bid procured from QIBs, by any or all the members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

**Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form.**

## 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 the 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 to make the necessary changes in the Red Herring Prospectus and the Bid Cum Application Form as would be required for filing the Prospectus with the RoC and also 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, NRIs applying on a non-repatriation basis                                                                                                                          | White                              |
| Non-Residents, NRIs or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis | Blue                               |
| Eligible Employees applying in the Employee Reservation Portion.                                                                                                                  | Green                              |

## WHO CAN BID

1. Indian nationals resident in India who are majors, or in the names of minor children by natural/legal guardians, in single or joint names (not more than three);
2. Hindu Undivided Families (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 HUF by applying through XYZ where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
3. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRIs, other than eligible NRIs, are not permitted to participate in this Issue;
4. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the

Equity Shares;

5. Indian Mutual Funds registered with SEBI;
6. Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission and the SEBI Guidelines and other regulations, as applicable);
7. FIIs registered with SEBI;
8. Venture Capital Funds registered with SEBI;
9. Foreign Venture Capital Investors registered with SEBI;
10. State Industrial Development Corporations;
11. Trusts/Societies registered under applicable laws and who are authorised under their constitution to hold and invest in the Equity Shares;
12. NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
13. Scientific and/or industrial research organisations authorised by their constitution to invest in the Equity Shares;
14. Insurance Companies registered with Insurance Regulatory and Development Authority;
15. Provident Funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to hold and invest in the Equity Shares;
16. Pension Funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to hold and invest in the Equity Shares; and
17. Multilateral and Bilateral Development Financial Institutions;

**Note: The BRLMs and the Syndicate Members shall not be entitled to participate in this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of each of the BRLMs and Syndicate Members are entitled to Bid and subscribe to Equity Shares in this Issue either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such investors, where the allotment will be on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients. Pursuant to the existing regulations, OCBs are not eligible to participate in this Issue.**

**Notwithstanding the aforesaid, in the Employee Reservation Portion, Bids can only be submitted by the Eligible Employees.**

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limit or maximum number of Equity Shares that can be held by them under applicable law, rules, regulations, guidelines and approvals.**

#### **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 95,000 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. The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made.

***As per the current regulations, the following restrictions are applicable for investments by mutual funds:***

No mutual fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in 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.

#### **BIDS BY NRIs**

Bid Cum Application Forms for NRIs are available at the Registered Office of our Company, members of the Syndicate and with the Registrar.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary

(NRO) accounts shall use the form meant for Resident Indians (white in colour) and shall not use the forms meant for reserved category. All instruments accompanying the Bids shall be payable in Mumbai only.

## **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 capital (*i.e.* 13,80,000 Equity Shares). 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). Under the portfolio investment scheme, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of our Company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of 'know your client' requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any Fperson other than a regulated entity.

## **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 and Foreign Venture Capital Investors:***

The SEBI (Venture Capital Fund) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 33.33% of the corpus of the venture capital fund/ foreign venture capital investor. The aggregate holding of SEBI Registered Venture Capital Funds and Foreign Venture Capital Investors registered with SEBI could, however, go upto 100% of our Company's paid-up equity share capital.

**The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised not to depend solely on the legal position stated hereunder and to make their independent investigations and ensure that they are appraised of restrictions applicable to them and the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**

## **MAXIMUM AND MINIMUM BID SIZE**

- **For Bidders in the Employee Reservation Portion:** Bids must be for a minimum of 40 Equity Shares and in multiples of 40 Equity Shares thereafter. The maximum Bid in the Employee Reservation Portion cannot exceed the Issue size.
- **For Retail Individual Bidders:** The Bid must be for a minimum of 40 Equity Shares and in multiples of 40 Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 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.
- **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares in multiples of 40 Equity Share such that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 40

Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under the existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin amount 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. 1,00,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 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.

#### **INFORMATION FOR THE BIDDERS**

- (a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid Cum Application Form to potential investors.
- (c) 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.
- (d) The Bids should be submitted on the prescribed Bid Cum Application Form only. Bid Cum Application Forms should bear the stamp of the member of the Syndicate. Bid Cum Application Forms which do not bear the stamp of the member of the Syndicate will be rejected.

#### **METHOD AND PROCESS OF BIDDING**

- (a) Our 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 RoC and also publish the same in three widely circulated newspapers (one English newspaper, one Hindi newspaper and one regional language newspaper). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX-A of the SEBI Guidelines. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid. QIB Bidders shall register their bids only through a BRLM.
- (c) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional newspaper and the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.
- (d) Each Bid Cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details please refer to the paragraph titled '*Bids at Different Price Levels*' beginning on page no. 193 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid Cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.
- (e) The Bidder cannot bid on another Bid Cum Application Form after his or her 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 the same are 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 '*Build up of the Book and Revision of Bids*' beginning on page no. 196 of this Red Herring Prospectus.

- (f) 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.
- (g) During the Bidding 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.
- (h) Along with the Bid Cum Application Form, all Bidders will make the payment in the manner described under the paragraph titled '*Terms of Payment and Payment into the Escrow Collection Accounts*' beginning on page no. 194 of this Red Herring Prospectus.

#### **BIDS AT DIFFERENT PRICE LEVELS**

- (a) The Price Band has been fixed at Rs.150/- to Rs.170/- per Equity Share of Rs. 10 each, Rs 150/- being the lower end of the Price Band and Rs.170/- being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1 (One).
- (b) Our Company, in consultation with the BRLMs, reserves the right to revise the Price Band, during the Bidding Period, in accordance with the SEBI Guidelines in which case the Bidding Period shall be extended further for a period of three working days, subject to the total Bidding Period not exceeding ten working days. The cap of 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) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of ten 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 three widely circulated newspapers (one English newspaper, one Hindi newspaper and one regional language newspaper), and also by indicating the change on the websites of the BRLMs, and at the terminals of the Syndicate Member(s) and the Bidding Period shall be extended for a further period of three working days,
- (d) Our Company, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at Cut off Price. However, bidding at Cut off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (f) Retail Individual Bidders who Bid at the Cut off Price agree that they shall purchase the Equity Shares at the Issue Price, as finally determined, which will be a price within the Price Band. Retail Individual Bidders bidding at Cut off Price shall deposit the Bid Amount based on the cap of the Price Band in the Escrow Account. In the event the Bid Amount is higher than the Allocation Amount payable by the Retail Individual Bidders, 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, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Refund Account.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut off Price could either (i) revise their Bid or (ii) make additional payments based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 1,00,000 for Retail Individual Bidders, if the Bidder wants to continue to Bid at Cut off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 1,00,000 the Bid will be considered for allocation under the Non-Institutional portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the 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 the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off Price.

- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.
- (i) The minimum application size shall be in the range of Rs. 5,000 to Rs. 7,000 even in case of revision in the Price Band, if any.

## **ESCROW MECHANISM**

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account for that category. 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 Banks shall transfer an amount equivalent to the Issue proceeds from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement and the balance amount shall be transferred to the Refund Account. 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 us, 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 COLLECTION ACCOUNTS**

Each Bidder shall pay the applicable Margin Amount with the Bid Cum Application Form through 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 please refer to the paragraph titled '*Payment Instructions*' beginning on page no. 201 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid Cum Application Forms accompanied by cash or stockinvest shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid Cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the Issue proceeds 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 in the Refund Account for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders failing which our Company shall pay interest @ 15% per annum for any delay beyond the period mentioned above.

Each category of Bidders (i.e. Eligible Employees in the Employee Reservation Portion, QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders) would be required to pay their applicable Margin Amount at the time of submission of the Bid Cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the chapter titled '*Issue Structure*' beginning on page no. 184 of this Red Herring Prospectus. After the Bid Closing Date, the level of subscription in all categories shall be determined. Based on the level of subscription, additional margin money, if any, shall be called from the QIB Bidders. If such additional margin money is not paid into the appropriate Escrow Account within the time and in the manner stipulated above, the Bid of such QIB Bidder is liable to be rejected. Further we may call for additional Margin Amount over and above the minimum prescribed 10% Margin Amount from certain QIBs at our discretion prior to acceptance of the Bid anytime upto the Bid/Issue Closing date and shall have the right to reject such Bids on technical grounds in case of non-receipt of such additional margin. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated 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 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. However, if the members of the Syndicate do not accept such margin payment, the full amount of payment has to be made at the time of submission of the Bid Cum Application Form.

In case the cheques/ demand drafts deposited by any Bidder are returned unpaid, the bid shall be rejected.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

## **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 at least be one on-line connected centre in each city, where a stock exchange is located in India and where Bids are being accepted.
- b) 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 Member(s) 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.
- 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 websites of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding 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 (Investors should ensure that the name given in the Bid Cum Application form is exactly the same as the Name in which the Depository Account is held. In case the Bid Cum Application Form is submitted in joint names, investors 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, NRI, FII, or Mutual Fund *etc.*
  - Numbers of Equity Shares bid for.
  - Bid Amount
  - Bid Cum Application Form number.
  - Whether payment is made upon submission of Bid Cum Application Form.
  - Margin Amount; and
  - Depository Participant Identification Number and Client Identification Number of the demat 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 either by the members of the Syndicate or by our Company.
- f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g) Consequently, all or any of the members of the Syndicate may reject QIB Bids provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on technical grounds listed on page no. 204 in this Red Herring Prospectus.
- h) It is to be distinctly understood that 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 Promoters, 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) Bids not uploaded to the online IPO system of BSE / NSE shall not be considered for allocation/ allotment.

## BUILD UP OF THE BOOK AND REVISION OF BIDS

- (a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
- (b) The book gets built- up at various price levels. This information will be available with the BRLMs on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid Cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in 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.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
- (f) 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.
- (g) 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 QIBs, the members of the Syndicate shall collect the payments 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.
- (h) 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.
- (i) Only Bids that are uploaded on the online system of the BSE and NSE shall be considered for allotment. In case of discrepancy of data between BSE / NSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid Cum Application Forms, shall be final and binding on all concerned.

## 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 us.
- (b) Our Company, in consultation with the BRLMs, shall finalise the “Issue Price” and the number of Equity Shares to be allotted in each category to Bidders.
- (c) The allocation to Non-Institutional Bidders and Retail Individual Bidders of up to 15% and 35% of the Net Issue respectively, the allocation to QIBs for at least 50% of the Net Issue, would be on proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLMs. **However, if the aggregate demand by Mutual Funds is less than 95,000 Equity Shares (QIB Portion being at least 50% of the Net Issue size, i.e. 19,00,000 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.** If a minimum allotment of at least 50% of the Net Issue is not made to QIB's, the entire subscription monies shall be refunded. In the event that the aggregate demand in the QIB Portion has been met, under-subscription in any category, 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, in consultation with the BRLMs and the Designated Stock Exchange.
- (e) Allocation to NRIs, FIIs, foreign venture capital funds and foreign venture capital investors, Multilateral and Bilateral Development Financial Institutions registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by RBI while granting permission for allotment of Equity Shares to them.
- (f) The BRLMs, in consultation with us, shall notify the members of the Syndicate about the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) **Our Company reserves the right to cancel/withdraw the Issue any time after the Bid/Issue Opening Date but before Allotment, without assigning any reasons whatsoever. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.**

## **SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING**

- (a) Our Company, the BRLMs and the Syndicate Member(s) shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, our Company 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.

## **FILING OF THE PROSPECTUS WITH THE ROC**

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

## **ANNOUNCEMENT OF PRE-ISSUE ADVERTISEMENT**

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on this Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in an English national daily with wide circulation, one Hindi National newspaper and a regional language newspaper.

## **ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS**

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. 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 LETTER FOR ADDITIONAL MARGIN MONEY**

In case of QIB Bidders, who have submitted their Bids with the QIB Margin Amount, additional Margin Amount may be called for by our Company, in consultation with the BRLMs. The amount of such additional Margin Amount called for shall depend on the level of subscription in various categories, as determined on the basis of the electronic registration of Bids. The allotment of shares to QIB Bidders shall be finalized by our Company, in consultation with the BRLMs and the Designated Stock Exchange.

## **ISSUANCE OF CONFIRMATION OF ALLOCATION NOTE (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 allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Individual and Non-Institutional Bidders. However, Bidders should note that our Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.
- (b) The BRLMs or members of the Syndicate would despatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch 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 Allocation 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 despatch 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.

## **Notice to QIBs : Allotment Reconciliation and Revised CANs**

- (d) After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE / NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI 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. In addition, there are foreign investment limitations applicable to our Company, which may result in a change (including a potential decrease) in the number of Equity Shares being finally allotted to non-resident investors (including FIIs). As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

## **DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES**

- (a) Our 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, we would allot the Equity Shares to the allottees. Our 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. In case, our Company fails to make allotment within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- (b) In accordance with the SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in 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 that may be allocated to them pursuant to this Issue.**

## **GENERAL INSTRUCTIONS**

### **Dos:**

- (a) Check if you are eligible to apply;
- (b) 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 Employee Reservation Portion Bid Cum Application Form (green in colour) as the case may be;
- (c) Ensure that the details about Depository Participant and beneficiary account are correct as allotment of Equity Shares will be in the dematerialized form only;
- (d) Investor 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;
- (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) Ensure that the Bid is within the Price Band;
- (i) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. The copy of the PAN card or the PAN allotment letter should be submitted with the application form;
- (j) If you have mentioned "Applied For" or "Not Applicable" in the Bid Cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;
- (k) Ensure that Demographic details (as defined herein below) are updated true and correct in all respects, and
- (l) QIB bidders shall submit their bids only to the BRLMs.

### **Don'ts:**

- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not Bid/ revise Bid Amount 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 Amount in cash;
- (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, Non-Institutional Bidders) ;
- (g) Do not Bid at Bid Amount exceeding Rs 1,00,000 (for Retail Individual Bidders);
- (h) 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;
- (i) Do not submit Bid accompanied with Stockinvest;
- (j) Do not submit GIR number instead of PAN as Bid is liable to be rejected on this ground;
- (k) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by a QIB, and
- (l) Do not Bid if you are prohibited to do so under the laws of your jurisdiction.

## **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.

## **BIDS AND REVISIONS OF BIDS**

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 NRI, FII or foreign venture capital fund registered with SEBI or multilateral or bilateral financial institutions applying on repatriation basis, green in colour for the Bidders in the 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 40 Equity Shares and in multiples of 40 thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- (d) For Eligible Employees bidding in the Employee Reservation Portion, Bids must be for a minimum of 40 Equity Shares and in multiples of 40 Equity Shares thereafter not exceeding the Issue size.
- (e) 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.1,00,000 and in multiples of 40 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.
- (f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

## **BIDDER'S BANK DETAILS**

**Bidders should note that on the basis of names 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 will obtain from the Depository the Bidder's Bank Account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through ECS or any other mode for refunds stated herein, hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refund to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.**

## **BIDDER'S DEPOSITORY ACCOUNT DETAILS**

**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.**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid Cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or give credit through ECS or any other mode for refunds stated herein and occupation (hereinafter referred to as "Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid Cum Application Form.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ECS credit for refunds or any other mode for refunds stated herein /CANs/Allocation advice and printing of Company particulars on the refund order and the Demographic Details given by Bidders in the Bid Cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

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 not 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 Bidder's sole risk and neither our Company nor the Registrar 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 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.

#### **BIDS BY NON RESIDENTS, NRIS, FIIS AND FOREIGN VENTURE CAPITAL FUNDS REGISTERED WITH SEBI ON A REPATRIATION BASIS**

Bids and revision to Bids must be made:

- (a) On the Bid Cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- (b) In a single name or joint names (not more than three).
- (c) NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non-Institutional Portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of 40 thereafter that the Bid Amount exceeds Rs. 1,00,000. For further details, please refer to the paragraph titled '*Maximum and Minimum Bid Size*' beginning on page no. 191 of this Red Herring Prospectus; 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 NRIs) or their nominees.
- (d) 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 despatched 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.

Our Company does not require approvals from FIPB for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

**Equity Shares have not been registered under the US Securities Act and are not being sold in the US. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “US Securities Act”), or any state securities laws in the United States and may not be offered or sold within the United States, (as defined in Regulation S under the US Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Equity Shares will be offered and sold only outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.**

## **BIDS UNDER POWER OF ATTORNEY**

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 reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid Cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

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 reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 2500 lakhs (subject to applicable law) and pension funds with minimum corpus of Rs. 2500 lakhs (subject to applicable law), 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 reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by Mutual Funds registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid Cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid Cum Application form, subject to such terms and conditions that our Company, and the BRLMs may deem fit.

Our Company, at its absolute discretion, reserves 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 the 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.

## **PAYMENT INSTRUCTIONS**

Our Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid Cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

### **PAYMENT INTO ESCROW ACCOUNT**

1. The applicable Margin Amount for Non-Institutional and Retail Individual Bidders and the Bidders in the Employee Reservation Portion is 100% and while submitting the Bid Cum Application Form should be drawn as a payment instrument for the Bid Amount in favour of the Escrow Account and submitted to the members of the Syndicate.
2. QIB Bidders will be required to deposit a QIB Margin Amount at the time of submitting of their Bids. After the closure of bidding, the level of subscription shall be determined. Based on the level of subscription, additional margin money, if any, shall be called for from the QIB Bidders. The QIB Bidders shall pay such additional margin

money within a period of two days from the date of the letter communicating the request for such additional margin money.

3. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
4. The payment instruments for payment into the Escrow Account should be drawn in favour of:  
In case of Eligible Employees in the Employee Reservation Portion: "KSCL Escrow Account-R –Employee Reservation Portion".  
In case of Resident QIB Bidders: "KSCL Escrow Account-R - QIB"  
In case of Non Resident QIB Bidders: "KSCL Escrow Account-NR-QIB"  
In case of Resident Non-Institutional and Retail Individual Bidders: "KSCL Escrow Account – R- Non QIB"  
In case of Non-resident Non-Institutional and Retail Individual Bidders: "KSCL Escrow Account – NR- Non QIB"
5. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad for the amount payable on application remitted through normal banking channels or cheques or bank drafts issued or purchased 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.
6. In case of Bids by FIIs, 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 of our Company.
8. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
9. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue and the Refund Account with Refund Banker.
10. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Banker(s) shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
11. 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.

## **BIDS IN THE EMPLOYEE RESERVATION PORTION**

Bids in the Employee Reservation Portion may be made by Eligible Employees:

In case of Bids by the Eligible Employees on a competitive basis, Bids must be made only in the prescribed Bid Cum Application Form (green in colour). The sole/first Bidder should be the Eligible Employee. The Eligible Employee should mention his or her employee number at the relevant place in the Bid Cum Application Form. Bids by Eligible Employees in the Employee Reservation Portion have to be received at or above the Issue Price for being considered for allocation in the Employee Reservation Portion. Bids by Eligible Employees can also be in the "Net Issue to the Public", and such bids will not be considered as multiple Bids. The maximum Bid by the Eligible Employee shall not exceed the Issue size.

## **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.

## **SUBMISSION OF BID CUM APPLICATION FORM**

All Bid Cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid Cum Application Form and Revision Form. However, for QIB Bidders, the members of the Syndicate shall collect the Margin Amount.

No separate receipts shall be issued for the money payable on the submission of Bid Cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid Cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid Cum Application Form for the records of the Bidder.

## **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.

### **Multiple Bids**

A Bidder should submit only one (and not more than one Bid) 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, the procedures, which would be followed by the Registrar to the Issue to detect multiple applications, are given below:

- a) All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple master.
- b) In this master, a check will be carried out for the same PAN numbers. In cases where the PAN numbers are different, the same will be deleted from this master.
- c) 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, hashes etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names.
- d) The applications will be scanned for similar DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.
- e) 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 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.

Eligible Employees Bidding in the Employee Reservation Portion can also Bid in the "Net Issue to the Public" Portion and such Bids shall not be treated as multiple Bids.

Our Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

## **PERMANENT ACCOUNT NUMBER OR PAN**

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid Cum Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that 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/have 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 permanent account number 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 vide 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 61, as the case may be.**

## UNIQUE IDENTIFICATION NUMBER (“UIN”)

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/ quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 by its circular bearing number MAPIN/Cir-13/2005. However, in a press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.1,00,000 to Rs.5,00,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.5,00,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Draft Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

## OUR RIGHT TO REJECT BIDS

In case of QIB Bidders, our Company, in consultation with the BRLM may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made as set out under the heading titled ‘*Modes of Refund*’ on page no. 206 of this Red Herring Prospectus.

## GROUND FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- (1) Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- (2) Age of First Bidder not given;
- (3) Bids from NRIs not disclosing their residential status;
- (4) Bids from NRI's other than eligible NRI's;
- (5) 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;
- (6) Bid (s) by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- (7) PAN card photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- (8) Bank account details for refund are not given;
- (9) Bids for lower number of Equity Shares than specified for that category of investors;
- (10) Bids at a price less than lower end of the Price Band;
- (11) Bids at a price more than the higher end of the Price Band;
- (12) Bids at Cut off Price by Non-Institutional and QIB Bidders bidding in excess of Rs. 1,00,000;
- (13) Bids for number of Equity Shares which are not in multiples of 40;
- (14) Category not ticked;
- (15) Multiple Bids as defined in this Red Herring Prospectus;
- (16) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- (17) Bids accompanied by Stockinvest/money order/postal order/cash;
- (18) Signature of sole and / or joint Bidders missing;
- (19) Bid Cum Application Forms does not have the stamp of the BRLMs, or Syndicate Members;

- (20) Bid Cum Application Forms does not have Bidder's depository account details;
- (21) 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 this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid Cum Application Forms;
- (22) 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 Depository Participant's identity (DP ID) and the beneficiary's Account Number (Client ID);
- (23) Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act;
- (24) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations, please refer to the paragraph titled '*Maximum and Minimum Bid Size*' beginning on page no. 191 of this Red Herring Prospectus;
- (25) Bids by OCBs ;
- (26) If GIR number is mentioned instead of PAN Number.
- (27) Any other reason which our Company in consultation with BRLMs deems necessary.

## **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 dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

1. Agreement dated August 02, 2007 with NSDL, our Company and the Registrar to the Issue;
2. Agreement dated June 28, 2007 with CDSL, our 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.**

**It is important that:**

- (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) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrars to the Issue.
- (g) 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.
- (h) 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 NSDL and CDSL.

## **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/ First Bidder, Bid Cum Application Form number, Bidders Depository account details, number of Equity Shares applied for, date of Bid Cum Application , 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.**

## **PAYMENT OF REFUND**

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 dispatch 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 our 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.

### **Modes of Refund**

The payment of refund, if any, shall be undertaken in the following order of preference:

#### **1. ECS**

Payment of refund shall be undertaken through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, 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) shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company.

#### **3. RTGS**

Applicants having a bank account at any of the abovementioned fifteen centers and whose refund amount exceeds Rs. 10 lakhs, may 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 such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

#### **4. NEFT**

Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to an 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.

#### **5. MAIL**

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched 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 be 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.

## **DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY AND INTEREST IN CASE OF DELAY**

We shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid / Issue Closing Date. Applicant residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS).

Applicants to whom refunds are made through electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue.

In case of other applicants, our Company 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, and adequate funds 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.

We shall ensure dispatch of allotment advice, refund orders (except for Bidders who receive refund 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 2 (two) working days of date of Allotment.

In case of applicants who receive refunds through ECS, Direct Credit , RTGS or NEFT 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/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

“We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges as mentioned under the heading ‘*Listing*’ in the section titled ‘*Other Regulatory and Statutory Disclosures*’ beginning on page no. 174 of this Draft Red Herring Prospectus are taken within seven working days of finalisation and adoption of the Basis of Allotment for this Issue.”

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, our Company further undertakes that:

- (a) allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- (b) despatch of refund orders or in case where the refund or portion thereof is made in electronic manner, the refund instruction are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- (c) our Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen) days time period as mentioned above), if allotment is not made and refund orders are not despatched and/or demat credits are not made to investors within the 15 (fifteen) day time frame prescribed above.

Consequent refunds shall be made as set out under the heading titled ‘*Modes of Refund*’ on page no. 206 of this Red Herring Prospectus.”

## **BASIS OF ALLOTMENT**

### **A. For Bidders in the Employee Reservation Portion**

- Bids received from Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allocation to all successful Bidders in the Employee Reservation Portion will be made at Issue Price.
- If the aggregate demand in the Employee Reservation Portion is less than or equal to 2,00,000 Equity Shares at or above the Issue Price, full Allocation shall be made to such Bidders in the Employee Reservation Portion to the extent of the demand.
- If the aggregate demand in the Employee Reservation Portion is more than 2,00,000 Equity Shares at or above the Issue Price the Allocation shall be made on a proportionate basis up to a minimum of 40 equity shares.
- For the definition of Eligible Employees, please refer to the section titled ‘*Definitions and Abbreviations*’ beginning on page no. i of this Red Herring Prospectus.

**B. 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 portion. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Bidders and QIB Bidders (subject to minimum subscription of 50% of the Net Issue) and less allotment in the Employee Reservation Portion 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 portion is less than or equal to 13,30,000 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 13,30,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 40 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

**C. For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allocation to QIB Bidders (subject to minimum subscription of 50% of the Net Issue) and Retail Individual Bidders and less allotment in the Employee Reservation Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 5,70,000 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 5,70,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 40 Equity Shares and in multiples of (one) Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

**D. For QIB Bidders**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- At least 50% of the Net Issue size (QIB Portion) shall be available for allotment to QIBs 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 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 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand for 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, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

Except for any shares allocated to QIB Bidders due to under subscription in the Retail Portion and/or Non-Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate bases at least to the extent of 19,00,000 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation refer below.

Under subscription, if any, in Non-Institutional Bidders or Retails Individual Bidders category would be allowed to be met with spill over from any other category at the sole discretion of our Company and the BRLMs.

- (b) In the second instance, allocation to all QIBs shall be determined as follows:

- (i) In the event of oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
  - (ii) 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.
- (c) The aggregate allocation to QIB Bidders shall not be less than 19,00, 000 Equity Shares.

## **PROCEDURE AND TIME SCHEDULE FOR ALLOTMENT AND CREDIT OF EQUITY SHARES IN DEMATERIALISED FORM.**

The Issue will be made through the “100% Book Building Process” pursuant to which the Underwriters will accept bids for Equity Shares during the Bidding Period. The Bidding Period will commence on Thursday, September 06, 2007 and expire on Tuesday, September 11, 2007. Following the expiration of the Bidding Period, our Company, in consultation with the BRLMs, will determine the Issue Price, and, in consultation with the BRLMs, the basis of Allocation and entitlement to Allotment, based on the Bids received and subject to the confirmation by the BSE/NSE. Successful Bidders will be provided with a confirmation of their Allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI on [•] and the RoC on [•] and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful Bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors’ demat accounts maintained with the relevant depository participant within two (2) working days of finalisation of the basis of allotment. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investor’s demat account, subject to final approval by the Stock Exchanges.

## **METHOD OF PROPORTIONATE BASIS OF ALLOTMENT**

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment to Bidders in the Employee Reservation Portion, Retail Individual Bidders and Non-Institutional Bidders and QIBs 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 by them.
- (b) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion 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, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (d) If the proportionate Allotment to a Bidder is a number that is more than 40 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (e) In all Bids where the proportionate allotment is less than 40 Equity Shares per Bidder, the Allotment shall be made as follows:
  - Each successful Bidder shall be allotted a minimum of 40 Equity Shares; and

- The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above;
- (f) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares. The basis of allocation will be finalised in consultation with the Designated Stock Exchange.

## LETTERS OF ALLOTMENT OR REFUND ORDERS

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the Allotment. Applicants residing at 15 centers where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Direct Credit or RTGS or NEFT, or ECS as applicable (subject to availability of all information for crediting through electronic mode) as per order of preference and other details as specified in the paragraph titled '*Modes of Refund*' beginning on page no. 206 of this Red Herring Prospectus. In case of other applicants, the Refund Banker(s) 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, except for Bidders who have opted to receive refunds through the electronic facility. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- (a) Allotment shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- (b) Dispatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; and
- (c) We 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 period prescribed above.

## INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS/REFUND ORDERS

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants or if in a case, where refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner, within 15 days from the Bid/Issue Closing Date.

## ISSUE PROGRAM

|                             |                                     |
|-----------------------------|-------------------------------------|
| <b>BID/ISSUE OPENS ON:</b>  | <b>THURSDAY, SEPTEMBER 06, 2007</b> |
| <b>BID/ISSUE CLOSES ON:</b> | <b>TUESDAY, SEPTEMBER 11, 2007</b>  |

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding 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 1 p.m. (Indian Standard Time) or such time as may be extended by us in consultation with BRLMs, and uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

Investors please note that as per letter dated [•] and letter dated [•] issued by BSE and NSE respectively, bids and any revision in Bids shall not be accepted on Saturdays and holidays as declared by the Exchanges.

We reserve the right to revise the Price Band during the Bidding Period in accordance with 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 and can move up or down to the extent of 20% of the floor of the price band.

**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. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and 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.**

## **UNDERTAKINGS BY OUR COMPANY**

Our Company undertakes as follows:

- (a) that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) 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;
- (c) that 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 us;
- (d) that the refund orders or allotment advice to the successful Bidders shall be despatched within specified time; and
- (e) 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; and
- (f) that the certificates of the securities/refund orders to non resident Indians shall be despatched within specified time
- (g) that promoters' contribution in full, wherever required, shall be brought in advance before the issue opens for public subscription.
- (h) that no further issue of securities shall be made till the securities offered through this Red Herring Prospectus are listed or till the application moneys are refunded on account of non-listing, undersubscription, etc.

## **UTILISATION OF ISSUE PROCEEDS**

Our Board of Directors certifies that:

- (a) all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised;
- (c) details of all unutilised monies out of the Issue, if any, shall be disclosed under an appropriate separate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- (d) all the monies received under the Promoters' Contribution and the Employee Reservation Portion shall be disclosed under an appropriate head in the balance sheet of our Company, indicating the purpose for which such monies have been utilised;
- (e) the details of all unutilised monies out of the funds received under the Promoters' Contribution and the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet of our Company, indicating the form in which such unutilised monies have been invested; and
- (f) our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Pending any use as described above, our Company intends to invest the proceeds of this Issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorised by Board of Directors of the Company or a duly authorised committee thereof.

## **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and the FEMA and circulars and notifications issued thereunder. While the policy of the Government prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of Government of India (FIPB) and

the RBI. **As per current foreign investment policies, foreign direct investment in the sectors in which our Company operates is allowed upto 100% under the automatic route.**

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 prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In our Company, as on date, the aggregate FII holding cannot exceed 24% of the total issued share capital.

#### **Subscription by NRIs/ FIIs**

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this 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 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, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.**

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company (13,80,000 Equity Shares). 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 total issued capital of our Company in case such sub account is a foreign corporate or an individual).

Under the portfolio investment scheme, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With approval of our Board and that of the shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however till date no such resolution has been recommended to our shareholders for approval.

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

## **SECTION IX - MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF OUR COMPANY**

Pursuant to the provisions of Schedule II of the Companies Act and the SEBI Guidelines, the abstract of the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and other main provisions are as detailed below. Each provision hereinbelow is numbered as per the corresponding article number in the Articles of Association and capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company

### **TABLE "A" NOT TO APPLY BUT COMPANY TO BE GOVERNED BY THESE ARTICLES**

1. The regulations contained in Table "A" in the First Schedule of the Companies Act, 1956 shall not apply to this Company, but these Articles for the management of the Company and for the observance of the Members thereof and their representatives shall subject to any exercise of the statutory powers of the Company with reference to the repeal of, alteration of, or addition to, its regulations/Articles by Special Resolution, as prescribed by the Companies Act 1956 be such as are contained in these Articles.

### **CAPITAL AND INCREASE AND REDUCTION OF CAPITAL**

#### **Share Capital**

3. The Authorized share capital of the Company is Rs.20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 (Two crores only) Equity Shares of Rs.10/- (Rupees Ten only) each and the same may be increased or reduced in accordance with the Companies Act, 1956 and the Memorandum of Association of the Company as and when thought fit..

The Company may from time to time by Ordinary Resolution increase its authorised share capital by such sum and to be divided into Shares of such amount as may be specified in the resolution.

#### **Increase of capital by the Company how carried into effect**

4. The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon 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 with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article the Directors shall comply with the provisions of Section 97 of the Act

#### **Non Voting Shares**

5. The Board shall have the power to issue a part of authorised capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.

#### **Redeemable Preference Shares**

6. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company, liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

#### **Provisions to apply on issue of Redeemable Preference Shares**

7. On the issue of redeemable preference shares under the provisions of Article 6 hereof, the following provisions shall take effect.

(a) No such Shares shall be redeemed except out of profits of the Company which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purpose of the redemption.

(b) No such Shares shall be redeemed unless they are fully paid.

(c) The premium, if any payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account, before the Shares are redeemed.

(d) Where any such Shares are redeemed otherwise then out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the Capital Redemption Reserve Account", a sum equal to the nominal amount of the Shares redeemed, and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.

(e) Subject to the provisions of Section 80 of the Act. The redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit.

### **Reduction of capital**

8. The Company may (subject to the provisions of section 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce

(a) the share capital;

(b) any capital redemption reserve account; or

(c) any share premium account

in any manner for the time being, authorized by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.

### **Purchase of own Shares**

8A. The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid Shares whether or not they are redeemable and may make a payment out of capital in respect of such purchase.

### **Sub-division consolidation and cancellation of Shares**

9. Subject to the provisions of Section 94 and other applicable provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares, or any of them and the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-divisions, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other(s). Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

## **MODIFICATION OF RIGHTS**

### **Modification of rights**

10. Whenever the 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 Sections 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-fourth of the issued capital of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of Shares of that class, and all the provisions hereafter contained as to General Meeting shall mutatis mutandis apply to every such Meeting. This Article is not to derogate from any power the Company would have if this Article was omitted.

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, dealt with or varied by the creation or issue of further Shares ranking pari passu therewith.

## **SHARES, CERTIFICATES AND DEMATERIALISATION**

### **Restriction on allotment and return of allotment**

11. The Board of Directors shall observe the restrictions on allotment of Shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.

## **Further issue of shares**

12.

(1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry 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 whether out of unissued share capital or out of increased share capital then:

- (a) Such further Shares shall be offered to the persons who at the date of the offer are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those Shares at that date
- (b) Such offer 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 and 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 them in favour of any other person, and the notice referred to in sub-clause (b) shall contain a statement of this right, PROVIDED THAT the Directors may decline, without assigning any reason, to allot any Shares to any person in whose favour any Member may renounce the Shares offered to him.
- (d) After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given declines to accept the Shares offered, the Board of Directors may dispose them off in such manner and to such person(s) as they may think in their sole discretion fit.

(2) Notwithstanding anything contained in sub-clause (1) hereof, the further Shares aforesaid may be offered to any person(s) (whether or not those persons include the persons referred to in clause (a) sub-clause (1) hereof) in any manner whatsoever.

- (a) If a Special Resolution to that effect is passed by the Company in the General Meeting; or
- (b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting, (including the casting vote, if any, of the Chairman) by Members who, being entitled to do so, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (c) of clause (1) hereof shall be deemed;

- (a) To extend the time within which the offer should be accepted; or
- (b) To authorise any person to exercise the right of renunciation for a second time, on the ground that the persons in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

- (i) To convert such debentures or loans into Shares in the Company; or
- (ii) to subscribe for Shares in the Company (whether such option is conferred in these Articles or otherwise)

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans, or is in conformity with the rules, if any, made by that government in this behalf, and
- (b) in the case of debentures or loans other than debentures issued to, or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the Company in the General Meeting before the issue of the debentures or the raising of the loans.

## **Shares under control of Directors**

13. Subject to the provisions of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered 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 for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

### **Power to offer Shares/options to acquire Shares**

#### **13A**

- (1) Without prejudice to the generality of the powers of the Board under Article 13 or in any other Article of these Articles of Association, the Board or any Committee thereof duly constituted may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, at any point of time, offer existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) to its employees, including Directors (whether whole-time or not), whether at par, at discount or at a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force.
- (2) In addition to the powers of the Board under Article 13A(i), the Board may also allot the Shares referred to in Article 13A(i) to any trust, whose principal objects would inter alia include further transferring such Shares to the Company's employees [including by way of options, as referred to in Article 13A(i)] in accordance with the directions of the Board or any Committee thereof duly constituted for this purpose. The Board may make such provision of moneys for the purposes of such trust, as it deems fit.
- (3) The Board, or any Committee thereof duly authorised for this purpose, may do all such acts, deeds, things, etc. as may be necessary or expedient for the purposes of achieving the objectives set out in Articles 13A(i) and (ii) above.

### **Application of premium received on Shares**

14. (1) where the Company issues Shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on these Shares shall be transferred to an account, to be called "the share premium account" and the provisions of the Act relating to the reduction of the share capital of the Company shall except as provided in this Article, apply as if the share premium account were paid up share capital of the Company.

- (2) The share premium account may, notwithstanding anything in clause (1) thereof be applied by the Company:
- (a) In paying up unissued Shares of the Company, to be issued to the Members of the Company as fully paid bonus;
  - (b) In writing off the preliminary expenses of the Company;
  - (c) In writing off the expenses of or the commission paid or discount allowed or any issue of Shares or debentures of the Company; or
  - (d) In providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company.

### **Power also to Company in General Meeting to issue Shares**

15. In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option or right to call for or buy allotted Shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.

### **Power of General Meeting to authorize Board to offer Shares/Options to employees**

#### **15A**

- (1) Without prejudice to the generality of the powers of the General Meeting under Article 15 or in any other Article of these Articles of Association, the General Meeting may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, determine, or give the right to the Board or any Committee thereof to determine, that any existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) be allotted/granted to its employees, including Directors (whether whole-time or not), whether at par, at discount or a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force. The General Meeting may also approve any Scheme/Plan/ other writing, as may be set out before it, for the aforesaid purpose

- (2) In addition to the powers contained in Article 15A(i), the General Meeting may authorise the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme/Plan/other writing approved under the aforesaid Article.

#### **Shares at a discount**

16. The Company may issue at a discount Shares in the Company of a class already issued, if the following conditions are fulfilled, namely:

- (a) The issue of the Shares at discount is authorised by resolution passed by the Company in the General Meeting and sanctioned by the Company Law Board;
- (b) The resolution specifies the maximum rate of discount (not exceeding ten percent or such higher percentage as the Company Law Board may permit in any special case) at which the Shares are to be issued; and
- (c) The Shares to be issued at a discount are issued within two months after the date in which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.

#### **Deposit and call etc., to be debt payable**

20. The money, if any which the Board of Directors shall on the allotment of any Shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any Shares allotted by them shall immediately on the inscription of the name of the allottee in the Register of Members as the holder of such Shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

#### **Liability of Members**

21. Every Member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.

#### **Dematerialisation of securities**

21(B) Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.

#### **Options to receive security certificates or hold securities with depository**

21(C) Every person subscribing to securities offered by the Company shall have the option to receive the Security certificates or hold securities with a depository.

Where a person opts to hold a Security with a depository, the Company shall intimate such depository the details of allotment of the Security, and on receipt of such information the depository shall enter in its record the name of the allotted as the Beneficial Owner of that Security.

#### **Securities in depositories to be in fungible form**

21(D) All Securities held by a Depository shall be dematerialised and shall be in a fungible form; nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.

#### **Rights of depositories and beneficial owners**

21(E)

(1) Notwithstanding anything to the contrary contained in the Articles, a Depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of Security on behalf of the Beneficial Owner;

(2) Save as otherwise provided in (1) above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held by it;

(3) Every person holding equity share capital of the Company and whose name is entered as Beneficial Owner in the Records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the Securities held by a Depository.

#### **Depository to Furnish Information**

21.(F) Every Depository shall furnish to the Company information about the transfer of Securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf

#### **Option to Opt out in respect of any security**

21.(G) If a Beneficial Owner seeks to opt out of a Depository in respect of any Security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its Records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.

#### **Sections 83 and 108 of the Act not to apply**

21.(H) Notwithstanding anything to the contrary contained in the Articles,

(1) Section 83 of the Act shall not apply to the Shares held with a Depository;

(2) Section 108 of the Act shall not apply to transfer of Security effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the Records of a Depository.

#### **Share certificate**

22.(a) Every Member or allottee of Shares is entitled, without payment, to receive one certificate for all the Shares of the same class registered in his name.

(b) Any two or more joint allottees or holders of Shares shall, for the purpose of this Article, be treated as a single Member and the certificate of any Share which may be the subject of joint ownership may be delivered to any one of such joint owners, on behalf of all of them.

#### **The first name joint holder deemed sole holder**

25. If any Share(s) stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus or service of notice and all or any other matters connected with Company except voting at Meetings and the transfer of the Shares be deemed the sole holder thereof but the joint holders of a Share shall severally as well as jointly be liable for the payment of all incidents thereof according to the Company's Articles

#### **Company not bound to recognize any interest in Shares other than of registered holder**

26. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

#### **INTEREST OUT OF CAPITAL**

##### **Interest out of capital**

33. Where any Shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant which cannot be made profitable for lengthy period, the Company may pay interest on so much 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 provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provisions of the plant.

## **CALLS**

### **Directors may make calls**

35. (a) Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time by a resolution passed at a meeting of a Board (and not by a circular resolution) make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each Member shall pay the amount of every call so made on him to person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine. No call shall be made payable within less than one month from the date fixed for the payment of the last preceding call.

(b) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

### **When interest on call or installment payable**

40. If the sum payable in respect of any call or installment is not paid on or before the day appointed for the payment thereof, the holder for the time being or allottee of the Share in respect of which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate not exceeding eighteen percent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part.

### **Evidence in action by Company against share holder**

41. On the trial of hearing of any action or suit brought by the Company against any Member or his Legal Representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member in respect of whose Shares the money is sought to be recovered is entered on the Register of Members as the holder or as one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the Shares in respect of which the money is sought to be recovered, that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the Member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, nor that a quorum of Directors was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

### **Payment in anticipation of calls may carry interest**

42. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall *mutatis mutandis* apply to the calls on Debentures of the Company.

## **LIEN**

### **Partial payment not to preclude forfeiture**

43. Neither the receipt by the Company of a portion of any money which shall, from time to time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.

### **Company to have lien on Shares/ Debentures**

44. The Company shall have first and paramount lien upon all Shares/ Debentures (other than fully paid up Shares/ Debentures) registered in the name of each Member whether solely or jointly with others and upon the proceeds of sale thereof, for all moneys (whether presently payable or not), called or payable at a fixed time in respect of such Shares/ Debentures and no equitable interests in any Share/ Debenture shall be created except upon the footing and condition that this Article is to have full legal effect. Any such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/ Debentures; PROVIDED THAT the Board of Directors may, at any time, declare any Share/ Debenture to be wholly or in part exempt from the provisions of this Article. Unless otherwise agreed the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares.

### **Application of proceeds of sale**

46. (a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable, and  
(b) The residue if any, after adjusting costs and expenses if any incurred shall be paid to the person entitled to the Shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Shares before the sale).

### **FORFEITURE OF SHARES**

#### **If money payable on Shares not paid notice to be given**

47. If any Member fails to pay the whole or any part of any call or any installments of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

#### **Sum payable on allotment to be deemed a call**

48. For the purposes of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.

#### **Form of notice**

49. The notice shall name a day, (not being less than fourteen days from the day of the notice) and a place or places on and at which such call in installment and such interest thereon at such rate not exceeding eighteen percent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, Shares in respect of which the call was made or installment is payable will be liable to be forfeited.

#### **In default of payment Shares to be forfeited**

50. If the requirements of any such notice as aforesaid are not complied with, any Share or Shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited Shares and not actually paid before the forfeiture.

#### **Notice of forfeiture to a Member**

51. When any Share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

**Forfeited Shares to be the property of the Company and may be sold etc.**

52. Any Share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors shall think fit.

**Member still liable for money owing at the time of forfeiture and interest**

53. Any Member whose Shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.

**Effects of forfeiture**

54. The forfeiture of a Share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the Share and all other rights incidental to the Share, except only such of those rights as by these Articles are expressly saved.

**Power to annul forfeiture**

55. The Board of Directors may at any time before any Share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

**Declaration of forfeiture**

56

- (a) A duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or the Secretary of the Company, and that Share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.
- (b) The Company may receive the consideration, if any, given for the Share on any sale, re-allotment or other disposal thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed off.
- (c) The person to whom such Share is sold, re-allotted or disposed of shall thereupon be registered as the holder of the Share.
- (d) Any such purchaser or allottee shall not (unless by express agreement) be liable to pay calls, amounts, installments, interests and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the Share before the time of completing such purchase or before such allotment.
- (e) Such purchaser or allottee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be effected by the irregularity or invalidity in the proceedings in reference to the forfeiture, sale re-allotment or other disposal of the Shares.

**Cancellation of shares certificates in respect of forfeited Shares**

58. Upon sale, re-allotment or other disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the said Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said Shares to the person or persons entitled thereto.

### **Evidence of forfeiture**

59. The declaration as mentioned in Article 56(a) of these Articles shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.

### **Validity of sale**

60. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the Shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

### **Surrender of Shares**

61. The Directors may subject to the provisions of the Act, accept a surrender or any share from any Member desirous of surrendering on such terms and conditions as they think fit.

## **TRANSFER AND TRANSMISSION OF SHARES**

### **No transfers to minors etc.**

62. No Share which is partly paid-up or on which any sum of money is due shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.

### **Form of transfer**

63. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

### **Application for transfer**

64. (a) An application for registration of a transfer of the Shares in the Company may be either by the transferor or the transferee.

(b) Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice

(c) For the purposes of clause (b) above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address, given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

### **Execution of transfer**

65. The instrument of transfer of any Share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be witnessed. The transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The requirements of provisions of Section 108 of the Companies Act, 1956 and any statutory modification thereof for the time being shall be duly complied with.

### **Transfer by legal representatives**

66. A transfer of Share in the Company of a deceased Member thereof made by his legal representative shall, although the legal representative is not himself a Member be as valid as if he had been a Member at the time of the execution of the instrument of transfer.

### **Register of Members etc when closed**

67. The Board of Directors shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated to close the Register of Members and/or the Register of debentures holders at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.

### **Directors may refuse to register transfer**

68. Subject to the provisions of Section 111A these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.

### **Death of one or more joint holders of Shares**

69. In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any Share, the survivor or survivors shall be the only persons recognised by the Company as having any title or interest in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on Shares held by him with any other person.

### **Registration of persons entitled to Shares otherwise than by transfer (Transmission Clause)**

72. Subject to the provisions of the Act and Article 69 hereto, any person becoming entitled to Share in consequence of the death, lunacy, bankruptcy insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered as a holder, he shall execute an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the Shares. This clause is hereinafter referred to as the "Transmission Clause".

### **Refusal to register nominee**

73. Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any Share of his nominee as if he were the transferee named in an ordinary transfer presented for registration.

### **Company not liable for disregard of a notice prohibiting registration of transfer**

77. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said Shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

## **SHARE WARRANTS**

### **Power to issue share warrants**

78. The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence(if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

## **CONVERSION OF SHARES INTO STOCK AND RECONVERSION**

### **Share may be converted into stock**

82. The Company may, by Ordinary Resolution:  
Convert any fully paid up Share into stock, and  
Reconvert any stock into fully paid-up Shares.

### **Transfer of stock**

83. The several holders of such stock may transfer there respective interest therein or any part thereof in the same manner and subject to the same regulations under which the stock arose might before the conversion, have been transferred, or as near thereto as circumstances admit.

PROVIDED THAT the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the Shares from which stock arose.

### **Right of Stock holders**

84. The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held them Shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in Shares, have conferred those privileges or advantages.

### **Regulation applicable to stock and share warrant**

85. Such of the regulations of the Company as are applicable to the paid up Shares shall apply to stock and the words "Share" and "Share holder" in these regulations shall include "stock" and "stock holder" respectively.

## **BORROWING POWERS**

### **Power to borrow**

86. Subject to the provisions of Sections 58A, 292 and 370 of the Act and these Articles, the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purposes of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No debts incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.

### **The payment or repayment of moneys borrowed**

87. The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board of Directors may think fit, and in particular in pursuance of a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of bonds, debentures or debentures stock of the Company, charged upon all or any part of the property of the Company, (both present and future), including its un-called capital for the time being and the debentures and the debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

### **Terms of issue of Debentures**

88. Any debenture, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into Shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at General Meeting, appointment of Directors and otherwise; however, Debentures with the right to conversion into or allotment of Shares shall be issued only with the consent of the Company in General Meeting by a Special Resolution.

## **MEETING OF MEMBERS**

### **Contents and manner of service of notice**

98. (1) Every notice of a Meeting of the Company shall specify the place and the day and hour of the Meeting and shall contain a statement of the business to be transacted thereat.

(2) Subject to the provisions of the Act notice of every General Meeting shall be given;

(a) to every Member of the Company, in any manner authorised by sub-sections (1) to (4) Section 53 of the Act;

(b) to the persons entitled to a Share in consequence of the death, or insolvency of a Member, by sending it through post in a prepaid letter addressed to them by name or by the title of representative of the deceased, or assignees of the insolvent, or by like description, at the address, if any in India supplied for the purpose by the persons claiming to be so entitled or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and

(c) to the Auditor or Auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of Members of the Company

PROVIDED THAT, where the notice of a Meeting is given by advertising the same in a newspaper circulating in the neighborhood of Registered Office of the Company under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that Section, but it shall be mentioned in the advertisement that the statement has been forwarded to the Members of the Company.

(3) Every notice convening a Meeting of the Company shall state with reasonable prominence that a Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself and that a proxy need not be a Member of the Company.

### **Chairman's casting vote**

112. In the case of equality of votes the Chairman shall both on a show of hands and on a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

## **VOTES OF MEMBERS**

### **Votes of Members of unsound mind**

119. A Member of unsound mind, or in respect of whom order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll, vote by proxy.

### **Votes of joint Members**

120. If there be joint registered holders of any Shares, one of such persons may vote at any Meeting personally or by an agent duly authorised under a Power of Attorney or by proxy in respect of such Shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the Meeting, and if more than one of such joint holders

be present at any Meeting either personally or by agent or by proxy, that one of the said persons so present whose name appears higher on the Register of Members shall alone be entitled to speak and to vote in respect of such Shares, but the other holder(s) shall be entitled to vote in preference to a person present by an agent duly authorised under a Power of Attorney or by proxy although the name of such person present by agent or proxy stands first or higher in the Register of Members in respect of such Shares. Several executors or administrators of a deceased Member in whose name Shares stand shall for the purpose of these Articles be deemed joint holders thereof.

### **Representation of body corporate**

121.

(a) A body corporate (whether a company within the meaning of the Act or not) may, if it is a Member or creditor of the Company (including a holder of Debentures) authorise such person as it thinks fit by a resolution of its Board of Directors or other governing body, to act as its representative at any Meeting of the Company or any class of shareholders of the Company or at any meeting of the creditors of the Company or Debenture-holders of the Company. A person authorised by resolutions aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member, shareholder, creditor or holder of Debentures of the Company. The production of a copy of the resolution referred to above certified by a Director or the Secretary of such body corporate before the commencement of the Meeting shall be accepted by the Company as sufficient evidence of the validity of the said representatives' appointment and his right to vote thereat.

(b) Where the President of India or the Governor of a State is a Member of the Company, the President or as the case may be the Governor may appoint such person as he thinks fit to act as his representative at any Meeting of the Company or at any meeting of any class of shareholders of the Company and such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy, as the President, or as the case may be, the Governor could exercise as a Member of the Company.

### **Votes in respects of deceased or insolvent Members**

122. Any person entitled under the Transmission Article to transfer any Shares may vote at any General Meeting in respect thereof in the same manner as if he was the registered holder of such Shares; provided that at least forty-eight hours before the time of holding the Meeting or adjourned Meeting, as the case may be, at which he proposes to vote, he shall satisfy the Directors of the right to transfer such Shares and give such indemnity (if any) as the Directors may require unless the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.

### **Voting in person or by proxy**

123. Subject to the provisions of these Articles, votes may be given either personally or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act.

### **Rights of Members to use votes differently**

124. On a poll taken at a Meeting of the Company a Member entitled to more than one vote or his proxy, or other persons entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses

### **Proxies**

125. Any Member of the Company entitled to attend and vote at a Meeting of the Company, shall be entitled to appoint another person (whether a Member or not) as his proxy to attend and vote instead of himself PROVIDED ALWAYS that a proxy so appointed shall not have any right what so ever to speak at the Meeting. Every notice convening a Meeting of the Company shall state that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself, and that a proxy need not be a Member of the Company.

### **Proxy either for specified meeting or for a period**

126. An instrument of proxy may appoint a proxy either for the purposes of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint a proxy for the purpose of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.

### **No proxy to vote on a show of hands**

127. No proxy shall be entitled to vote by a show of hands.

### **Instrument of proxy when to be deposited**

128. The instrument appointing a proxy and the Power of Attorney or authority (if any) under which it is signed or a notarially certified copy of that Power of Attorney or authority, shall be deposited at the Registered Office of the Company at least forty-eight hours before the time for holding the Meeting at which the person named in the instrument purposes to vote and in default the instrument of proxy shall not be treated as valid.

### **Form of Proxy**

129. Every instrument of proxy whether for a specified Meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act, and signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by any officer or attorney duly authorised by it.

### **Validity of votes given by proxy notwithstanding revocation of authority**

130. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of any Power of Attorney under which such proxy was signed, or the transfer of the Share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer shall have been received by the Company at the Registered Office before the commencement of the Meeting or adjourned Meeting at which the proxy is used provided nevertheless that the Chairman of any Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and of the same not having been revoked.

### **Time for objection to vote**

131. No objection shall be made to the qualification of any voter or to the validity of a vote except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered, and every vote, whether given personally or by proxy, not disallowed at such Meeting, shall be valid for all proposes and such objection made in due time shall be referred to the Chairman of the Meeting.

### **Chairman of any Meeting to be the judge of Validity of any value**

132. The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll. The decision of the Chairman shall be final and conclusive.

## **DIRECTORS**

### **Number of Directors**

134. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve.

### **Nominee Director or Corporation Director**

137.

- (a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to Industrial Finance Corporation of India (IFCI), ICICI Ltd.(ICICI), The Industrial Development Bank of India (IDBI) or any other financing company or body out of any loans granted or to be granted by them to the Company or so long as IFCI, ICICI, IDBI or any other financing corporation or credit corporation or any other financing company or body (each of which IFCI, ICICI, IDBI or any other financing corporation or credit corporation or any other financing company or body is hereinafter in this Article referred to as "The Corporation") continue to hold Debentures in the Company by direct subscription or private placement, or so long as the Corporation holds Shares in the Company as a result of underwriting or direct subscription or so

long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director(s)") on the Board of the Company and to remove from such office any persons so appointed and to appoint any person or persons in his/ their places.

- (b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). Such Nominee Director(s) shall not be required to hold any Share qualification in the Company. Further Nominee Director shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Directors(s) shall be entitled to the same rights and privileges and be subject to the obligations as any other Director of the Company.
- (c) The Nominee Director(s) so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and the Nominee Director/s so appointed in exercise of the said power, shall *ipso facto* vacate such office immediately on the moneys owing by the Company to the Corporation being paid off
- (d) The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and all the Meetings of the Committee of which the Nominee Director(s) is/are Member(s) as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.
- (e) The sitting fees in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any other fees, commission, moneys or remuneration in any form is payable to the Nominee Director of the Company, such fees, commission, moneys and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s), in connection with their appointment or Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s provided that if any such Nominee Director/s is/are an officer(s) of the Corporation..

Provided also that in the event of the Nominee Director(s) being appointed as Whole-time Director(s); such Nominee Director/s shall exercise such power and duties as may be approved by the lenders and have such rights as are usually exercised or available to a whole-time Director in the management of the affairs of Company. Such Nominee Director shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation(s) nominated by him.

#### **Limit on number of retaining Directors**

138. The provisions of Articles 136, 137 and 138 are subject to the provisions of Section 256 of the Act and number of such Directors appointed under Article 137 shall not exceed in the aggregate one third of the total number of Directors for the time being in office.

#### **Alternate Director**

139. The Board may appoint, an Alternate Director recommended for such appointment by the Director (hereinafter in this Article called "the Original Director") to act for him during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. Every such Alternate Director shall, subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meetings of Directors and to attend and vote as a Director and be counted for the purposes of a quorum and generally at such Meetings to have and exercise all the powers and duties and authorities of the Original Director. The Alternate Director appointed under this Article shall vacate office as and when the Original Director returns to the State in which the meetings of the Board are ordinarily held and if the term of office of the Original Director is determined before he returns to as aforesaid, any provisions in the Act or in these Articles for automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director.

#### **Directors may fill in vacancies**

140. The Directors shall have power at any time and from time to time to appoint any person to be a Director to fill a casual vacancy. Such casual vacancy shall be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date to which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid. However, he shall then be eligible for re-election.

### **Additional Directors**

141. The Directors shall have the power at any time and from time to time to appoint any other person to be a Director as an addition to the Board ("Additional Director") so that the total number of Directors shall not at any time exceed the maximum fixed by these Articles. Any person so appointed as an Additional Director to the Board shall hold his office only upto the date of the next Annual General Meeting and shall be eligible for election at such Meeting.

### **Qualification shares**

142. A Director need not hold any qualification shares.

### **Directors' sitting fees**

143. The fees payable to a Director for attending each Board meeting shall be such sum as may be fixed by the Board of Directors not exceeding such sum as may be prescribed by the Central Government for each of the meetings of the Board or a Committee thereof and adjournments thereto attended by him. The Directors, subject to the sanction of the Central Government (if any required) may be paid such higher fees as the Company in General Meeting shall from time to time determine.

### **Extra remuneration to Directors for special work**

144. Subject to the provisions of Sections 198, 309, 310, 311 and 314 of the Act, if any Director, being willing shall be called upon to perform extra services (which expression shall include work done by a Director as a Member of any Committee formed by the Directors or in relation to signing share certificate) or to make special exertions in going or residing or residing out of his usual place of residence or otherwise for any of the purposes of the Company, the Company may remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Director, and such remuneration may be either in addition to or in substitution for his share in the remuneration herein provided.

Subject to the provisions of the Act, a Director who is neither in the whole time employment nor a Managing Director may be paid remuneration either:

- i) by way of monthly, quarterly or annual payment with the approval of the Central Government; or
- ii) by way of commission if the Company by a Special Resolution authorized such payment.

### **Traveling expenses incurred by Directors on Company's business**

145. The Board of Directors may subject to the limitations provided by the Act allow and pay to any Director who attends a meeting of the Board of Directors or any Committee thereof or General Meeting of the Company or in connection with the business of the Company at a place other than his usual place of residence, for the purpose of attending a Meeting such sum as the Board may consider fair compensation for traveling, hotel, and other incidental expenses properly incurred by him in addition to his fees for attending such Meeting as above specified.

### **Director may act notwithstanding vacancy**

146. The continuing Director or Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the quorum fixed by these Articles for a meeting of the Board, the Director or Directors may act for the purpose of increasing the number, of Directors or that fixed for the quorum or for summoning a General Meeting of the Company but for no other purposes.

### **Board resolution necessary for certain contracts**

147. (1) Subject to the provisions of Section 297 of the Act, except with the consent of the Board of Directors of the Company, a Director of the Company or his relative, a firm in which such a Director or relative is partner, any other partner in such a firm or a private company of which the Director is a member or director, shall not enter into any contract with the Company.
- (a) For the sale, purchase or supply of goods, materials or services; or
  - (b) for underwriting the subscription of any Share in or debentures of the Company;
  - (c) nothing contained in clause (a) of sub-clause (1) shall affect

(i) the purchase of goods and materials from the Company, or the sale of goods and materials to the Company by any Director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices; or

(ii) any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private company on the other for sale, purchase or supply of any goods, materials and services in which either the Company, or the Director, relative, firm, partner or private company, as the case may be regularly trades or does business, PROVIDED THAT such contract or contracts do not relate to goods and materials the value of which, or services the cost of which, exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts;

(2) Notwithstanding any contained in sub-clause(1) hereof, a Director, relative, firm partner or private company as aforesaid may, in circumstances of urgent necessity, enter without obtaining the consent of the Board, into any contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or cost of such services exceeds rupees five thousand in the aggregate in any year comprised in the period of the contract; but in such a case the consent of the Board shall be obtained at a Meeting within three months of the date on which the contract was entered into.

(3) Every consent of the Board required under this Article shall be accorded by a resolution passed at a meeting of the Board required under clause (1) and the same shall not be deemed to have been given within the meaning of that clause unless the consent is accorded before the contract is entered into or within three months of the date on which was entered into.

(4) If consent is not accorded to any contract under this Article, anything done in pursuance of the contract will be voidable at the option of the Board.

(5) The Directors, so contracting or being so interested shall not be liable to the Company for any profit realised by any such contract or the fiduciary relation thereby established.

#### **Disclosure to the Members of Directors' interest in contract appointing Managers, Managing Director or Wholetime Director**

148. When the Company:-

(a) enters into a contract for the appointment of a Managing Director or Wholetime Director in which contract any Director of the Company is whether directly or indirectly, concerned or interested; or

(b) varies any such contract already in existence and in which a Director is concerned or interested as aforesaid, the provisions of Section 302 of the Act shall be complied with.

#### **Directors and Managing Director may contract with Company**

150. Subject to the provisions of the Act the Directors (including a Managing Director and Whole time Director) shall not be disqualified by reason of his or their office as such from holding office under the Company or from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or lessee or otherwise, nor shall any such contract or any contracts or arrangement entered into by or on behalf of the Company with any Director or with any company or partnership of or in which any Director shall be a member or otherwise interested be avoided nor shall any Director so contracting be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established, but it is declared that the nature of his interest shall be disclosed as provided by Section 299 of the Act and in this respect all the provisions of Section 300 and 301 of the Act shall be duly observed and complied with.

#### **Disqualification of the Director**

151. (1) A person shall not be capable of being appointed Director of the Company if:-

(a) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;

(b) he is an undischarged insolvent;

(c) he has applied to be adjudged an insolvent and his application is pending;

(d) he has been convicted by a Court of any offence involving moral turpitude sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence;

- (e) he has not paid any call in respect of Shares of the Company held by him whether alone or jointly with others and six months have lapsed from the last day fixed for the payment of the call; or
- (f) an order disqualifying him for appointment as Director has been passed by a Court in pursuance of Section 203 of the Act and is in force; unless the leave of the Court has been obtained for his appointment in pursuance of that Section.

#### **Vacation of office by Directors**

151. (2) The office of Director shall become vacant if:-

- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or
- (b) he applies to be adjudged an insolvent; or
- (c) he is adjudged an insolvent; or
- (d) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for less than six months; or
- (e) he fails to pay any call in respect of Shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government, by a notification in the Official Gazette removes the disqualification incurred by such failure; or
- (f) absents himself from three consecutive meetings of the Board of Directors, or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or
- (g) he (whether by himself or by any person for his benefit or on his account or any firm in which he is a partner or any private company of which he is a director), accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or
- (h) he being in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company fails to disclose the nature of his concern or interest at a meeting of the Board of Directors as required by Section 299 of the Act; or
- (i) he becomes disqualified by an order of the Court under Section 203 of the Act; or
- (j) he is removed by an Ordinary Resolution of the Company before the expiry of his period of notice; or
- (k) if by notice in writing to the Company, he resigns his office, or (l) having been appointed as a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.

#### **Vacation of office by Directors (contd.)**

151. (3) Notwithstanding anything contained in sub-clauses (c), (d) and (i) of sub clause (2) hereof, the disqualification referred to in these clauses shall not take effect:

- (a) for thirty days from the date of the adjudication, sentence or order;
- (b) where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or
- (c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order, and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.

#### **Removal of Directors**

152.

(a) The Company may subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles by Ordinary Resolution remove any Director not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiry of his period of office.

(b) Special Notice as provided by these Articles or Section 190 of the Act, shall be required of any resolution to remove a Director under the Article or to appoint some other person in place of a Director so removed at the Meeting at which he is removed.

(c) On receipt of notice of a resolution to remove a Director under this Article; the Company shall forthwith send a copy; thereof to the Director concerned and the Director (whether or not he is a Member of a Company) shall be entitled to be heard on the resolution at the Meeting.

(d) where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding reasonable length) and requests their

notification to Members of the Company, the Company shall, unless the representations are, received by it too late for it to do so:

- (i) in the notice of the resolution given to the Members of the Company state the fact of the representations having been made, and
- (ii) send a copy of the representations to every Member of the Company to whom notice of the Meeting is sent (before or after the representations by the Company) and if a copy of the representations is not sent as aforesaid because they were received too late or because of the Company's default the Director may (without prejudice to his right to be heard orally) require that the representation shall be read out at the Meeting; provided that copies of the representation need not be sent or read out at the Meeting if on the application, either of the Company or of any other person who claims to be aggrieved by the Court is satisfied that the rights concerned by this sub-clause are being abused to secure needless publicity for defamatory matter.

(e) A vacancy created by the removal of the Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board, in pursuance of Article 143 or Section 262 of the Act be filled by the appointment of another Director in his place by the Meeting at which he is removed, provided special notice of the intended appointment has been given under sub clause (3) hereof. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.

(f) If the vacancy is not filled under sub-clause(e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they are applicable of Article 143 or Section 162 of the Act, and all the provisions of that Article and Section shall apply accordingly

(g) A Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.

(h) Nothing contained in this Article shall be taken:-

- (i) as depriving a person removed hereunder of any compensation or damages payable to him in respect of the termination of his appointment as Director, or
- (ii) as derogating from any power to remove a Director which may exist apart from this Article.

#### **Interested Directors not to participate or vote in Board's proceedings**

153. No Director shall as a Director take part in the discussion of or vote on any contract arrangement or proceedings entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement, not shall his presence count for the purpose of forming a quorum at the time of any such discussion or voting, and if he does vote, his vote shall be void. Provided however, that nothing herein contained shall apply to:-

(a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;

(b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely;

(i) in his being:

(a) a director of such company; and

(b) the holder of not more than shares of such number of value therein as is requisite to qualify him for appointment as a director, thereof, he having been nominated as director by the company, or

(ii) in his being a member holding not more than two percent of its paid-up share capital.

#### **Director may be director of companies promoted by the Company**

154. A Director may be or become a director of any company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise and no such Director shall be accountable for any benefit received as director or shareholder of such company except in so far Section 309(6) or Section 314 of the Act may be applicable.

### **MANAGING DIRECTOR**

#### **Remuneration of Managing Director**

167. Subject to the provisions of Sections 309, 310 and 311 of the Act, a Managing Director shall, in addition to any remuneration that might be payable to him as a Director of the Company under these Articles, receive such remuneration as may from time to time be approved by the Company.

### **Special position of Managing Director**

168. Subject to any contract between him and the Company, a Managing or Wholetime Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but (subject to the provision of any contract between him and the Company), he shall be subject to the same provisions as to resignation and removal as the Directors of the Company and shall, *ipso facto* and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause.

### **Powers of Managing Director**

169. The Director may from time to time entrust to and confer upon a Managing Director or Wholetime Director for the time being such of the powers exercisable under these provisions by the Directors, as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they think expedient, and they may confer such powers, either collaterally with, or to the exclusion of and in substitution for, all or any of the powers of the Directors in that behalf and from time to time, revoke, withdraw, alter, or vary all or any of such powers.

## **POWERS OF THE BOARD**

### **General powers of management vested in the Board of Directors**

184. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid Articles, as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

Provided that the Board shall not, except with the consent of the Company in General Meeting :-

(a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking;

(b) remit, or give time for the repayment of, any debt due by a Director,

(c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition or any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;

(d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose;

(e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding whichever is greater, provided that the Company in the General Meeting or the Board of Directors shall not contribute any amount to any political party or for any political purposes to any individual or body;

(i) Provided that in respect of the matter referred to in clause (d) and clause (e) such consent shall be obtained by a resolution of the Company which shall specify the total amount upto which moneys may be borrowed by the Board under clause (d) or as the case may be total amount which may be contributed to charitable or other funds in a financial year under clause (e)

(ii) Provided further that the expression "temporary loans" in clause (d) above shall mean loans repayable on demand or

within six months from the date of the loan such as short term cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but does not include loans raised for the purpose of financing expenditure of a capital nature.

#### **Certain powers to be exercised by the Board only at Meetings**

185. (1) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at the meeting of the Board;

(a) the power to make calls, on shareholders in respect of money unpaid on their Shares,

(b) the power to issue Debentures,

(c) the power to borrow moneys otherwise than on Debentures,

(d) the power to invest the funds of the Company, and

(e) the power to make loans

Provided that the Board may, by resolution passed at a Meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company, the powers specified in sub-clause (c) (d) and (e) to the extent specified below:

(2) Every resolution delegating the power referred to in sub-clause (1) (c) above shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.

(3) Every resolution delegating the power referred to in sub-clause (1) (d) above shall specify the total amount upto which the funds of the Company may be invested, and the nature of the investments which may be made by the delegate.

(4) Every resolution delegating the power referred to in sub-clause (1) (e) above shall specify the total amount upto which loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

#### **Certain powers of the Board**

186. Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power:

- a) To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
- b) To pay and charge to the capital account of the Company any commission or interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act.
- c) Subject to Section 292 and 297 and other provisions applicable of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
- d) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such Shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.
- e) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.

- f) To accept from any Member, as far as may be permissible by law to a surrender of his Shares or any part thereof, on such terms and conditions as shall be agreed.
- g) To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees.
- h) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon either according to Indian law or according to foreign law and either in India or abroad and to observe and perform or challenge any award made thereon
- i) To act on behalf of the Company in all matters relating to bankruptcy and insolvency, winding up and liquidation of companies.
- j) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.
- k) Subject to the provisions of Sections 291, 292, 295, 370, 372 and all other applicable provisions of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such security (not being Shares of this Company), or without security and in such manner as they may think fit and from time to time vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
- l) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
- m) To open bank account and to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.
- n) To distribute by way of bonus amongst the staff of the Company a Share or Shares in the profits of the Company and to give to any, Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as a part of the working expenses of the Company.
- o) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing, to provide other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provision of Section 293(1)(e) of the Act, to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or object which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of the public and general utility or otherwise.
- p) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as reserve fund or any special fund to meet contingencies or to repay redeemable preference shares or debentures or debenture stock, or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest several sums so set aside or so much thereof as required to be invested, upon such investments (other than Shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any such part thereof for the benefit of the Company, in such a manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the general reserve or reserve fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of reserve fund or division of a reserve fund and with full power to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of redeemable preference shares or debentures or debenture stock, and without being bound to keep the same separate from the other assets and without being

bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.

- q) To appoint, and at their discretion, remove or suspend, such general managers, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisors, research workers, labourers, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think and the provisions contained in the four next following sub-clauses shall be without prejudice to the general conferred by this sub-clause.
- (17A) To appoint or authorize appointment of officers, clerks and servants for permanent or temporary or special services as the Board may from time to time think fit and to determine their powers and duties and to fix their salaries and emoluments and to require securities in such instances and of such amounts as the Board may think fit and to remove or suspend any such officers, clerks and servants. Provided further that the Board may delegate matters relating to allocation of duties, functions, reporting etc. of such persons to the Managing Director or Manager.
- (a) From time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such local Boards, and to fix their remuneration or salaries or emoluments.
  - (b) Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow money, and to authorise the members for the time being of any such local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such terms and subject to such conditions as the Board may think fit, and Board may at any time remove any person so appointed, and may annul or vary any such delegation.
  - (c) At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or person to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provisions of Section 292 of the Act) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and such Power of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.
  - (d) Subject to Sections 294 and 297 and other applicable provisions of the Act, for or in relation to any of the matters aforesaid or, otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.
  - (e) From time to time to make, vary and repeal bye-laws for the regulations of the business of the Company, its officers and servants.
  - (f) To purchase or otherwise acquire any land, buildings, machinery, premises, hereditaments, property, effects, assets, rights, credits, royalties, business and goodwill of any joint stock company carrying on the business which the Company is authorized to carry on in any part of India.
  - (g) To purchase, take on lease, for any term or terms of years, or otherwise acquire any factories or any land or lands, with or without buildings and out-houses thereon, situated in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit. And in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
  - (h) To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as it may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company, either separately or co jointly, also to insure all or any portion of the goods, produce, machinery and other articles imported or exported-by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.
  - (i) To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trade mark, patent, invention or technical know-how.

- (j) To sell from time to time any articles, materials, machinery, plants, stores and other articles and thing belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and by-products.
- (k) From time to time to extend the business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company, or by erecting new or additional buildings, and to expend such sum of money for the purpose aforesaid or any of them as they be thought necessary or expedient.
- (l) To undertake on behalf of the Company any payment of rents and the performance of the covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions, and otherwise to acquire on free hold sample of all or any of the lands of the Company for the time being held under lease or for an estate less than freehold estate.
- (m) To improve, manage, develop, exchange, lease, sell, resell and re-purchase, dispose off, deal or otherwise turn to account, any property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.
- (n) To let, sell or otherwise dispose of subject to the provisions of Section 293 of the Act and of the other Articles any property of the Company, either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment in satisfaction for the same in cash or otherwise as it thinks fit.
- (o) Generally subject to the provisions of the Act and these Articles, to delegate the powers/authorities and discretions vested in the Directors to any person(s), firm, company or fluctuating body of persons as aforesaid.

## **MINUTES**

### **Minutes to be made**

187.(1) The Company shall cause minutes of all proceedings of General Meeting and of all proceedings of every meeting of the Board of Directors or every Committee thereof within thirty days of the conclusion of every such meeting concerned by making entries thereof in books kept for that purpose with their pages consecutively numbered.

(2) Each page of every such books shall be initialed or signed and the last page of the record of proceedings of each Meeting in such books shall be dated and signed:

- (a) in the case of minutes of proceedings of a meeting of Board or of a Committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
- (b) in the case of minutes of proceeding of the General Meeting, by the Chairman of the said meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period by a Director duly authorized by the Board for the purpose.

### **Minutes to be evidence of the proceeds**

188. (a) The minutes of proceedings of every General Meeting and of the proceedings of every meeting of the Board or every Committee kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.

### **Books of minutes of General Meeting to be kept**

188. (b) The books containing the aforesaid minutes shall be kept at the Registered Office of the Company and be open to the inspection of any Member without charge as provided in Section 196 of the Act and any Member shall be furnished with a copy of any minutes in accordance with the terms of that Section.

## **DIVIDENDS AND CAPITALISATION OF RESERVES**

### **Division of profits**

192. (a) 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 but if and so long as nothing is paid upon any of Share in the Company, dividends may be declared and paid according to the amounts of the Shares;

(b) 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 Shares.

#### **The Company at General Meeting may declare dividend**

193. The Company in General Meeting may declare dividends, to be paid to Members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors. However, the Company may declare a smaller dividend than that recommended by the Board in General Meeting.

#### **Dividends out of profits only**

194. No dividend shall be payable except out of profits of the Company arrived at the manner provided for in Section 205 of the Act.

#### **Interim dividend**

195. The Board of Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies.

#### **Capital paid-up in advance as interest not to earn dividend**

197. Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.

#### **Dividends in proportion to amounts paid-up**

198. 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 provided that it shall rank for dividends as from a particular date such Share shall rank for dividend accordingly.

#### **No Member to receive dividend while indebted to the Company and the Company's right in respect thereof**

199. No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or Shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.

#### **Dividend to joint holders**

201. Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares.

#### **Notice of dividend**

203. Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holders of Share in the manner herein provided.

#### **Dividend to be paid within time required by law.**

205. The Company shall pay the dividend, or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within such time as may be required by law from the date of the declaration unless:-

- (a) where the dividend could not be paid by reason of the operation on any law; or
- (b) where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; or
- (c) where there is dispute regarding the right to receive the dividend; or
- (d) where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder; or

(e) where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

#### **Unclaimed dividend**

206. Where the Company has declared a dividend but 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 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 "Unpaid Dividend Account".

Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.

No unclaimed or unpaid dividend shall be forfeited by the Board.

#### **Dividends in cash**

208. No dividends shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by Members of the Company.

### **DOCUMENTS AND NOTICES**

#### **To whom documents must be served or given**

219. Document or notice of every Meeting shall be served or given on or to (a) every Member (b) every person entitled to a Share in consequence of the death or insolvency of a Member and (c) the Auditor or Auditors for the time being of the Company, PROVIDED that when the notice of the Meeting is given by advertising the same in newspaper circulating in the neighborhood of the office of the Company under Article 99, a statement of material facts referred to in Article 100 need not be annexed to the notice, as is required by that Article, but it shall merely be mentioned in the advertisement that the statement has been forwarded to the Members of the Company.

### **REGISTERS AND DOCUMENTS**

#### **Registers and documents to be maintained by the Company**

223. The Company shall keep and maintain registers, books and documents required by the Act or these Articles, including the following:

- (a) Register of investments made by the Company but not held in its own name, as required by Section 49(7) of the Act
- (b) Register of mortgages and charges as required by Section 143 of the Act and copies of instruments creating any charge requiring registration according to Section 136 of the Act.
- (c) Register and index of Members and debenture holders as required by Sections 150, 151 and 152 of the Act.
- (d) Foreign register, if so thought fit, as required by Section 157 of the Act
- (e) Register of contracts, with companies and firms which Directors are interested as required by Section 301 of the Act.
- (f) Register of Directors and Secretaries etc. as required by Section 303 of the Act.
- (g) Register as to holdings by Directors of Shares and/or Debentures in the Company as required by Section 307 of the Act.
- (h) Register of investments made by the Company in Shares and Debentures of the bodies corporate in the same group as required by Section 372(2) of the Act.
- (i) Copies of annual returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act.
- (j) Register of loans, guarantees, or securities given to the other companies under the same management as required by Section 370 of the Act.

## **WINDING UP**

### **Distribution of assets**

225. If the Company shall be wound up, and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in the 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 the winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the Shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

### **Right of shareholders in case of sale**

227. A Special Resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any Shares or other consideration receivable by the liquidator be distributed against the Members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the Members subject to the rights of dissent and consequential rights conferred by the said sanction.

## SECTION X – 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 contracts entered into more than two years before the date of filing of this Red Herring Prospectus) which are, or may be deemed material, that have been entered or are to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus and will be delivered to the RoC for registration and may be inspected at the Registered Office of our Company located at “513B, 5<sup>th</sup> Floor, Minerva Complex, S.D. Road, Secunderabad 500 003, Andhra Pradesh, India” from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Red Herring Prospectus until the Bid / Issue Closing Date of this Issue.

#### Material Contracts for Inspection

1. Copy of engagement letter of BRLMs dated January 3, 2007 and January 05, 2007 respectively.
2. Memorandum of Understanding dated March 24, 2007 between our Company and BRLMs.
3. Copy of Engagement letter of Registrar dated June 20, 2007.
4. Memorandum of Understanding dated January 20, 2007 between our Company and Bigshare Services Private Limited as Registrars to the Issue.
5. Escrow Agreement dated August 22, 2007 between our Company, the BRLMs, Escrow Collection Bank and Registrar to the Issue.
6. Underwriting Agreement dated [●] between our Company, BRLMs and the Syndicate Members.
7. Syndicate Agreement dated August 22, 2007 between our Company, BRLMs and the Syndicate Members.

#### Material Documents for Inspection

1. Certified true copies of the Memorandum and Articles of Association of our Company, as amended.
2. Certificate of Incorporation of Kaveri Seed Company Private Limited bearing No. 6728 of 1986-87 dated August 27, 1986 from the Registrar of Companies, Andhra Pradesh
3. Fresh Certificate of Incorporation consequent to change of name to Kaveri Seed Company Limited issued by the Registrar of Companies, Andhra Pradesh.
4. The resolution of the Board dated January 18, 2007, and Extraordinary General Meeting resolution dated February 15, 2007, authorizing this Issue.
5. Copies of the Annual Reports of our Company for the years ended March 31, 2002, 2003, 2004, 2005, 2006 and 2007.
6. Report of the statutory auditors M/s P. R. Reddy & Co., Chartered Accountants dated March 09, 2007 on the restated accounts for the financial years ended 2002, 2003, 2004, 2005 and 2006 and for the period six months ended September 30, 2006.
7. Copy of Tax Benefits Certificate issued by Statutory Auditors of the Company M/s. P. R. Reddy & Co., Chartered Accountants, dated March 09, 2007.
8. Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Legal Advisors to this Issue, Directors, Company Secretary, Registrar to this Issue, Bankers to this Issue, Compliance Officer as referred to in their respective capacities.
9. Listing application dated [●] and [●] filed with the BSE and the NSE, respectively.
10. In-principle listing approvals dated April 23, 2007 and May 23, 2007 from BSE and NSE, respectively.
11. Tripartite agreement between the NSDL, our Company and the Registrar dated August 02, 2007.
12. Tripartite agreement between the CDSL, our Company and the Registrar dated June 28, 2007.
13. Due diligence Certificate dated March 26, 2007 to SEBI from the BRLMs.
14. SEBI observation letter no. CFD/DIL/ISSUES/SC/97762/2007 dated July 02, 2007.
15. Certified true copies of the resolutions for appointment of Mr. Gundavaram Venkata Bhaskar Rao as the Chairman-cum-Managing Director at the Board meeting and the Extra-ordinary General Meeting held on December 04, 2006 and December 30, 2006 respectively.
16. Certified true copies of the resolutions for appointment of the Executive Directors at the Board meeting and the Extra-ordinary General Meeting held on December 04, 2006 and December 30, 2006 respectively.
17. Certified true copies of the resolution for appointment of the Additional Independent and Non-Executive Directors at the Board Meeting held on January 01, 2007.

18. Power of Attorney executed by Our Directors in favour of Managing Director, Chief Finance Officer and Company Secretary for signing and making necessary changes in the Red Herring Prospectus/ Red Herring Prospectus/ Prospectus.
19. Board resolution dated February 02, 2007 constituting Audit Committee, Remuneration Committee and Investor Grievance Committee.
20. Resolution of members of the Company passed at Annual General Meeting held on September 15, 2006 re-appointing M/s P. R. Reddy & Co., Chartered Accountants, as statutory auditors.
21. Copy of the agreement entered into with Indian Overseas Bank for obtaining term loan and other short-term borrowings/arrangements
22. Statutory Auditor's certificate dated March 09, 2007 regarding sources and deployment of funds as on February 28, 2007.
23. Copy of the Board resolution dated August 25, 2007 approving the Red Herring Prospectus.
24. Non-Compete and Non-Hire agreement dated March 12, 2007, entered into with M/s Kaveri Agriteck a partnership firm
25. Copy of the certificate received from Department of Science & Technology, GoI recognizing research facilities of our Company.
26. Compensation packages of all Executive Directors

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 our 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 our Company, hereby declare that, all the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, 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 rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures and statements made in this Red Herring Prospectus are true and correct.

**SIGNED BY ALL THE DIRECTORS, CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY OF OUR COMPANY**

**MR. GUNDAVARAM VENKATA BHASKAR RAO**  
**CHAIRMAN-CUM-MANAGING DIRECTOR**

**MRS. GUNDAVARAM VANAJA DEVI**  
**EXECUTIVE DIRECTOR**

**MR. RANGINENI VENU MANOHAR RAO**  
**EXECUTIVE DIRECTOR**

**MR. CHENNAMENENI VAMSHEEDHAR**  
**EXECUTIVE DIRECTOR**

**MR. CHENNAMENENI MITHUN CHAND**  
**EXECUTIVE DIRECTOR**

**DR. GUNDAVARAM PAWAN**  
**NON-EXECUTIVE DIRECTOR**

**MR. KOLLI VENKAT DURGA PRASAD RAO**  
**INDEPENDENT DIRECTOR**

**MR. MUPPIDI SRIKANTH REDDY**  
**INDEPENDENT DIRECTOR**

**MR. KASUGANTI VAMAN RAO**  
**INDEPENDENT DIRECTOR**

**DR. IDUPUGANTI VENKATA SUBBA RAO**  
**INDEPENDENT DIRECTOR**

**DR. GANGA PRASAD RAO NEELAMRAJU**  
**INDEPENDENT DIRECTOR**

**DR. YESHWANT LAXMAN NENE**  
**INDEPENDENT DIRECTOR**

**MR. VANAPALLI RAGHU RAM**  
**CHIEF FINANCIAL OFFICER**

**MR. P. SATISH CHANDRA MOULI,**  
**COMPANY SECRETARY**

**Place: Hyderabad**  
**Date: August 25, 2007**