

DRAFT RED HERRING PROSPECTUS

Please read Section 60B of the Companies Act, 1956

Dated [●]

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

100% Book Building Issue



GODAWARI POWER AND ISPAT LIMITED

(Incorporated on September 21, 1999 under the Companies Act, 1956 and was issued a Certificate of Commencement of Business on November 15, 1999.

The Company changed its name from "Ispat Godawari Limited" to "Godawari Power and Ispat Limited" on June 20, 2005.)

Registered Office: Plot No. 428/2, Phase 1, Industrial Area, Siltara – 493 111, Dist. Raipur, Chhattisgarh, India

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Tel.: +91-771- 505 7600 Fax: +91-771- 505 7601

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PUBLIC ISSUE OF 8,695,000 EQUITY SHARES OF FACE VALUE RS. 10/- EACH AT A PRICE OF RS. [●] PER EQUITY SHARE FOR CASH AT A PREMIUM AGGREGATING RS. [●] MILLION (HERE IN AFTER REFERRED TO AS THE "ISSUE"). COMPRISING OF 400,000 EQUITY SHARES OF RS. 10/- EACH RESERVED FOR THE EMPLOYEES OF THE COMPANY AND A NET OFFER TO THE PUBLIC OF 8,295,000 EQUITY SHARES OF 10/- .THE ISSUE WOULD CONSTITUTE 35% OF THE POST ISSUE PAID-UP CAPITAL OF GODAWARI POWER & ISPAT LIMITED.

PRICE BAND: Rs. [●] TO Rs. [●] PER EQUITY SHARE OF FACE VALUE Rs. 10

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

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

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, at least 15 % of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

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

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" beginning on page no. [●] of this Draft Red Herring Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approvals from The National Stock Exchange of India Limited and The Stock Exchange, Mumbai for the listing of our Equity Shares pursuant to letters dated [-] and [-], respectively. The National Stock Exchange of India Ltd. shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS	REGISTRAR TO THE ISSUE
 INVESTSMART IL&FS Investsmart Limited The IL&FS Financial Centre, Plot C-22, G Block Bandra-Kurla Complex Bandra (East), Mumbai: 400051 Phone 91-22-26533333 Fax 91-22-26533075 Email: gpil.ipo@investsmartindia.com	 Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound Kantilal Maganlal Industrial Estate LBS Marg Bhandup (W), Mumbai 400078 Tel: +9122 5555 5491 Fax : +9122 5555 5499 Email: godawaripower@intimespectrum.com
BID / ISSUE OPENS ON : _____ 2005	BID / ISSUE CLOSES ON : _____ 2005

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DEFINITIONS AND ABBREVIATIONS

CONVENTIONAL / GENERAL TERMS

Term	Description
“Godawari Power and Ispat Limited”, “ GPIL”, “our Company”, “we”, “us”, and “our”	Godawari Power and Ispat Limited, a Public Limited Company incorporated under the Companies Act, 1956. Erstwhile the name of our Company was Ispat Godawari Limited. The Company changed its name to “Goadawari Power and Ispat Limited” on June 20, 2005 Refers to Godawari Power & Ispat Limited and, where the context requires, its subsidiary, which is RR Ispat Limited and proposed subsidiaries Sagar Energy and Steels Ltd. and Jagdamba Power & Alloys Ltd.

ISSUE RELATED TERMS

Term	Description
Allotment	Unless the context otherwise requires, the allotment and transfer of Equity Shares pursuant to this Issue.
Articles/ Articles of Association	Articles of Association of our Company, Godawari Power & Ispat Limited
Auditors	The statutory auditors of our Company, M/s O P Singhanian & Co., Chartered Accountants.
Banker(s) to the Issue	The banks in which the Public Issue Account will be opened and which will act as such, in terms of this Draft Red Herring Prospectus.
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to our 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 in the Issue.
Bid / Issue Closing Date	The date after which the Members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper with wide circulation and a Hindi newspaper with a wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an Issue to subscribe to the Equity Shares and which will be considered as the application for the Issue of the Equity Shares in terms of this Draft Red Herring Prospectus.
Bid / Issue Opening Date	The date on which the Members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper with wide circulation and a Hindi newspaper with a wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus and the Bid cum Application Form.
Bidding Period/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Board of Directors/ Board/ Directors	The Board of Directors of our Company or a committee constituted thereof.
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
Book Running Lead	Book Running Lead Manager(s) to the Issue, in this case being

Term	Description
Manager / BRLMs	IL&FS Investsmart Limited
Brokers to the Issue	Brokers registered with any recognized stock exchange, appointed by the members of the Syndicate.
BSE	The Bombay Stock Exchange 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 the Issue Price in accordance with the Book Building Process.
CDSL	Central Depository Services Limited
Companies Act	The Companies Act, 1956, as amended from time to time.
Cut-off Price	Any price within the Price Band finalized by us in consultation with the BRLMs. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band.
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.
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	The National Stock Exchange of India Ltd.
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 the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the RoC at least three days before the Bid/Issue Opening Date. It will become a Prospectus upon filing with the RoC after the pricing and issue or transfer of Equity Shares
Employee Reservation Portion	Reservation of 400,000 Equity Shares for Employees as part of this Issue
Equity Shares	Equity shares of the Company of Rs.10/- each unless otherwise specified in the context thereof.
Escrow Account	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 amongst the Company, the Registrar, the Escrow Collection Banks(s), the BRLM and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FII/ Foreign Institutional Investor	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
Financial year/fiscal/FY	The twelve months ended March 31 of that particular year.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Fresh Issue	The issue of 8,695,000 Equity Shares at the Issue Price by the Company in terms of this Draft Red Herring Prospectus.

Term	Description
Government/ GOI	Government of India
HUF	Hindu Undivided Family
IL	IL&FS Investsmart Limited
Indian GAAP	Generally accepted accounting principles in India
Issue Period	The Issue period shall be [·], the Issue opening date, to [·], the Issue closing date [·].
Issue Price	The final price at which Equity Shares will be allotted in terms of this Draft Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLMs, on the Pricing Date.
I.T. Act	The Income-Tax Act, 1961, as amended from time to time, except as stated otherwise.
I.T. Rules	The Income-Tax Rules, 1962, as amended from time to time, except as stated otherwise.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount.
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company.
NAV	Net Asset Value
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers for this Issue or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000.
Non-Institutional Portion	The portion of the Issue being minimum 15% of the Net Issue to the Public i.e. 1,244,250 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders.
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India.
NRE Account	Non Resident External Account
NRI/ Non Resident Indian	Non-resident Indian, is a person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
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 trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
PAN	The Permanent Account Number allotted under the I.T. Act.
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 money at the time of bidding, as applicable.
Pay-in-Period	This term means (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 (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Price Band	Price band with a minimum price (floor of the price band) of Rs.[●]

Term	Description
	and the maximum price (cap of the price band) of Rs.[•] and includes revisions thereof.
Pricing Date	The date on which Company in consultation with the BRLM finalize the Issue Price.
Promoters	B. L. Agrawal, H. P. Agrawal, N. P. Agrawal, Suresh Agrawal, Dinesh Agrawal, Siddharth Agrawal
Promoter Group	B. L. Agrawal (HUF), N. P. Agrawal (HUF), Suresh Agrawal (HUF), Dinesh Agrawal (HUF), Kanika Agrawal, Rashmi Agrawal, Sarita Agrawal, Ram Richhpal Agrawal (HUF), Godawari Devi Agrawal, Prakar Agrawal, Kumar Agrawal, Madhu Agrawal, Vinay Agrawal, Reena Agrawal, Nancy Agrawal, Abhishek Agrawal, Gita Devi Agrawal, Pranav Agrawal, R. R. Ispat Ltd.
Prospectus	The Prospectus to be filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, trilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 Mn and pension funds with minimum corpus of Rs.250 Mn.
QIB Portion	The portion of the Net Issue to the Public being up to 50% of the issue i.e. 4,147,500 Equity Shares of Rs. 10 each available for allocation to QIBs.
RBI	Reserve Bank of India
Red Herring Prospectus	Red Herring Prospectus is 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 issued and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing it with the Registrar of Companies after the pricing.
Registered Office of our Company	428/2, Phase I, Siltara Industrial Area, Dist: Raipur, Chhattisgarh.
Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Ltd. having its registered office as indicated on the cover page of this Draft Red Herring Prospectus.
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000, in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being minimum 35% of the Net Issue to the Public i.e. 2,903,250 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RoC	Registrar of Companies of Madhya Pradesh & Chhattisgarh, Gwalior.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.

Term	Description
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
Stock Exchanges	NSE and BSE
Syndicate	The BRLM and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of the Bids in the Issue.
Syndicate Members	Intermediaries registered with SEBI and eligible to act as Underwriters, Syndicate Members are appointed by the BRLM.
TRS/ Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and Syndicate Members.
Underwriting Agreement	The Agreement between the members of the Syndicate and the Company, on its own behalf to be entered into on or before the Pricing Date.

COMPANY/ INDUSTRY RELATED

Term	Description
1 Metric Ton	1000 kilograms
1 unit of power	1 kilo watt hour/1000 watt hour
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
AFBC	Atmospheric Fluidised Bed Combustion
CAGR	Compounded Annual Growth Rate
DRI	Direct reduced Iron
EAF	Electric Arc Furnaces
EGM	Extra-Ordinary General Meeting
EPS	Earnings Per Share
ESP	Electrostatic Precipitator
HBI	Hot Briqueted Iron
ID Fans	Induced Draught Fan
IPO	Initial Public Offer
ISP	Integrated Steel Plant
P/E Ratio	Price to Earnings Ratio
MW	Mega Watt (1000 kilo watts)
RONW	Return on Net Worth
SMS	Steel Melting Shop

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated unconsolidated financial statements as of and for the fiscal years ended March 31, 2001, 2002, 2003, 2004 and 2005, all prepared in accordance with Indian GAAP and included in this Draft Red Herring Prospectus. Unless stated otherwise, the operational data in this Draft Red Herring Prospectus is presented on an unconsolidated basis. Our fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and sums of the amounts listed are due to rounding.

CURRENCY OF PRESENTATION

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

MARKET DATA

Unless stated otherwise, industry data used throughout this Draft Red Herring Prospectus has been obtained from industry publications such and internal company reports. Such publications generally state that content therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Draft Red Herring Prospectus is reliable, it has not been verified by any independent source.

FORWARD-LOOKING STATEMENTS

We have included statements in this Draft Red Herring Prospectus which contain words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “propose”, “shall”, “will”, “will continue”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to:

- Regulatory changes pertaining to the iron & steel and power industry in India and our ability to respond to the same
- Our ability to successfully implement our strategy,
- Our growth and expansion plans and technological changes;
- Monetary and fiscal policies of India;
- Equity prices or other rates and prices;
- Performance of financial markets in India and globally;
- Inflation, deflation and unanticipated fluctuations in interest rates;
- General economic and business conditions in India;
- Changes in the value of the Rupee and other currencies; and
- Changes in laws and regulations that apply to the Indian and global film exhibition industry.

For further discussion of factors that could cause our actual results to differ, see section titled “Risk Factors” beginning on page [•] of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the BRLM nor any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding of our Company, you should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page nos. [•] and [•] respectively. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Internal Risk Factors and Risks Relating to Our Business

1. *The implementation of our proposed expansion projects may be subject to certain delays.*

In the event that there is a delay in the schedule of implementation of the proposed projects for various reasons including, but not limited to, construction delays, delay in receipt of government approvals, delay in delivery of equipment by suppliers etc., our profitability and hence our business may be adversely affected. Although we will make all efforts to implement the projects on time, there is a risk that the said projects may not be implemented on a timely basis.

2. *There have been delays in implementing our Phase I expansion, which delay might affect our profitability for the current year.*

We started our Phase I expansion in July 2004. There have however been delays in implementation of the project due to delay in supply of certain critical equipments.

3. *We have yet to receive licenses for the mining of coal and iron ore.*

We have applied for licenses for the mining of coal and iron ore. However, we have yet to receive permission to exploit these mines. Any delay in this regard may adversely affect our operations and profitability.

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

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

5. *We are dependent on our group companies for sale of our products however we have not entered into any firm tie up with them*

We are supplying about 40% of the billet requirement of some of our group companies. This portion constitutes a substantial portion of our current production levels. These group companies are not bound by any agreement/s to purchase these materials from us. If our competitors are capable of providing such materials at a price, which is more competitive than the price offered by us, our group companies may source their material requirements from such competitors. Also, any change in the manufacturing program or market of our group companies, may adversely affect our sales and profitability.

6. *We are expanding our capacity without any firm commitments for our products*

We do not have any purchase agreements in place, which will require us to utilize our expanded capacity. In our industry, (the Steel industry), it is not customary for such purchase orders to be placed way in advance, and as such our capacity expansion has been planned considering the potential demand for our products. Our calculation of such potential demand is based on our analysis of market trends and other factors. If we are unsuccessful in our implementation, or we prove to be wrong in our estimations, our expenses may increase with an adverse effect on our operations, profitability and cash flows.

7. *Difficulty arising due to Non-availability of raw material*
Iron ore

We have entered in to a long term supply agreements with NMDC on August 27, 2005 for required raw material The said supply arrangement is valid for the period for five years from April 1, 2005.

We are currently meeting our present requirement of iron ore from the following sources:

- Bailadila deposits of NMDC in Chhattisgarh
- Barbil mine of private mine owners in the Keonjhar district in Orissa and
- Noamundi mine in Jharkhand

In light of our expansion plans, we have sought to obtain additional quantities of iron ore from NMDC and Tata Iron & Steel Company Ltd.

A failure to procure the required additional quantities of iron ore may have an adverse impact on our operations and profitability.

Coal:

We have been granted a coal linkage from South Eastern Coalfields Limited vide letter dated December 24, 2001 for 1.68 lakh tons per annum of B/C grade non-coking coal. This would meet our requirement of existing facilities of 1.05 lakh MT sponge iron plant. To ensure our production levels at enhanced capacities, we have applied for additional coal linkages from the Korba coalfields of South Eastern Coalfields Limited (Chhattisgarh). A failure to procure the required additional quantities of coal may have an adverse impact on our operations and profitability.

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

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

9. *We have not yet received final sanction for the debt portion of the means of finance.*

We have received in-principle approval for the debt portion of the means of finance from Canara Bank, Syndicate Bank and Bank of India amounting to Rs. 1065 Mn. The delay in getting the final sanction from the banks may delay the project implementation.

10. Tax benefits that we enjoy may not available to us in future

We currently take advantage of various tax exemptions and deductions like sales tax exemption, Entry Tax exemption and Income Tax exemption all of which are applicable for a specified duration only. The unavailability of these tax benefits due to the changes in the government policies or applicable tax regimes would increase our tax obligation and have a material adverse effect on our profits after tax, and consequently our cash flows. Similarly, certain other tax benefits in this regard, which are currently being enjoyed by us, may not be available to us in the future. Such non-availability of tax benefits could adversely affect our results of operations and financials.

11. We intend to invest part of the proceeds from this issue in group companies' equity as part of promoters' contribution for the projects to be undertaken by them. Delay in project implementation may adversely impact returns from these investments.

• Jagadamba Power and Ferro Alloys Limited (JPAL)

JPAL is setting up a project of 25 MW power plant and three nos. 9 MVA EAF to produce 66,000MT pig iron with a total cost of Rs.950 Mn. Bank of Baroda has sanctioned the debt portion of Rs. 667.50 Mn. Delay in infusion in promoter's contribution may delay the project implementation.

• Sagar Energy and Steels Limited (SESL)

SESL is setting up a project of 25 MW power plant and three nos. 9 MVA EAF to produce 66,000MT pig iron with a total cost of Rs.950 Mn. The funds for the project have not been tied up which may delay the project implementation.

12. Contingent Liabilities, Guarantees and Capital Commitments

Particulars	Rs. in Mn	
	March 31, 2005	March 31, 2004
Estimated amount of contracts remaining to be executed on capital account and not provided for	200.00	65.00
Bank Guarantees issued by the company's bankers	5.79	2.00
Corporate Guarantee given in respect of financing facilities given to Group Companies	367.00	0.00
Total	572.79	67.00

In terms of the audited financial statements as on March 31, 2005, the estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) aggregated to 200 Mn.

13. Some of the entities promoted by our promoters and other group companies have incurred losses in the past. Some these entities have accumulated losses till date.

Name of the Company	Rs. in Mn		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31 2005
Jagdamba Power & Alloys Ltd.	(0.03)	0.00	(0.01)
Tanusha Real Estate Private Ltd.	2.14	(1.39)	0.61

14. *We are defendants in certain legal proceedings, incidental to our business and operations, which if determined against us, could have a material adverse impact on our cash flows, and consequently our operations and profitability.*

We are involved in certain legal proceedings and claim in relation to certain civil, criminal and taxation matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business and results of operations. For more information regarding litigation involving our Company, our Promoter Group, Directors and Promoters, see "Outstanding Litigation" on [•] of this Draft Red Herring Prospectus.

15. *We may not be able to sustain effective implementation of our business and growth strategy.*

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. Whilst we have successfully executed our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget, or that we will meet the expectations of targeted customers.

Our inability to manage our business and growth strategy could have a material adverse effect on our business, financial condition and results of operations.

16. *We may continue to be controlled by our promoters and other principal shareholders following this issue and our other shareholders may not be able to affect the outcome of shareholder voting.*

After the completion of the Issue, our promoters will collectively hold approximately 63.44% of the outstanding Equity Shares. Consequently, our Promoters and other principal shareholders, if acting jointly, may exercise substantial control over us and *inter alia* may have the power to elect and remove a majority of our Directors and/or determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders, such as lending and investing policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions/joint ventures.

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

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

18. *Our operating results may differ from period to period and as a result we may not be able to make accurate financial forecasts.*

Our Phase I expansion is under implementation and we are undertaking Phase II expansion. On implementation of both phases, the financial results are likely to vary significantly. Thus our operating results may vary significantly from period to period. Price fluctuations of raw material and finished products also make it difficult to make accurate financial forecasts.

19. *We may not be fully insured for business losses, which we might incur.*

We have not taken any insurance for protecting us from future business losses and in the event of such losses occurring, the operations of our Company may be affected significantly. However we have insured all our assets and properties adequately.

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

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

21. *We do not have a track of record for payment of dividend on equity shares.*

We have not declared or paid any cash dividends on the Equity Shares in the past except in FY05, which is our maiden dividend. The future payment of dividends, if any would be based on the then available distributable profits and the recommendations of our Board of Directors.

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

We have initiated negotiations and sought quotations from various vendors. We have placed orders in relation to supply of certain plant and machinery. We have not yet placed orders for the equipment of Sponge Iron, Steel billets and Power facilities, aggregating approximately to Rs.991 milion. This may cause a delay in implementation of the project.

23. *We have not yet applied for or are yet to receive certain statutory clearances and approvals in relation to the project.*

We have applied for environmental clearance for the project on February 8, 2005 which is pending Central Government approval and we have acquired land for the project. The conversion of this land from agricultural to industrial use is however pending. Please refer to the section

Any delay in receiving the above mentioned critical permissions may delay implementation for the project. Please refer the section 'Government Approvals' on page [•] of this Draft Red Herring Prospectus for more details.

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

Our group company Hira Steels limited produces HB Wires. Hira Ferro Alloys Limited and Alok Ferro Alloys Limited manufacture ferro alloys. Accordingly, in respect of HB Wires and Ferro Alloys, there may be a conflict of interests between us and our aforementioned group companies.

25. *We may face difficulty to keep up with the technological advances taking place in the steel industry.*

Technology plays a vital role in steel plants. Our failure or inability to incorporate any change in technology might place our competitors at an advantage in terms of costs, efficiency and timely delivery of the final products.

26. Group Company Listing Agreement Compliance

Shares of our Group company Hira Ferro Alloys Limited ("**HFAL**") are listed on Delhi Stock Exchange Association Limited ("**DSE**") and the Madhya Pradesh Stock Exchange ("**MPSE**"). HFAL had allotted 7,55,000 equity shares on preferential allotment basis in the year 1994 and 1995 ("**1994 Allotment**"), and had further allotted 20,00,000 equity shares on preferential allotment basis on 20th March 2005 (collectively referred to as "the **New Shares**"). The listing applications for the New Shares ("**Listing Applications**") are still pending with the DSE for non-compliance of several provisions of the listing agreement entered into by HFAL with DSE. HFAL and DSE have exchanged several correspondences in the matter whereby the DSE has sought several clarifications / documents in connection with the Listing Applications. These clarifications include, inter-alia, clarifications on alleged non-compliance of Section 173(2) of the Companies Act, non compliance of provisions of the SEBI Guidelines, non-obtention of the in-principle approval of the MPSE before allotment of equity shares on 20th March 2005, etc. HFAL has furnished several documents to the DSE from time to time in response to these clarifications.

The DSE has further sought the in-principle approval of the Madhya Pradesh Stock Exchange ("**MPSE**") for listing the New Shares before proceeding with the Listing Applications ("**MPSE Approval**"). For the purpose granting the MPSE Approval, the MPSE has sought a confirmation from all stock exchanges where the shares of HFAL are listed to the effect that the shares of HFAL have been continuously listed, and further that there are no pending investor grievance complaints.

The DSE has suspended the trading of shares of HFAL. We have been informed that the said suspension is on account of non-compliance by HFAL of listing formalities in connection with the Listing Applications. We have been further informed that there is no formal show cause notice or suspension order issued by the DSE in this regard. The DSE has informed HFAL that the suspension of trading in its shares would be revoked, and a certificate of continuous listing issued, inter-alia, on HFAL complying with all listing requirements in connection with the 1994 Allotment or on HFAL furnishing a certificate from a regional stock exchange to the effect that HFAL has been regularly complying with all listing requirements with the said exchange and is not under suspension thereat.

EXTERNAL RISKS FACTORS

1. Changes in Government policies may affect our operations adversely.

Since 1991, the Government of India has pursued policies of economic liberalizations. We cannot assure you that these liberalization policies will continue in future. Protest against liberalization could slowdown the pace of economic development. The rate of economic liberalization could change, specific laws and policies could change, and foreign investment, currency exchange rates and other matters affecting investing in our securities could change as well.

Withdrawal of any support by the supporting parties to the current Indian Government due to any reasons could result in political instability, which may have an adverse impact on capital markets and investor confidence.

2. General economic conditions may adversely affect the sales and results of the company.

If the general economic conditions suffer a prolonged downturn, it may have an adverse bearing on the business and results of the Company.

- 3. *Force majeure events, terrorist attacks and other acts of violence or war involving India, the United States or other countries could adversely affect the financial markets, result in a loss of client confidence and adversely affect our business, results of operations, financial conditions and cash flows.***

Certain events that are beyond our control, including the recent tsunami or seismically generated sea wave capable of considerable destruction, which affected several parts of South East Asia, including India and Sri Lanka on December 26, 2004 and terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on September 11, 2001 and New Delhi on December 13, 2001, and other acts of violence or war (including civil unrest, military activity and hostilities among neighbouring countries, such as between India and Pakistan), which may involve India, the United States or other countries, may adversely affect worldwide financial markets, and could lead to economic recession. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Any such event could adversely affect our financial performance or the market price of the Equity Shares.

- 4. *The price of the Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Issue Price or at all.***

Prior to the Issue, there has been no public market for the Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after this Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions, volatility in the Indian Stock Exchanges and securities markets elsewhere in the world.

- 5. *Increase in taxes and other levies imposed by the Central or State Governments in India on the acquisition of capital goods/components, purchase of raw materials or finished goods may have an adverse effect on the profitability of the Company.***

Taxes and other levies imposed by the Central or State Governments in India that affect the Steel industry include excise duties and interstate taxes on purchase of raw materials, components, capital goods and finished products.

These taxes and levies affect the cost of production and prices of the Company's products and hence the demand for its products. An increase in any of these taxes or levies or the imposition of new taxes or levies in the future may have an adverse impact on the Company's business and financial condition.

- 6. *Changes in applicable interest rates and/ or banking policies***

Our Company has availed of finances vide short-term loans and long-term borrowings with various banks and financial institutions. Any negative change in applicable contractual, regulatory or statutory policies in connection with these facilities, could adversely affect the Company and its cash flows and profitability.

- 7. *Failure to comply with environmental laws, rules and regulations may adversely affect our business or operations.***

A failure on our part to adequately comply with applicable environmental laws, rules and regulations, could hamper or adversely impact the operations of our Company, and consequently, could adversely affect the Company and its cash flows and profitability.

NOTES TO RISK FACTORS

1. Public issue of 8,695,000 equity shares of face value Rs. 10/- each at a price of Rs. [●] per equity share for cash at a premium aggregating Rs. [●] Mn (here in after referred to as the “issue”). Comprising of 400,000 equity shares of Rs. 10/- each reserved for the employees of the company and a net offer to the public of 8,295,000 equity shares of Rs.10/-. The issue would constitute 35% of the post issue paid-up capital of Godawari Power & Ispat Limited.
2. The Net worth of our Company before the Issue as on March 31, 2005 is Rs. 637.73 Mn (on an unconsolidated basis)
3. The average cost of acquisition of the Equity Shares of Rs. 10/- by our Promoters, Mr. B. L. Agrawal, B.L Agrawal (HUF), Mr. H. P. Agrawal, Mr. N. P. Agrawal, N. P. Agrawal (HUF), Mr. Suresh Agrawal, Suresh Agrawal (HUF), Mr. Dinesh Agrawal, Dinesh Agrawal (HUF) and Mr. Siddharth Agrawal is Rs. 3.33, Rs. 2.47, Rs. 3.20, Rs. 3.34, Rs. 2.95, Rs. 4.00, Rs. 2.00, Rs. 3.76, Rs. 2.00 and Rs. 2.00 respectively.
4. Book value of the Equity Shares of our Company as on March 31, 2005 is Rs. 39.49 per Equity Share.
5. Investors may contact the BRLM for any complaints, clarifications or information pertaining to the Issue.
6. Investors are advised to refer the paragraph on “Basis of Issue Price” on page no. [·] of this Draft Red Herring Prospectus.
7. Refer to our financial statements relating to related party transactions in the section titled “Financial Statements – Related Party Disclosures” on page no. [·] of this Draft Red Herring Prospectus.

Investors should note that in case of oversubscription in the Issue, the allotment shall be on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders. Refer to the paragraph titled “Basis of Allotment” on page no. [·] of this Draft Red Herring Prospectus.

SUMMARY

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Draft Red Herring Prospectus, including the information on "Risk Factors" beginning from page numbers viii to xv and our financial statements and related notes included elsewhere in this Draft Red Herring Prospectus, before deciding to invest in our Equity Shares.

We are an existing profit making company promoted by Hira group of Industries, Raipur in the year 1999. Incorporated as "Ispat Godawari Limited" on August 21, 1999. We changed our name to "Godawari Power and Ispat Limited" w.e.f. June 20, 2005.

MOU with Chhattisgarh State Government

We have entered into an MOU with the state government on August 16, 2004 to set up facilities for manufacture of Sponge Iron (650,000 TPA), Steel Billets (550,000 TPA), Power generation facilities (50 MW), Ferro Alloys (33,000 TPA), GI/Barbed Wires (300,000 TPA) and Iron Ore (3,000,000 TPA) & Coal (3,000,000 TPA) mining with a total investement of Rs. 4930 Mn whereby the state government would facilitate obtaining the iron ore and coal mining rights as well as requisite approvals from the appropriate central and state government authorities.

Under this MOU, Chhattisgarh State Industrial Development Corporation (CSIDC) has agreed to provide or help in obtaining prevailing incentives and facilitate clearances necessary for aforesaid projects in the state of Chhattishgarh through the intervention of the State Investment Promotion Board under the Chhattisgarh Audyogik Nivesh Protsahan Adhiniyam, 2002 including allotment of land required for setting up of these projects as well as facilitate recommendation of the state government to concerned ministries/ departments for grant of lease for coal and iron ore for project's requirements as per existing policy of the state government

Business Overview:

We are engaged in manufacturing of Sponge Iron (105,000 TPA), Steel Billets (150,000 TPA) with captive power generation facility (18 MW). The plant is located at Siltara Industrial area, in Raipur District of Chattisgarh State. We have achieved a sales turnover of Rs 1913.46 Mn with a net profit of Rs 241.07 million during the year ended March 31, 2005. Our Phase I of the expansion project is under way and expected to be completed by end of September, 2005. In this first phase we propose to expand the capacity of Sponge Iron to 235000 TPA, Steel billets to 250000 TPA and captive power generation facility to 28 MW with creation of new facilities for manufacture of Ferro Alloys 16500 MT and wire drawing capacity of 60000 TPA.

We propose to set up another unit as a part of second phase of expansion near our exiting unit for manufacturing of 260,000 TPA of Sponge Iron, 150,000 TPA steel billets and 25 MW power through waste heat flu gases. The total capacity after both the expansion shall be as under:

Sponge Iron	495000 TPA
Steel Billets	400000 TPA
Captive Power	53 MW
Ferro Alloys	16500 TPA
Wire Drawing	60000 TPA

Our Competitive strengths:

We believe that following are our competitive strengths:

- We are part of Rs. 5500 Mn Hira Group, which is a significant player in long products in central India.
- Promoted by the Hira Group, a conglomerate in the core sector of Steel, Ferro Alloys and Power with management having vast experience in the relevant industry for more than two decades with a successful track record.
- Power Generation through Waste Heat Recovery from Sponge Iron Division resulting saving in cost.
- Technologies for products are time tested and operative in India.
- Our production facilities are located closer source of major Raw material and markets for our product resulting in savings on transportation cost.
- First phase of expansion in capacity is under implementation, which is expected to go into production by September 2005 to meet the already existing demand for long products.
- Proposed second phase of expansion in capacities is aimed at achieving economies of operations.
- Presence across the entire value chain from Sponge Iron to Finished steel in form of bars, rods and other down stream value added items like HB wire.
- Prospecting license granted for iron ore mining at Borio Tibbu fields in Chattisgarh, prospecting has been completed and mining leases are expected to be allotted shortly.
- Short listed by the Ministry of Coal for allotment of Coal mines.
-
- Sales tax exemption for a period of 11 years from April 2001 onwards upto a maximum amount of 150% of capital investment in production facilities.
- Income Tax exemption for a period of 10 years under Sec. 80 IA on profits of Power Division.
- Strong managerial team and motivated work force with technically qualified personnel.
- Eligible for Carbon credit under the Kyoto Protocol scheme.
- Large production of Steel Billets will be consumed by group companies at prevailing market prices.

Our Strategy

- To integrate the operation by setting up facilities for forward and back-word value chain and emerge as integrated and leading player in the steel wire segment in organized sector with a complete value chain from Iron Ore to steel wire.
- To achieve economics of scale by setting up sizable manufacturing facilities.
- To gainfully utilize waste generated during the process of manufacturing and maximum the return for shareholders.
 - To foray into higher value added products such alloy and stainless wires with total integrated facility of producing Finished wire from Iron ore.

THE ISSUE

Equity Shares offered	
Public Issue	8,695,000 Equity Shares.
<i>Of Which:</i>	
Employees Reservation Portion	400,000 Equity Shares (Allocation on a proportionate basis)
Net Offer to the Public:	8,295,000 Equity Shares
<i>Of Which:</i>	
Qualified Institutional Buyers portion	Not more than 4,147,500 Equity Shares (Allocation on a discretionary basis)
Non-Institutional portion	Minimum Of 1,244,250 Equity Shares (Allocation on a proportionate basis)
Retail portion	Minimum of 2,903,250 Equity Shares (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	16,149,000 Equity Shares
Equity Shares outstanding after the Issue	24,844,000 Equity Shares
Objects of the Issue	The proceeds of the Issue will be used for proposed expansion plan phase II (the project), investment in group companies to make them subsidiary. For more information, please refer to the section titled "Objects of the Issue" beginning on page [•] of this Draft Red Herring Prospectus.

Corporate Information

Godawari Power and Ispat Limited was incorporated as Ispat Godawari Limited on September 21, 1999 under the companies Act 1956. Subsequently received a fresh certificate of incorporation consequent to change of name to Godawari Power and Ispat Limited on June 20, 2005. Our registered office is located at Plot No. 428/2, Phase 1, Industrial Area, Siltara – 493 111, Dist. Raipur, Chhattisgarh, India. Our corporate office is located at First floor, Hira Arcade, Near New Bus Stand, Pandari, Raipur - 492 001, Chhattisgarh, India.

SUMMARY OF THE FINANCIAL INFORMATION

The table sets forth our selected financial information derived from its audited financial statements as at March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001 all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines and as described in the Auditors report of M/s O P Singhania & Co., Chartered Accountants included in the section titled "Consolidated Financial Statements" on page [·] of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto. For further discussion on our financial statements, please see "Management Discussion and Analysis" of financial condition and results of operations on page [·] and "Business" on page [·] of this Draft Red Herring Prospectus.

STATEMENT OF RESTATED ASSETS AND LIABILITIES:

Particulars	Rs. in Million				
	As at 31.03.2005	As at 31.03.2004	As at 31.03.2003	As at 31.03.2002	As at 31.03.2001
A. Fixed Assets					
Gross Block	650.37	632.98	451.22	195.22	1.56
Less: Depreciation	261.70	173.29	76.38	21.98	-
Net Block	388.67	459.69	374.84	173.24	1.56
Capital Work-in Progress(including incidental expenditure pending capitalisation / allocation)	654.97	35.38	71.07	109.98	171.36
	1,043.64	495.07	445.91	283.22	172.92
B. Investments	91.01	54.12	-	-	-
C. Current Assets, Loans and Advances					
Inventories	257.17	134.14	94.59	36.52	12.13
Sundry Debtors	80.46	49.93	20.21	22.67	-
Cash and Bank Balances	10.93	2.60	2.97	7.07	1.96
Loans and Advances	120.07	162.58	62.09	45.75	32.46
	468.63	349.25	179.86	112.01	46.55
Total Assets (A+B+C)	1,603.28	898.44	625.77	395.23	219.47
D. Liabilities and Provisions					
Secured Loans	759.17	310.79	265.28	107.12	-
Unsecured Loans	72.20	103.89	7.61	14.26	12.06
Current Liabilities	127.24	51.86	53.92	67.37	49.30
Provision for Taxation	2.91	1.50	1.30	-	-
Proposed Dividend & Tax thereon	4.03	-	-	-	-
	965.55	468.04	328.11	188.75	61.36
E. Deferred Tax Liability (Net)	-	-	-	-	-
F. Adjusted Net Worth (A+B+C-D-E)	637.73	430.40	297.66	206.48	158.11
Represented by					
G. Share Capital					
Equity Share Capital	161.49	32.05	25.56	10.70	7.18
Share Application Money	10.00	40.08	50.19	123.39	108.22
H. Reserves and Surplus					
General Reserve	100.00	-	-	-	-
Profit/ (Loss) brought forward from Profit and Loss Account	230.36	93.34	15.67	0.63	-
Share Premium	139.73	266.68	208.32	74.53	42.89
Less: Miscellaneous Expenditure (to the extent not written off or adjusted)	3.85	1.75	2.08	2.77	0.18
Adjusted Net Worth	637.73	430.40	297.66	206.48	158.11

STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT:

Rs. in Million					
Particulars	01.04.2004 to 31.03.2005	01.04.2003 to 31.03.2004	01.04.2002 to 31.03.2003	01.04.2001 to 31.03.2002	01.04.2000 to 31.03.2001
Income					
From Operations	1,913.46	1,227.27	677.84	361.36	-
Other Income	5.25	1.53	1.42	0.32	-
Increase/(Decrease) in stocks	13.23	12.86	(2.07)	14.60	-
Total Income	1,931.94	1,241.66	677.19	376.28	-
Expenses					
Operating Cost					
Raw Materials consumed	1,181.84	733.17	384.55	230.17	-
Purchase of Traded goods	-	2.85	3.83	-	-
Staff Cost	18.47	15.66	9.35	6.75	-
Stores & Spares Consumed	70.83	43.04	18.17	4.55	-
Power Charges	29.74	31.32	48.20	27.18	-
Other manufacturing expenses	20.73	18.87	9.21	6.93	-
Repair & maintenance to Plant & Machinery	23.96	16.98	12.92	9.34	-
Central Excise Duty	187.15	151.23	93.22	49.84	-
Sub-Total (A)	1,532.72	1,013.12	579.45	334.76	-
Repairs and Maintenance Others	1.05	0.27	0.37	0.39	-
Other Administrative Expenses	16.44	12.72	6.60	5.54	-
Other Selling Expenses	1.82	2.55	4.74	7.05	-
Interest/ Finance Charges	28.76	30.95	14.60	5.17	-
Depreciation	88.43	96.92	54.39	21.98	-
Miscellaneous Expenditure written off	0.79	0.79	0.70	0.70	-
Sub-Total (B)	137.29	144.20	81.40	40.83	-
Total Expenses (A) + (B)	1,670.01	1,157.32	660.85	375.59	-
Net Profit/ (Loss) before Provision for Tax and Exceptional Items	261.93	84.34	16.34	0.69	-
Less: Exceptional Items [Income/ (Expense)]	-	-	-	-	-
Net Profit/ (Loss) before Provision for Tax	261.93	84.34	16.34	0.69	-
Provision for Tax					
- Current Tax	20.50	6.50	1.30	0.06	-
- Deferred Tax (Net)	-	-	-	-	-
- Income Tax Related to Earlier Year	0.36	0.17	-	-	-
Net Profit/ (Loss) after Tax	241.07	77.67	15.04	0.63	-
Less: Adjustments (Net) (Refer Annexure III)	-	-	-	-	-
Adjusted Net Profit/ (Loss) After Tax	241.07	77.67	15.04	0.63	-
Balance of Profit/ (Loss) brought forward	93.34	15.67	0.63	-	-
Profit/ (Loss) Available for Appropriation	334.41	93.34	15.67	0.63	-
Proposed Dividend	3.58	-	-	-	-
Tax on Proposed Dividend	0.47	-	-	-	-
Transfer to General Reserve	100.00	-	-	-	-
Surplus/ (Deficit) carried to Balance Sheet	230.36	93.34	15.67	0.63	-

GENERAL INFORMATION

Registered Office

Plot No. 428/2, Phase 1,
Industrial Area,
Siltara – 493 111,
Dist. Raipur,
Chattisgarh, India
Tel.: +91 - 7721- 264342/506130
Fax: +91 - 7721- 264341/503701
Website: <http://www.gpilindia.com>
Email: ipo@gpilindia.com

Corporate Office

First Floor, Hira Arcade,
Near New Bus Stand,
Pandri,
Raipur - 492 001,
Chattisgarh, India.
Tel.: +91 - 771-505 7600
Fax: +91 - 771-505 7601
Website: <http://www.gpilindia.com>
Email: ipo@gpilindia.com

Address of RoC

Registrar of Companies,
Madhya Pradesh and Chattisgarh
Sanjay Complex, 3rd Floor, A-Block,
Jayendraganj, Gwalior

GENERAL INFORMATION

Board of Directors

Our Company is currently managed by the Board of Directors comprising of 8 Directors. Mr. B. L. Agrawal is currently the Chairman and Managing Director of our Company. The Board comprises of the following:

Name	Qualification	Experience	Designation
Mr. B.L. Agrawal	B.E. (Electrical)	27 years in steel and Ferro Alloy industry	Chairman & Managing Director
Mr. Dinesh Agrawal	B.E. (Electrical)	10 years in iron & steel industry	Whole-time Director
Mr. B.P. Singh	M Com	17 years in steel industry in general administration	Whole-time Director
Mr. Dinesh Gandhi	B Com, FCA, ACS	18 years experience in Corporate finance and accounts in diversified industries	Whole-time Director
Mr. Divesh Nath	ACA, MBA	Over 12 years in print media	Independent Director
Mr. Umesh Agrawal	ACA	5 years in Finance & Accounting field	Independent Director
Mr. Kapil Agrawal	B.E. (Mechanical)	10 years experience in steel and rubber industry	Independent Director
Mr. Neeraj Gupta	B.E. (Electronics)	26 years in various industry	Independent Director

For further details of our Directors, see the section titled “Our Management” on page [(] of this **Draft Red Herring Prospectus**

Company Secretary & Compliance Officer

Mr. Y. C. Rao

Godawari Power & Ispat Limited
First Floor, Hira Arcade,
Near Bus Stand ,Stand,
Pandri,
Raipur - 492 001,
Chhattisgarh, India
Tel.: 0771 505 7600 4279
Fax: 0771 505 7601
Email: ycrao@gpilindia.com

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

Domestic Legal Counsel

J. Sagar Associates

Advocates & Solicitors
Vakils House, 1st Floor
18, Sprott Road
Ballard Estate
Mumbai – 400 001.
Tel : +91- 22 5656 1500
Fax: +91- 22 5656 1515/16
E-mail: nosh@jsalaw.com
vikram@jsalaw.com

Bankers to the Company

Canara Bank

1st Floor, Sheetal Complex
G.E. Road, Telibandha,
Raipur – 492006
Chhattisgarh
Tel: +91- 771- 2420960

State Bank of India

Commercial Branch Raipur
Zonal Office Building,
Byron Bazar,
Raipur
Chhattisgarh
Tel: +91- 771- 2445901-927
Fax:+ 91- 771- 2445924

Syndicate Bank

Station Road
Raipur – 492001
Chhattisgarh

Tel: +91- 771- 2523464

BOOK RUNNING LEAD MANAGERS

IL&FS Investsmart Limited

The IL&FS Financial Centre, Plot C-22, G Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai: 400 051
Tel : +91- (22)- 2653 3333
Fax: +91- (22)- 2653 3075
Contact Person: Ms. Deepesh Patoria
Website: www.investsmartindia.com
E-mail : gpil.ipo@investsmartindia.com

Escrow Collection Banks

[•]

Bankers to the Issue

[•]

Registrar to the Issue

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,
Kantilal Maganlal Industrial Estate
LBS Marg, Bhandup (W)
Mumbai – 400078
Tel: +91- 22 - 55555491-94
Fax: +91- 22 - 55555499
Email: godawaripower@intimespectrum.com
Contact Person: Mr. Vishwas Attavar

Auditors to the Company

M/s. O. P. Singhania & Co.

Chartered Accountants
199A, Samta Colony,
Raipur - 492 001.
Chattisgarh, India
Tel. :+ 91- 771 - 2253844/45
Fax. : +91- 771- 5061216
E-mail: opsinghania@indiatimes.com

STATEMENT OF RESPONSIBILITIES FOR THE ISSUE

SR. NO.	ACTIVITIES	RESPONSIBILITY & CO-ORDINATOR
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	IIL
2.	Due diligence of the Company's operations / management / business plans/legal etc.	IIL
3.	Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of	IIL

SR. NO.	ACTIVITIES	RESPONSIBILITY & CO-ORDINATOR
	prescribed formalities with Stock Exchange, Registrar of Companies and SEBI.	
4.	Drafting and approval of Offer and statutory publicity material, etc.	IIL
5.	Drafting and approval of all corporate advertisement, brochure and other publicity material.	IIL
6.	Appointment of Ad agency	IIL
7.	Appointment of Registrar, Bankers and Printer	IIL
8.	Marketing of the Offer, which will cover inter alia, Formulating marketing strategies, preparation of publicity budget Finalize Media & PR strategy Finalizing centers for holding conferences for brokers, etc. Finalize collection centers Follow-up on distribution of publicity and Offer material including form, prospectus and deciding on the quantum of the Offer material	IIL
9.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	IIL
10.	Finalizing of Pricing & Allocation	IIL
11.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	IIL
12.	The post Offer activities of the Offer will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Offer, Bankers to the Offer and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	IIL

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Brokers, Advertising agencies, Public Relations agencies etc. will be finalized by the Company. Even if many of these activities will be handled by other intermediaries, the designated BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.

Credit Rating

As this is an Issue of Equity Shares, there is no credit rating for this Issue.

Trustees

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

Monitoring Agency

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI (DIP) Guidelines. The Audit Committee appointed by the board of directors will monitor the utilization of the issue proceeds.

Book Building Process

Book building refers to the process of collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

- The Company;
- Book Running Lead Manager,
- Syndicate Member(s), who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as underwriters and
- Registrar to the Issue,

SEBI, through its guidelines, has permitted an issue of securities to the public through the 100% Book Building Process, wherein: (i) up to 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers (QIBs) (ii) not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders (iii) not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Pursuant to amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. For further details refer to the section titled "Terms of the Issue" on page [•] of this Draft Red Herring Prospectus.

Our Company shall comply with the Guidelines issued by SEBI for this Issue. In this regard, our Company has appointed IL & FS Investsmart as the BRLM to procure subscription for 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 this Issue.

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 the Issue)

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.20 to Rs.24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the company 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	24	500	16.67%
1000	23	1500	50.00%
2000	21	5000	166.67%
2500	20	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. 22 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. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Steps to be taken by the Bidders for bidding

- Check eligibility for bidding (refer section titled “Issue Procedure – Who can Bid?” on page [•] of this Draft Red Herring Prospectus);
- Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

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

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

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in lacs)
IL&FS Investsmart Limited The IL&FS Financial Centre, Plot C-22, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai: 400 051	[•]	[•]

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

In the opinion of our Board of Directors (based on a certificate dated [•] given by the Underwriters), the resources of 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). The above Underwriting Agreement has been accepted by the Board of Directors acting through our Chairman and Managing Director, at their meeting held on [•], and we have issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM, and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of this Draft Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for various Underwriters.

CAPITAL STRUCTURE

Financial data presented in this section is derived from our restated unconsolidated financial statements prepared in accordance with Indian GAAP.

The Share Capital (before and after the Issue) as on the date of filing of this Draft Red Herring Prospectus with SEBI is set forth below:

		(Rs. in Mn)	
		Aggregate nominal value	Aggregate value at Issue Price
A. Authorised Capital			
25,000,000	Equity Shares of Rs. 10 each	250.00	250.00
B. Issued, Subscribed And Paid-Up Capital			
16,149,000	Equity Shares of Rs. 10 each fully paid-up	161.49	
C. Present Issue to the public in terms of this Draft Red Herring Prospectus			
Fresh Issue of :			
8,695,000 Equity Shares of Rs. 10 each		86.95	[•]
Of which			[•]
400,000 Equity Shares of Rs.10/- each are reserved for allotment to Eligible Employees		4.00	
D. Net offer to the Public in terms of this prospectus		82.95	[•]
8,295,000 Equity Shares of Rs.10/- each			
D. Paid-up Equity Capital after the Issue			
24,844,000 Equity Shares of Rs. 10 each		248.44	[•]
E. Share Premium Account			
	Before the Issue		139.74
	After the Issue		[•]

- (a) The authorized share capital was increased from Rs.10 Mn to Rs.30 Mn pursuant to a resolution passed by our shareholders at an EGM held on July 15, 2000.
- (b) The authorized share capital was increased from Rs.30 Mn to Rs.40 Mn pursuant to a resolution passed by our shareholders at an EGM held on February 06, 2004.
- (c) The authorized share capital was increased from Rs.40 Mn to Rs.250 Mn, pursuant to a resolution passed by our shareholders at an EGM held on February 15, 2005.
- (d) The shareholders, at the EGM held on February 15, 2005 approved the issue of 12,919,200 Equity Shares of Rs. 10 each as bonus shares in the ratio of four Equity Shares for every Equity Share held in our Company. These shares were allotted on March 22, 2005.

NOTES TO CAPITAL STRUCTURE

1. Share Capital History of our Company

Date on which Equity Shares were Allotted and made fully paid up	Number of Equity Shares	Cumulative Paid up Capital	Face Value (Rs.)	Issue Price (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment (bonus, swap etc.)	Cumulative Share Premium (Rs.)
September 21, 1999	700	7000	10	10	cash	Signatories to Memorandum of Association	Nil
January 10, 2000	241,000	2,417,000	10	10	cash	Fresh Issue	Nil
December 20, 2000	227,500	4,692,000	10	100	cash	Fresh Issue	20,475,000
March 30, 2001	249,100	7,183,000	10	100	cash	Fresh Issue	42,894,000
July 6, 2001	106,500	8,248,000	10	100	cash	Fresh Issue	52,479,000
March 31, 2002	245,000	10,698,000	10	100	cash	Fresh Issue	83,484,000
June 20, 2002	99,500	11,69,300	10	100	cash	Fresh Issue	61,434,000
March 10, 2003	859,000	20,283,000	10	100	cash	Fresh Issue	160,794,000
March 31, 2003	528,000	25,563,000	10	100	cash	Fresh Issue	208,314,000
November 3, 2003	277,000	28,333,000	10	100	cash	Fresh Issue	233,244,000
February 4, 2004	158,000	29,913,000	10	100	cash	Fresh Issue	247,464,000
March 15, 2004	110,500	31,018,000	10	100	cash	Fresh Issue	257,409,000
March 31, 2004	103,000	32,048,000	10	100	cash	Fresh Issue	266,679,000
August 6, 2004	25,000	32,298,000	10	100	cash	Fresh Issue	268,929,000
March 22, 2005	12,919,200	161,490,000	10	-	Bonus	Bonus	139,737,000
Total	16,149,000						

2. Promoter Contribution and Lock-in

Name of the Promoter	Date of Allotment/ Acquisition and made fully Paid-up	Consideration (Cash, bonus, kind, etc.)	No. of shares (of face value of Rs. 10 each)	Face Value (Rs.)	Issue Price (Rs.)	Percentage of pre-Issue paid-up capital (%)	Percentage of Post-Issue paid-up capital (%)	Lock-in Period (in years)
Mr. B.L. Agrawal	March 22, 2005	Bonus	846,300	10.00	Nil	5.24	3.41	3
Mr. B.L. Agrawal HUF	March 22, 2005	Bonus	806,700	10.00	Nil	5.00	3.25	3
Mr. H.P. Agrawal	March 22, 2005	Bonus	946,200	10.00	Nil	5.86	3.81	3
Mr. Suresh Agrawal	March 22, 2005	Bonus	471,200	10.00	Nil	1.90	2.92	3
Mr. N.P. Agrawal	March 22, 2005	Bonus	563,600	10.00	Nil	3.49	2.27	3
Mr. N.P. Agrawal HUF	March 22, 2005	Bonus	358,100	10.00	Nil	2.22	1.44	3
Mr. Dinesh Agrawal	March 22, 2005	Bonus	509,300	10.00	Nil	3.15	2.05	3
Mr. Dinesh Agrawal HUF	March 22, 2005	Bonus	113,100	10.00	Nil	0.70	0.46	3
Mr. Sidharth Agrawal	March 22, 2005	Bonus	354,300	10.00	Nil	2.19	1.43	3
Total			4,968,800			30.77	20.00	

In addition to the lock-in periods specified above, the entire pre-Offer issued equity share capital of the Company will be locked in for a period of one year from the date of Allotment of Equity Shares in this Offer. The total number of Equity Shares, which are locked in for one year, is 1,1180,200. The promoter's contribution has been brought in to the extent of not less than the specified minimum lot and from persons defined as promoters under the SEBI Guidelines.

Locked-in Equity Shares held by the promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. Further, in terms of clause 4.16(b) of the SEBI Guidelines, Equity Shares held by the promoters may be transferred to and among the promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable. In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines as amended from time to time.

3. Shareholding pattern of Our Company before and after the Issue:

Category	Pre-Issue		Post-Issue	
	Number of Equity Shares	%	Number of Equity Shares	%
Promoters				
Mr. B.L. Agrawal	1,122,500	6.95	1,122,500	4.51
Mr. B.L. Agrawal HUF	1,070,000	6.63	1,070,000	4.31
Mr. H.P. Agrawal	1,255,000	7.77	1,255,000	5.05
Mr. Suresh Agrawal	6,25,000	3.87	6,25,000	2.52
Mr. Suresh Agrawal HUF	97,500	0.60	97,500	0.39
Mr. N.P. Agrawal	747,500	4.63	747,500	3.01
Mr. N.P. Agrawal HUF	475,000	2.94	475,000	1.91
Mr. Dinesh Agrawal	675,500	4.18	675,500	2.72
Mr. Dinesh Agrawal HUF	150,000	0.93	150,000	0.60
Mr. Sidharth Agrawal	470,000	2.19	470,000	1.89
Others promoter group persons/entities	9,074,000	56.19	9,455,000	38.06
Total promoter group holdings	15,762,000	97.60	15,762,000	63.44
Non – Promoter Holding *	387,000	2.40	9,082,000	36.57
Total	16,149,000	100.00	24,844,000	100.00

*Including reservation for employees

4. None of our Promoters, member of promoter group or Directors have purchased or sold any Equity Shares, during the period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI, except as stated below.

S.N o.	Date of Transfer	Transferor	Transferee	No. of Equity Shares	Face Value	Purchase/ sale prices
1.	Setember 01, 2005	Ram Richpal Agrawal (HUF)	Govindbhai Baldevbhai Desai	100,000	10	70
2.	Setember 01, 2005	Ram Richpal Agrawal (HUF)	Bhavana Govindbhai Desai	90,000	10	70
3.	Setember 01, 2005	Abhishek Agrawal	Bhavana Govindbhai Desai	60,000	10	70
4.	Setember 01, 2005	R.R. Ispat Ltd.	Bharat P. Broker	50,000	10	70
5.	Setember 01, 2005	R.R. Ispat Ltd.	Gurlein Manachanda	5,000	10	70
6.	Setember 01, 2005	R.R. Ispat Ltd.	Himanshu Dulichand Shah	5,000	10	70
7.	Setember 01, 2005	R.R. Ispat Ltd.	Jignesh Dulichand Shah	5,000	10	70
8.	Setember 01, 2005	R.R. Ispat Ltd.	Mukul Labhshankar Yagnik	5,000	10	70
9.	Setember 01, 2005	R.R. Ispat Ltd.	Nandkishore Soni	2,500	10	70

10.	Setember 01, 2005	R.R. Ispat Ltd.	Chanda Devi Soni	2,500	10	70
11.	Setember 01, 2005	Kumar Agrawal	Mundra Financial Servises Ltd.	10,000	10	70
12.	Setember 01, 2005	Kumar Agrawal	Krishan Murli Tulsian	6,000	10	70
13.	Setember 01, 2005	Kumar Agrawal	Atul Jain HUF	5,000	10	70
14.	Setember 01, 2005	Kanika Agrawal	R. Parthasarthy	10,000	10	70
15.	Setember 01, 2005	Kanika Agrawal	S. Sridhar	10,000	10	70
16.	Setember 01, 2005	Kanika Agrawal	Daya Sridhar	5,000	10	70
17.	Setember 01, 2005	Kanika Agrawal	P. Bhaddma	5,000	10	70
18.	Setember 01, 2005	Kanika Agrawal	S. Jayalakshmi	5,000	10	70

5. The list of top 10 shareholders of the Company and the number of Equity Shares held by them:

- a) The list of top ten shareholders of our Company and the number of Equity Shares held by them as on the date of filing the Draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of the Shareholders	Number of Equity Shares
1.	Mr. H. P. Agrawal	12,55,000
2.	R. R. Ispat Limited	11,25,000
3.	Mr. B. L. Agrawal	11,22,500
4.	Mr. B. L. Agarwal (HUF)	10,70,000
5.	Smt. Reena Agrawal	10,28,750
6.	Mr. Kumar Agrawal	9,81,500
7.	Mrs. Madhu Agrawal	9,40,000
8.	M/S Ram Richpal Agrawal (HUF)	7,95,250
9.	Mrs. Sarita Agrawal	7,65,500
10.	Mr. N. P. Agrawal	7,47,500

- b) The list of top ten shareholders of our Company and the number of Equity Shares held by them 10 days prior to the date of filing the Draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of the Shareholders	Number of Equity Shares
1.	Mr. H. P. Agrawal	1,255,000
2.	R R Ispat Limited	1,200,000
3.	Mr. B. L. Agrawal	1,122,500
4.	Mr. B. L. Agrawal(HUF)	1,070,000
5.	Smt. Reena Agrawal	1,028,750
6.	Shri. Kumar Agrawal	1,002,500
7.	M/S Ram Richpal Agrawal(HUF)	985,250
8.	Mrs. Madhu Agrawal	940,000
9.	Mrs. Sarita Agrawal	765,500
10.	Mrs. Kanika Agrawal	755,500

- c) The list of top ten shareholders of our Company and the number of Equity Shares held by them two years prior to the filing the Draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of the Shareholders	Number of Equity Shares
1.	R R Ispat Ltd.	240,000
2.	Sarvottam Commercial Pvt. Ltd.	40,000

3.	Gunjan Agency Pvt. Ltd.	34,400
4.	Nageshwar Investment Ltd.	32,000
5.	Castrolcredit Pvt. Ltd.	31,500
6.	Arya Bhatt Sales Pvt. Ltd.	29,500
7.	Puffco Merchants Pvt Ltd.	25,250
8.	Shashonko Commtrade Pvt. Ltd.	20,000
9.	Kaushal Consultancy & Trading Pvt. Ltd.	19,500
10.	Doom Doom Roller Mills Ltd	19,500

6. We have not raised any bridge loan against the proceeds of this Issue.
7. As on the date of the Draft Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instrument into our equity shares.
8. Neither we nor our Directors or the Promoters or the BRLM have entered into any Buyback and/or Standby Arrangements for the purchase of our Equity Shares from any person.
9. The issue is being made through the 100% book building process where in upto 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, Not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail 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 and the BRLM.
10. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
11. 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 the Draft Red Herring Prospectus with SEBI until the Equity Shares offered through this Draft Red Herring Prospectus have been listed.
12. There is no proposal, intention, negotiations, consideration of the issuer to alter the capital structure by way of split/ consolidation of the denomination of the shares, or issue of shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities, within a period of 6 months from the date of opening the present issue.
13. Only employees who are on our employee rolls/register as on the cut-off date, i.e. August 31, 2005 would be eligible to apply in the issue under reservation for employees on competitive basis. The number of eligible employees as of cut off date is 346. Employees can also make bids in the Net Public offer and such bids shall not be treated as multiple bids.
14. The undersubscribed portion, if any, out of the 400,000 equity shares reserved for allotment to employees may be added to the Net public offer under any of the categories.
15. Our Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash, except for the bonus Equity Shares issued out of free reserves. For details please refer to note no.1 given above.

16. At any given point of time, there shall be only one denomination for the Equity Shares of our Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
17. As on date the total of number of Equity shareholders are 46.
18. An over-subscription to the extent of 10% of the Net Offer to the Public can be retained for the purposes of rounding off to the nearest multiple of • Equity Shares while finalising the basis of allotment.

OBJECTS OF THE ISSUE

The objective of the Issue is to raise capital for the expansion plans of our company, invest in-group companies to make them subsidiaries and achieve the benefits of listing. . The main objects of our Memorandum of Association permits us to undertake our existing activities and the activities for which the funds are being raised by us, through the present Issue.

REQUIREMENT OF FUNDS

The net proceeds of the Issue after deducting underwriting and management fees, selling commissions and all other Issue expenses payable by us are estimated at approximately Rs. [•] Mn. For details of the Issue expenses, see the section titled “Statutory and Other Information - Expenses of the Issue ” on page [•] of this Draft Red Herring Prospectus. The total estimated fund requirement is as follows:

(Rs. in Mn.)		
S.No.	Particulars	Cost
1.	Phase II Expansion (Project)	1733.20
2.	Equity investment in Jagdmaba Power and Alloys Limited and Sagar Energy and Steels Limited to make them 51% subsidiaries	350.00
3.	Issue Expenses	[•]
	Total	[•]

Means of Finance:

Above fund requirement proposed to fund out of issue proceeds, term loan and internal accruals.

(Rs. in Mn.)		
S. No.	Particulars	
1.	Issue Proceeds	[•]
2.	Term Loan	1065.00
3.	Internal Accruals	[•]
	Total	[•]

Term Loan

We have in-principle approval for Rs. 1065 Mn from Banks for the purpose of the project.

- Canara Bank vide their letter no. MS/IGL/85/05 dated February 12, 2005 in-principle approved term loan of Rs.426 Mn.
- Syndicate Bank vide their letter no. 120/7855/IGL/2005 dated April 9, 2005 in-principle approved term loan of Rs. 373 Mn.
- Bank of India vide their letter no. RPR/CR/PMM dated July 30, 2005 in-principle approved term loan of Rs. 266 Mn.

Interim Use of Funds

Our management, in accordance with the policies set up by our Board, will have flexibility in deploying the net proceeds received by us from the Issue. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration. We also intend to apply part of the proceeds of the Issue, pending utilization for the purposes described above, to temporarily reduce our working capital borrowings from banks and financial institutions.

Project

We propose to take up the Phase II expansion (Project). In continuation to our strategy of being an integrated player our Company proposes a phase II of expansion. The Project will be located at Siltara Industrial Estate, Raipur in the state of Chattisgarh, which is adjacent to existing facilities. The project envisages an increase in capacities of following products

S. No.	Product	Capacity Expansion (Project)
1.	Sponge Iron	260,000 TPA
2.	Steel Billets	150,000 TPA
3.	Captive Power	25 MW

Appraisal

The project has been appraised by Canara Bank, Project Finance Department, Head Office, Bangalore. Appraisal has been done in a capacity as providers of Term Loan for the expansion plans. Canara Bank has given their consent for their name being included as appraising agency and for their appraisal report being used in this document.

Total Cost of Project

Total cost of the Project as appraised by Canara Bank is estimated at Rs. 1882.80 Mn (this includes an estimated cost of Rs. 78.00 Mn with respect to Ferro Alloys and Rs. 71.90 Mn for Wire Drawing Plant which is under implementation as part of Phase I Expansion and expected to start commercial production September 2005)

Rs. in Mn				
Particulars	Sponge Iron	Steel Billets	Power	Total
Installed Capacity	2,60,000 MT	1,50,000 MT	25 MW	
Land & Site Development	20.00	-	-	20.00
Building & Civil Works	85.50	41.00	45.00	171.50
Plant and Machinery	620.50	114.30	644.96	1,379.73
Contingency (% of Hard Cost)	36.00	8.00	34.60	78.60
Preliminary & Preoperative Exp.	38.10	8.50	36.70	83.30
Total Project Costs	800.10	171.80	761.30	1,733.20

Major Cost Heads

The project is to be located at the Siltara Industrial Area, Raipur, in Chattisgarh. The site is a growth center which falls under the administrative control of Chattisgarh State Industrial Development Corporation Limited (CSIDCL) a category "B" backward district.

▪ Land & Site Development

The total land requirement is 55.685 acres, which is appropriate for expansion purposes and raw-material storage facilities. The Company has already purchased the land near the existing unit of the company. The estimated cost for the purchase of this land and subsequent site development is Rs. 20 Mn (inclusive of stamp duty). This cost includes expenses incurred towards land leveling, digging borewells, construction of internal roads, construction of boundaries, plantations

and development of green area as per CSIDC requirements. The land acquired is free from any encumbrance and we have clear title for the same.

▪ **Building & Civil Works**

The buildings and civil works comprise of Hoppers for iron ore and coal storage, conveyer granites, kiln, time office, administrative, workshop, laboratory, control room, compressor room, stores and spare room, weight bridge etc.. Total cost of buildings and civil works is estimated at Rs. 171.50 Mn based on our past experience. The civil work will be on contract basis. As the company has experienced people internally to supervise the civil construction, no external agency will be appointed.

▪ **Plant & Machinery**

Sponge Iron Project Expansion (260,000 MTA)

The main plants & machinery for Sponge Iron Project would consist of two rotary kilns with all inlet/outlet systems having capacity aggregating to 260,000 MT. The rotary kilns, chimney etc., would be constructed on site with refractory material and other construction materials like bricks, steel, cement etc. The cost of the plant & machinery for the Sponge Iron Project is estimated at Rs. 620.50 Mn as per past experience of our management and quotations received from suppliers, which are enumerated below:

Orders placed and machinery not received

Machinery/equipment	Name of the supplier	Cost (Rs. in Mn)	Date of placement of order	Expected date of supply of machinery
Rotary Kiln including tyres, support rollers and shaft, girth gears and pinion with shaft	M/s S.C. Uzin Exports S.A., Romania M/s S. C. Uzin International S. A., Romania	151.85	17.02.2005	December, 2005

Order not placed

Machinery/equipment	Name of the supplier	Cost (Rs. in Mn)
Raw Material Handling incl. Kiln Feed	M/s Electro Ind. M/s Ecoman M/s Sayaji M/s Torsa M/s Jai Durga M/s Transweigh	25.56
Product Separation Building	M/s Electro Zavod M/s Torsa M/s Mcnally Bharat M/s Jai Durga	10.82
Rotary Kiln and related machinery	M/s Koshi Udyog, Bhilai M/s Star Wires M/s Wesman M/s Uni Abex M/s Rotocast M/s APC Engg M/s Flender	139.52
Cooler	M/s Koshi Udyog	51.56

	M/s Star Wire M/s Rathi Ispat M/s Alstom M/s Raipur M/s Jai Durga	
Gas Cleaning System & Pollution Control	M/s Jai Durga M/s Evergreen M/s ACC	61.67
Utilities	M/s Jai Durga M/s Composite Aqua Systems & Equip. M/s Asiatic Traders	4.25
Material handling & Misc. Fixed Assets	M/s Digital Systems HN Cranes	5.00
Power System	M/s Makon India M/s R. R Ispat M/s Alstom M/s Jai Durga M/s Electro Zavod	58.96
Taxes and duties and transportation		111.35
Total of orders to be placed		468.69

▪ Steel Billets Project Expansion (150,000 MTA)

The main plants & machinery for Steel Billets Project would consist of induction melting equipment, furnace transformer, water circuit, material handling equipments and continuous casting machines, having capacity aggregating to 150,000 MT. The cost of the plant & machinery for the Steel Billets Project is estimated at Rs. 114.32 Mn as per the past experience of our management and quotations from suppliers as mentioned below:

Order not placed

Machinery/equipment	Name of the supplier from whom quotes have been received	Cost (Rs. in Mn)
Main Equipment – Induction Furnace (4 Nos.)	M/s InductoTherm India Ltd., Ahmedabad	40.0
Furnace Transformer 5750 KVA (4 Nos.) & Electrical Installations	M/s Emco Ltd , Thane Maharashtra	16.95
Material handling Equipments & EOT Cranes	M/s Cranotech	6.80
Water Supply System	M/s Composite Acqua Systems and Equipments Private Limited	4.90
Furnace Pit Side Material	M/S Concast India Limited	22.9
Miscellaneous		1.1
Excise Duty, CST & Transportation Charges		21.67
Total of orders to be placed		114.32

▪ Power Plant

The main plants & machinery for Power Project would consist of 2 numbers WHRB boilers along with associated equipments like feeder water system, steam line, heat recovery unit, auxiliaries (feed water pump, ID Fans, valves and fittings), LT MCC with switches, relays fuses etc. order for boiler placed with Thermax Ltd. The steam turbine STG would have a capacity of 25 MW. The order for the turbine has been placed with Hangzhou Steam Turbine Company in China and Greenesol Power Systems Pvt. Ltd. The cost of the plant & machinery for the Power Project is estimated at Rs. 644.96 Mn as per orders placed and to be placed.

Order placed

Machinery/equipment	Name of the supplier	Cost (Rs. in Mn) (incl. Customs Duty and excise and CST)	Date placement of order	Expected date of supply of machinery
Steam Turbine & Accessories	M/s Hangzhou Steam Turbine Co., China M/s Greenesol Power System	106.20	02.11.2004	December, 2005
WRHB Boiler	M/s Thermax	130.53	29.10.2004	May, 2006
Total		263.73		

Order not placed

Machinery/equipment	Name of the supplier from whom quotes have been received	Cost (Rs. in Mn) (Incl. Excise, CST, Commissioning expenses etc.)
Air cool Condenser	M/s GEI Hamon Industries	169.36
Boiler Accessories, Fabrication, Ash handling System, Water treatment plant electrical installations, etc.	M/s Thermax	238.87
Total		408.23

- **Contingency**

Contingencies have been estimated keeping into consideration any cost escalation or unexpected expenditure. . The cost estimate is based on the budgetary quotations for the majority of the capital equipments and no major change in the cost is expected. Considering these factors, provision for contingency has been estimated conservatively at 5% on all hard costs for 2nd Expansion project aggregating to Rs. 78.60 mn.

- **Preliminary & Preoperative Expenditure**

A preliminary & preoperative expenditure of Rs. 84.3 Mn has been estimated and the break up of the same is given below:

Preliminary & Pre-operative expenses	Amount (Rs. in Mn)
Interest During Construction	70.9
Up-front fee @ 1% term loan	12.4
Total	83.3

- **Margin Money for Working Capital**

Margin Money requirement for working capital on completion of expansion project already exists and hence, no further provision is deemed necessary.

Cost Incurred

The Company has spent Rs. 64.79Mn till August 26, 2005. The details are summarized below:

Particulars	Amount (Rs. in Mn)
Advances for plant and machinery	49.49
Land (including advances for land purchase)	15.30
Total	64.79

The above expenditure has been met out of internal sources

Schedule of Implementation

The schedule of implementation as on date is as follows:

Sr. No.	Particulars	Dates
1.	Procurement of lease hold/freehold land	Already completed
2.	Civil Work	
	i) Land development	June 2005
	ii) Foundation for Building	June 2005
	iii) Foundation for Machinery	August 2005
	iv) Construction of Building	June –December 2005
3.	Plant & Machinery	
	i) Order for bought out items	December 2005
	ii) In house fabricating	February 2006
	iii) Receipt of bought out items	January 2006
	iv) Assembling/Fitting	February – July 2006
4.	Trial Run	August 2006
5.	Commercial Production	October 2006

Equity investment in Jagdmaba Power and Alloys Limited and Sagar Energy and Steels Limited to make them 51% subsidiaries

We propose to make Jagdmaba Power and Alloys Limited and Sagar Energy and Steels Limited our 51% subsidiary in view of our strategy of being an integrated player. Jagdmaba Power and Alloys Limited and Sagar Energy and Steels Limited are setting up 25 MW Captive Power Plant and three 9 MVA Pig Iron Plant using Electric Arc Furnace with capacity to produce 66,000 MT Pig Iron per annum with capital expenditure of RS. 964.92 Mn. and 991.32 Mn respectively. Please refer to the section “Business” on page [•] of this Draft red Herring Prospectus for more details.

Techno Economic Viability Study

Mr U Bandyopadhyay, has been appointed as the consultant to conduct techno economic viability study of the proposed expansion project.

The scope of work of Mr. U Bandyopadhyay includes:

- To review the site selection of the project
- To review the basic project conceptual designs
- To prepare a techno-economic feasibility report of the proposed plant
- To ascertain that client has fulfilled all technical requirements

The total cost estimated for availing the technical services is Rs. 0.20 Mn.

Technology Assessment

Sponge Iron Project

The Coal based sponge iron technology considered by Godawari Power & Ispat Ltd. appears to be the most appropriate considering huge reserves of 65% iron ore available in states of Chhatisgarh and Orissa. Uninterrupted supply is envisaged from these locations, which are geographically close. Non-coking coal can be indigenously sourced or imported. The location is also strategic considering the huge coal reserves in the vicinity. Indigenous technology suppliers are available. The selected technology suppliers have considerable experience and have

implemented upto 350 TPD sponge iron projects earlier. Coal based DRI technology has been used in India and considerable maturity has been achieved.

These observations have been made after examining the design, detailed engineering, layout, selection of plant and machinery, technology options available, service contract etc.

Steel Billets Expansion Project

The Company is setting up 4 numbers Induction Melting Furnaces for manufacturing Billets. The process consists of melting inputs into an Induction Furnace, pouring of molten metal in a pre-heated ladle.

The raw material inputs are Sponge Iron, Steel scrap and Pig Iron. All the raw materials are easily available as they are indigenously produced.

The manufacturing process requires huge supply of uninterrupted power as per the process requirement. The captive power plant will be able to meet this requirement.

The Technology and equipment suppliers are being negotiated and the suppliers shortlisted are capable of handling turnkey projects of this magnitude.

These observations have been made after examining the design, selection of plant and machinery, technology options, technology comparability etc.

Captive Power Plant

The Company has already placed orders for turbines and boilers from Hangzhou Steam Turbine Company, China and Thermax respectively. Both the companies have a considerable track record of handling such projects.

These observations have been made after examining the design, selection of plant and machinery, technology options, technology comparability etc.

Plant and Machinery Appropriateness

The plant and machinery of various projects are comprehensive and as per the accepted norms and conventions. The pricing of plant and machinery is also reasonable and the envisaged outputs are achievable.

Conclusion

Mr. Bandopadhyaya has gone through design, detailed engineering, layout selection of plant and machinery, comparison of various technologies available locally and internationally.

The technology planned to be adopted by Godawari Power & Ispat Ltd. for the Sponge Iron, Steel Billets and Captive Power expansion projects is appropriate, cost effective and contemporary and best suited in the given conditions.

The plant and machinery planned to be used for the various projects are appropriate for the technology and the configuration are as per accepted norms and conventions of the industry. The quotations of rates for these plant and machinery are also reasonable.

The intended output is achievable with the plant and machinery and the selected technology. The Project is technically feasible.

ISSUE STRUCTURE

Fresh Public Issue of **86,95,000** Equity Shares for cash at a price of Rs. **[?]** per Equity Share aggregating Rs. **[?]** Mn. The issue would constitute **35%** the fully diluted post issue paid-up capital of our Company. The Issue is being made through the Book Building process.

	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto 400,000 Equity Shares	Up to 4,347,500 Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 1,304,250 Equity Shares or Issue less allocation to QIBs and Retail Individual Bidders.	Minimum of 3,043,250 Equity Shares or Issue less allocation to QIBs and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Upto 4.60% of Issue Size	Up to 50% of Issue or Issue size less allocation to Non Institutional Bidders and Retail Individual Bidders	Minimum 15% of Issue or Issue size less allocation to QIBs and Retail Individual Bidders.	Minimum 35% of Issue or Issue size less allocation to QIBs and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	[?] Equity Shares and in multiples of [?] Equity Share thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [?] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [?] Equity Shares thereafter.	[?] Equity Shares and in multiples of [?] Equity Share thereafter
Maximum Bid	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	Employee as on cut-off date i.e. August 31, 2005	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, Foreign Venture Capital Investors	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

		registered with SEBI, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 Mn and pension funds with minimum corpus of Rs. 250 Mn in accordance with applicable law.		
Terms of Payment	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	Full Bid amount on Bidding	Nil	Full Bid amount on Bidding	Full Bid amount on Bidding

** Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spillover from any other categories at the discretion of our Company, in consultation with the BRLM, in consultation with the Designated Stock Exchange.*

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

Subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spillover from any other portions at the discretion of the Bank, in consultation with the BRLM.

BASIS FOR ISSUE PRICE

The Price Band will be decided prior to the filing of the Red Herring Prospectus with the RoC. The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for our Equity Shares in this Issue. The face value of the Equity Shares is Rs.10 and the Issue price is [●] times the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

QUALITATIVE FACTORS

- **Recognised Players** - We are part of Rs. 5500 Mn Hira Group, which is a significant player in long products in central India.
- **Existing Operations with profitability record** – We are an existing profit making company a track record of profitable operations for the past three years.
- **Strategically located in a mineral-rich region** – Factory premises are located in an area that facilitates transport of raw materials i.e. Coal and Iron Ore. Sources of high-grade coal are present locally in Korba. Iron Ore is available from the nearby areas of Barbil District of Orissa. Skilled and unskilled labour is available in abundance as the plant is located in an industrial belt having numerous facilities.
- **Captive Power Plant** - Installation of captive power plant reduces the power cost considerably and keeps the production costs, particularly of ferro-alloys low. Further the availability of Income tax benefit u/s 80-IA of the I. T. Act on account of Captive Power Plant subject to certain terms and conditions would help in reducing overall cost.
- **Technology** - Technologies for products are time tested and operative in India
- **Cost Saving** - Power Generation through Waste Heat Recovery from Sponge Iron Division resulting in cost of production of Rs. 1.00 per unit as against prevailing commercial rate of Rs. 3.50 per unit resulting in a substantial saving in cost.
- **Carbon Credit** – We are entitled for carbon credits against our waste heat recovery power plant under Kyoto Protocol.
- **Presence across the Value Chain** - Presence across the entire value chain from Sponge Iron to Finished steel in form of bars, rods and other down stream value added items like wire drawing.
- **Internal Demand within the Group** - Large production of Steel Billets will be consumed by group companies at prevailing market prices.

QUANTITATIVE FACTORS

Information presented in this section is derived from our audited financial statements.

1. Adjusted earning per share (EPS)*

	EPS (Rs.)	Weight
Year ended 31 st March, 2003	12.52	1
Year ended 31 st March, 2004	28.77	2
Year ended 31 st March, 2005	67.43	3
Weighted Average	45.69	

* EPS calculation have been done in accordance with Accounting Standard – 20 (“Earning Per Share”) issued by the Institute of Chartered Accountants of India.

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

- a. Based on year ended March 31, 2005 EPS is Rs. [●]
- b. P/E based on year ended March 31, 2005 is [●]
- c. Industry P/E⁽¹⁾

i)	Highest	9.4
ii)	Lowest	4.1

iii)	Industry Composite	5.9
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(1) Source: Capital Market Vol.XX/13,Aug 29-Sep 11, 2005

3. Average Return on Net Worth

	RONW (%)	Weight
Year ended 31 st March, 2003	5.05	1
Year ended 31 st March, 2004	18.05	2
Year ended 31 st March, 2005	37.80	3
Weighted Average	25.76	

- A. RONW has been calculated as per the following formula:

$$\frac{\text{Net Profit after tax}}{\text{Net Worth excluding revaluation reserve at the end of the year}}$$

4. Minimum Return on Total Net Worth Required to Maintain Pre- Issue EPS.

The minimum return on increased net worth required to maintain pre- Issue EPS is [●] %.

Net Asset Value per Equity Share

As at March 31, 2005 – Rs.[●]

(ii) After the Issue: Rs. [●]

NAV has been calculated as per the following formula:

$$\frac{\text{Net Worth excluding revaluation reserve at the end of the year}}{\text{Total number of Equity Shares outstanding at the end of the year}}$$

The Issue Price of Rs. [●] has been determined on the basis of the demand from investors through the Book Building Process and is justified based on the above accounting ratios

7. Comparison of Accounting Ratios

The comparable ratios of the companies which are to some extent similar in business are as given below:

	EPS (Rs.)	P/E	RONW	NAV (Rs.)
Godawari Power & Ispat Ltd.	45.69	[●]	25.76	[●]
Industry Average		5.9		
Peer Group#				
Monnet Ispat	38.7	4.1	25.5	100.8
Jindal Iron and steel	165.3	6.3	47.5	428.00
Peer Group Average				

Earnings per share, Return on Net Worth and net asset value are based on last audited financial results for the period ending March 31, 2005.

STATEMENT OF TAX BENEFITS

The Board of Directors
Godawari Power & Ispat Ltd.
428/2, Phase I, Industrial Area
Siltara, Raipur
Chhattisgarh

Dear Sirs,

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to Godawari Power & Ispat Limited (formerly Ispat Godawari Limited), ('the Company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India.

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

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

For OPSinghania & Co.,
Chartered Accountants,

O.P. Singhania
Partner

Place: Raipur
Date: July 26, 2005

A TAX BENEFITS AVAILABLE TO THE COMPANY

A.1 UNDER THE INCOME TAX ACT, 1961 (THE ACT)

1. Deduction under Section 80-IA of the Act.
As per provisions of section 80-IA of the Act, the Company is eligible for deduction of profits from power plant @ 100% for a period of 10 consecutive assessment years commencing from 2004-05 initial assessment year in which the undertaking has started power generation.
2. Under Section 32 (1)(ia) of the Act, the Company is entitled to depreciation of twenty percent on new machinery and plant (other than ships and air craft), which has been acquired and installed after the 31st day of March, 2005 subject to *inter alia* the condition that the installation of new plant and machinery result in a ten percent increase in installed capacity.
3. Under Section 10 (34) of the Act, dividend income referred to in Section 115 – O is exempt from tax in the hands of the Company.
4. Under Section 10 (36) of the Act, income arising from transfer of long-term capital asset, being an eligible equity share in a Company purchased on or after March 1, 2003 and before March 1, 2004 and held for a period of twelve months is exempt from tax in the hands of the Company.
5. Under Section 10 (38) of the Act, income arising from transfer of long-term capital asset, being an equity share of a Company is exempt from tax, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter.
6. Under Section 111A of the Act, the short term capital gain on transfer of equity share shall be chargeable to tax @10% (plus applicable surcharge and education cess), if the transaction of such sale has been entered into on or after the date on which chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter. Deduction under Chapter VI-A of the Act is not available on such income.
7. Under Section 112 and other relevant provisions of the Act, the long term capital gains arising on transfer of long term capital assets shall be taxed at the rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 of the Act. However, in case of listed securities, the long-term capital gain (not covered under Section 10(36) & 10(38) of the Act) can be taxed at 10% (plus applicable surcharge and education cess) without indexation, at the option of shareholder. Deduction under Chapter VI-A of the Act is not available on such income.

A.2 UNDER THE WEALTH TAX ACT, 1957 (THE ACT)

The Company is liable to pay wealth tax as per the provisions of Wealth tax Act, 1957 at the rate of 1% in respect of certain assets owned by the Company subject to the basic exemption of Rs.15 Lacs.

B. TAX BENEFITS AVAILABLE TO THE MEMBERS

B.1 UNDER THE INCOME TAX ACT, 1961 (THE ACT) TO RESIDENT MEMBERS:

1. Under Section 10 (34) of the Act, dividend income referred to in Section 115 – O is exempt from tax.

2. Under Section 10 (38) of the Act, income arising from transfer of long-term capital asset, being an equity share is exempt from tax, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter.
3. Under Section 111A of the Act, the short term capital gain on transfer of equity share of a Company shall be chargeable to tax @10% (plus applicable surcharge and education cess), if the transaction of such sale has been entered into on or after the date on which chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter. Deduction under Chapter VI-A of the Act is not available on such income.
4. Under Section 112 and other relevant provisions of the Act, the long term capital gains arising on transfer of long term capital assets shall be taxed at the rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 of the Act. However, in case of listed securities, the long-term capital gain (not covered under Section 10 (36) & 10 (38) of the Act) can be taxed at 10% (plus applicable surcharge and education cess) without indexation, at the option of shareholder. Deduction under Chapter VI-A of the Act is not available on such income.
5. In accordance with Section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of six months after the date of such transfer in specified bonds mentioned under the Section. The amount so exempt from tax shall, however, will be chargeable to tax subsequently, if the new asset is transferred or converted into money within three years from the date of their acquisition.
6. In accordance with Section 54ED of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of the shares in the Company shall be exempt from tax if the capital gains are invested within a period of six months from the date of such transfer, in the acquisition of specified Equity Shares mentioned under the Section. The amount so exempt from tax shall, however, be chargeable to tax subsequently, if the new asset is transferred or converted into money within one year from the date of their acquisition.
7. In accordance with Section 54F of the Act and subject to the conditions therein, long term capital gains arising on transfer of shares in the Company held by an individual or HUF shall be exempt from tax if the net sale consideration is utilized within a period of one year before or two years after the date of transfer for purchase of a new residential house, or for construction of a residential house within a period of three years from the date of transfer.
8. Under Section 88E of the Act the rebate is allowed on the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognized stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

B.2 TO NON-RESIDENTS MEMBERS:

1. Under Section 10 (34) of the Act, dividend income referred to in Section 115 – O of the Act is exempt from tax in the hands of the shareholders.
2. Under Section 10 (38) of the Act, income arising from transfer of long-term capital asset, being an equity share is exempt from tax, if the transaction of such sale has been entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter.
3. Under the first proviso to Section 48 of the Act, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuation in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. However, the capital gain will be taxed as per the provision of Section 111A or 112 of the Act as applicable.
4. Under Section 111A of the Act, the short term capital gain on transfer of equity share of a Company shall be chargeable to tax @10% (plus applicable surcharge and education cess), if the transaction of such sale has been entered into on or after the date on which chapter VII of the Finance (No. 2) Act, 2004 being Securities Transaction Tax (STT) has come into force i.e. on or after October 1, 2004 and such transaction is chargeable to STT under that Chapter. Deduction under Chapter VI-A of the Act is not available on such income.
5. Under Section 112 and other relevant provisions of the Act, the long term capital gains arising on transfer of long term capital assets shall be taxed at the rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 of the Act. Indexation is not available if investment made in foreign currency as per first proviso to Section 48 of the Act. However, in case of listed securities, the long term capital gain (not covered under Section 10(36) & 10(38) of the Act) can be taxed at 10% (plus applicable surcharge and education cess) without indexation, at the option of shareholder. Deduction under Chapter VI-A of the Act is not available on such income.
6. As per the provisions of Section 115A of the Act, in the case of a non resident or a foreign Company, the tax payable on dividends other than dividends referred to in Section 115-O of the Act shall be 20% (plus applicable surcharge and education cess) of such income. It shall not be necessary for such assessee to furnish the Return of Income if their only source of income is investment income and tax has been deducted at source from such income under the provisions of chapter XVII B of the Act.
7. In accordance with Section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of six months after the date of such transfer in specified bonds mentioned under the Section. The amount so exempt from tax shall, however, will be chargeable to tax subsequently, if the new asset is transferred or converted into money within three years from the date of their acquisition.
8. In accordance with Section 54ED of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of the shares in the Company shall be exempt from tax if the capital gains are invested within a period of six months from the date of such transfer, in the acquisition of specified Equity Shares mentioned under the Section. The amount so exempt from tax shall, however, will be chargeable to tax subsequently, if the

new asset is transferred or converted into money within one year from the date of their acquisition.

9. In accordance with Section 54F of the Act and subject to the conditions therein, long term capital gains arising on transfer of shares in the Company held by an individual or HUF shall be exempt from tax if the net sale consideration is utilized within a period of one year before or two years after the date of transfer for purchase of a new residential house, or for construction of a residential house within a period of three years from the date of transfer.
10. Under Section 88E of the Act the rebate is allowed on the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognized stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

B.3. SPECIAL PROVISIONS FOR NON-RESIDENT INDIAN MEMBERS:

A Non-Resident Indian (i.e. individual being a citizen of India or person of Indian origin) has the option to be governed by the special provisions of chapter XII-A of the Act, according to which:

1. Under Section 115E of the Act, where shares in a Company are subscribed for in convertible foreign exchange by a non-resident Indian then income from long term capital gains (not covered under Section 10 (36) & 10 (38) of the Act) on transfer of shares shall be charged to tax @10% (plus applicable surcharge and education cess) without indexation as per first proviso to Section 48 of the Act.
2. Under Section 115F of the Act, the long term capital gains arising from the transfer of shares of a Company, where these were acquired in convertible foreign exchange, shall be exempt from tax provided that the net consideration is invested in any specified asset (including share in the Company) within six months after the date of transfer of the asset. The amount so exempt from tax shall, however, will be chargeable to tax subsequently, if the new asset is transferred or converted into money within three years from the date of their acquisition.
3. Under Section 115G of the Act, a non-resident Indian is not required to file a Return of Income under Section 139(1) of the Act, if his total income consists only of income from investments or long term capital gains earned on transfer of such investments or both and tax has been deducted at source from such income under the provisions of chapter XVII B of the Act.
4. Under Section 115I of the Act, a non-resident Indian has the option of not being governed by the special provisions of chapter XII-A for any assessment year by furnishing his return of income under Section 139 of the Act declaring therein that the provision of this chapter shall not apply to him for that assessment year.
5. Under Section 88E of the Act the rebate is allowed on the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognized stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

C. TO FOREIGN INSTITUTIONAL INVESTORS:

Under Section 115AD of the Act Foreign Institutional Investors (FIIs) will be charged to tax as under:

1. On income (other than income by way of dividend referred to in Section 115-O of the Act) from shares in the Company shall be taxable @20% (plus applicable surcharge and education cess).
2. On long term capital gains (not covered under Section 10(38) of the Act) arising from transfer of shares in the Company shall be taxable @10% (plus applicable surcharge and education cess).
3. On short term capital gains arising from the transfer of shares in the Company shall be taxable @30% (plus applicable surcharge and education cess). However, if such transfer is covered by Section 111A of the Act, tax shall be payable @10% (plus applicable surcharge and education cess).

Under Section 10 (34) of the Act, dividend income referred to in Section 115 – O of the Act is exempt from tax in the hands of the shareholders.

Under Section 88E of the Act the rebate is allowed on the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognized stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

D. TO VENTURE CAPITAL COMPANIES/FUNDS:

In terms of Section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the Company.

E. BENEFITS AVAILABLE TO MUTUAL FUNDS:

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized 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.

F. UNDER THE WEALTH TAX ACT, 1957:

Shares of the Company are not covered under the definition of 'Assets' under Section 2(ea) of the Wealth Tax Act, 1957 and accordingly are not liable to wealth tax.

G. BENEFITS AVAILABLE UNDER THE GIFT-TAX ACT, 1958:

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

Notes

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005 and will be available only to the sole/first named holder in case the shares are held by joint holders.
2. In respect of non-resident, the tax rate and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreement, if any, between India and the country in which the non-resident has fiscal domicile.
3. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

INDUSTRY

A. Introduction

Scenario

Steel industry was one of the first to benefit from economic liberalization in India in the early 1990s as licensing was abolished, prices decontrolled and hurdles in distribution removed. The government also supported free inflows of foreign capital, technology, equipment and raw materials and as a consequence, several steel manufacturing units were set up in the private sector. In this favorable scenario, the share of the private sector in our crude steel production went up, considerably. Today, India is the ninth largest steel producer in the world with its annual production in 2004 at 32.6 Mn tons. This accounts for 3% of global steel production.

Top Steel Producing Countries

Country	2004		2003	
	Rank	Tonnage	Rank	Tonnage
China	1	272.5	1	222.4
Japan	2	112.7	2	110.5
United States	3	98.9	3	93.7
Russia	4	65.6	4	61.5
South Korea	5	47.5	5	46.3
Germany	6	46.4	6	44.8
Ukraine	7	38.7	7	36.9
Brazil	8	32.9	9	31.1
India	9	32.6	8	31.8
Italy	10	28.4	10	26.8

(Source: International Iron & Steel Institute)

The economic reforms initiated by the government since 1991 have added a new dimension to industrial growth and to the steel industry in particular. The pro steel industry measures initiated by the government are listed here. Licensing requirements for capacity creation are abolished except for certain restrictions pertaining to any particular location. The steel industry has been removed from the list of industries reserved for the public sector and automatic approval of up to 100% foreign equity investment has been allowed. Price and distribution controls too been removed from January 1992 with a view to make the steel industry efficient and competitive.

Restrictions in external trade, both in import and export of steel have been removed and import duty on raw materials and finished steel has been reduced, gradually. Certain other policy measures taken by the government over the past decade like reduction in import duty of capital goods, convertibility of rupee on trade account, permission to mobilise resources from overseas financial markets, and rationalisation of tax structures have benefited the Indian steel industry.

Trends in Production and Consumption

The total production of finished carbon steel in India was 38.40 Mn tonnes in 2004-05 as compared to 14.33 Mn tonnes in 1991-92 – indicating an increase of 7.29% CAGR. The high share of secondary sector in finished steel production is largely due to substantial supplies of semis, the basic feed material procured from the main producers to convert into whichever shapes by rolling.

PRODUCTION OF FINISHED STEEL (In Mn tonnes)				
Year	Main Producers	Secondary Producers	Grand Total	% of share of Secondary Producers
1991-92	7.96	6.37	14.33	14.5%
1992-93	8.41	6.79	15.20	44.7%
1993-94	8.77	6.43	15.20	42.3%
1994-95	9.57	8.25	17.82	46.3%
1995-96	10.59	10.81	21.40	50.6%
1996-97	10.54	12.18	22.72	53.6%
1997-98	10.44	12.93	23.37	55.32%
1998-99	9.86	13.24	23.82	57.32%
1999-2000	11.20	15.51	26.71	58.07%
2000-2001	12.51	17.19	29.7	57.88%
2001-2002	13.05	17.58	30.63	57.4 %
2002-03	14.39	19.28	33.67	57.27 %
2003-04	15.19	21.00	36.19	58.03 %
2004-05	15.575	22.825	38.400	59.44 %
2005-06 (Apr-May)	2.415	3.800	6.215	61.14 %

(Source: Ministry of Steel – www.steel.nic.in)

Consumption of finished steel has increased from 14.84 Mn tonnes in 1991-92 to 33.54 Mn tonnes in 2004-05, which translated into a CAGR of 5.95%. However, this increase in consumption has not been uniform and has fluctuated from a high of 21.8% to low of 1.2 % reflecting uneven growth in steel demand.

CONSUMPTION OF FINISHED STEEL (Mn Tonnes)		
Year	Consumption of finished steel	Percentage Increase
1991-92	14.84	-
1992-93	15.00	1.2%
1993-94	15.32	2.0%
1994-95	18.66	21.8%
1995-96	21.43	14.8%
1996-97	22.12	3.2%
1997-98	22.63	2.3%
1998-99	23.15	2.3%
1999-00	25.01	8.03%
2000-01	26.87	7.44%
2001-02	27.35	3.1%
2002-03	28.90	5.67%
2003-04	30.33	5.00%

2004-05	33.35	9.96%
2005-05(Apr-May)	4.96	

(Source: Ministry of Steel – www.steel.nic.in)

The private sector expanded its capacities after de-licensing the iron and steel industry. Currently, 19 projects with a total investment of Rs.30,8350 Mn and totaling 13 Mn tonnes per annum in capacities have already been cleared by financial institutions and are being implemented. Already eight units of approximately 5.45 Mn tonnes total capacity have already been commissioned.

However, compared with other countries, especially China, India's steel production and consumption levels are very low. Hence, as a market India has a good potential with a low per capita consumption level of around 20 kg as against 80 kg in China, 405 kg in Malaysia and 925 kg in South Korea.

B. Components and structure of the industry

I. Raw materials:

Raw material required to produce steel by primary route are iron ore and coal/coke. Power is another significant cost in the production of steel.

a) Iron ore

Availability of iron ore has been a key issue confronting steel players globally. Iron ore prices in the past three years have seen sharp rises even as Chinese steel output doubled since 2001. Iron ore prices are expected to stay near record levels as global demand continues to outpace supply. Mining giants Vale, Rio Tinto and BHP Billiton, which meet three quarters of world iron ore demand, are raising output – though capacities are not expected to take off until 2006 to 2009.

Iron ore prices are set annually beginning April 1, after individual negotiations between mining companies and steel makers. The annual contract price for fine ores, accounting for 60% of the global iron ore trade has jumped 71.5% year-on-year to USD.40 per ton from April 2005.

The iron ore found in India has among the highest grades (65% ferrous content) in the world. Australian Mines, for example, have ore with 55-58% ferrous content. Moreover, India is one of the largest producers and exporters of iron-ore and hence availability of iron-ore has never been an issue. In India, a substantial proportion of mines are in the government sector. However, large local and international players too have been mining iron ore for substantial time. However, prices have exhibited a sharp volatility and the recent firming up of iron ore prices worldwide has led to smaller players exploring the possibility of owning mines. Prospecting ones iron ore resources will drastically cut down raw material costs of companies. This rush for iron ore mines is also fuelled by the realization that if India has to compete with the likes of China, the only way is cost competitiveness.

On the global front, trade in iron-ore has increased at a pace faster than that of steel production on account of increasing imports by China. China imported approximately 200MT in 2004 and is expected to import around 240MT in 2005, accounting for 42% of total sea-borne trade. Indian iron ore accounted for approximately 25% of these Chinese imports. As a result of the lack of iron ore availability, a large spot market has developed with prices well above the benchmark (the long term price) in the most liquid Chinese market. Further, freight rates have significantly widened the pricing differential between Brazil/Australia to North Asia – making locally sourced ore cheaper on a delivered basis. Indian manufacturers of iron-ore have taken full benefit of the situation to the detriment of their contract benchmark customers as they exhibited a preference to export rather than cater to the domestic market.

The steel units with captive mines are expected to benefit from integration of the entire steel making production process. They will also be able to acquire raw materials at competitive costs compared with other global manufacturers. This will insulate them from any volatility that ore prices may witness, globally. However, pricing may move in tandem with global demand-supply dynamics – with an expectation that additional global mining capacities would ease pressures steel prices in the medium term. In fact, the world's two biggest manufacturers of steel namely Mittal Steel and Arcelor SA have cut down production in 2005 to buoy prices as manufacturers run down inventories. In conclusion, owning mines and captive iron ore supply will benefit steel manufacturers in a big way.

b) Coal

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

Coal forms an important raw material to manufacture sponge iron. Integrated manufacturers of steel through blast furnace route are dependent largely on imported coal (hard coking coal or coke). Production and prices of domestic coal are controlled by Coal India Limited, which along with its subsidiaries controls 95% of India's production. Despite the 17% hike announced in CY04, prices are significantly lower than international prices giving a cost advantage to Indian sponge iron players. On the flip side, as allocation of coal is done on an annual basis, a linkage with Coal India needs to be in place to source domestic coal. Since requirement for hard coking coal and coke are met through imports, the largest impact of its price volatility is felt by integrated steel manufacturers who use the blast furnace route.

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

c) Power

Power is another important input in the steel industry. Most of the steel units, earlier, were dependent on the state for the supply of power that was available at prohibitive costs. Moreover, generation was low with large-scale frequency fluctuations. The plant load factor was also not maintained high levels throughout India. However, bigger steel units have set up captive power plants as government's power policy was altered. These plants use flue gases and coal for generating power. In this manner, power generated is 20-25% cheaper to commercially available power. This has reduced substantially the power costs for steel units. Since this power does not use conventional fuel for generation, it can avail of carbon credits as per the Kyoto protocol.

II. Sponge Iron

(i) Background

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

The sponge iron industry comprises two kinds of producers:

- Gas based
- Coal based

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

Price trend

Sponge iron prices primarily depend on:

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

Higher scrap prices may lead to increased usage of sponge iron in the input mix of the secondary route of steel making. The buoyancy in the steel industry has resulted in scrap prices touching an all time high of 300-325 USD/MT.

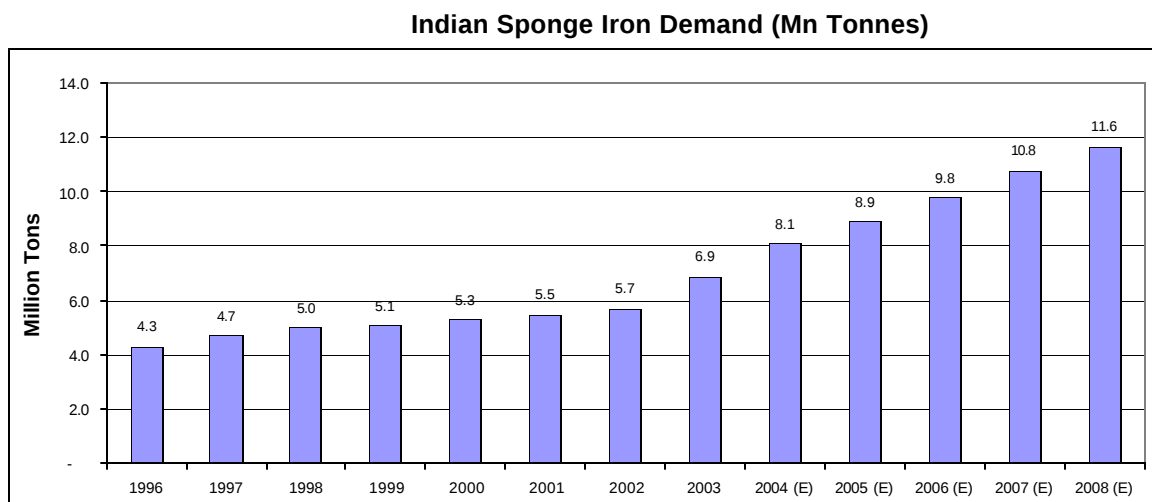
The Indian market

(a) Demand

The demand for sponge iron in India has been growing at 8.25% CAGR over the last eight years (1996-2004). The demand has been primarily driven by the following factors:

- Increase in steel production via the secondary route accounting for 42-43% of the total steel output. This is expected to grow further due to shortage of coking coal, a key raw material for steel making via the primary route based on blast furnace.
- Proportion of sponge iron in secondary production is also likely to go up, with low domestic availability and high international prices of scrap, a marginal substitute for sponge iron.
- Availability of scrap will be constrained in the context of regulations relating to imports of low quality scrap to India.

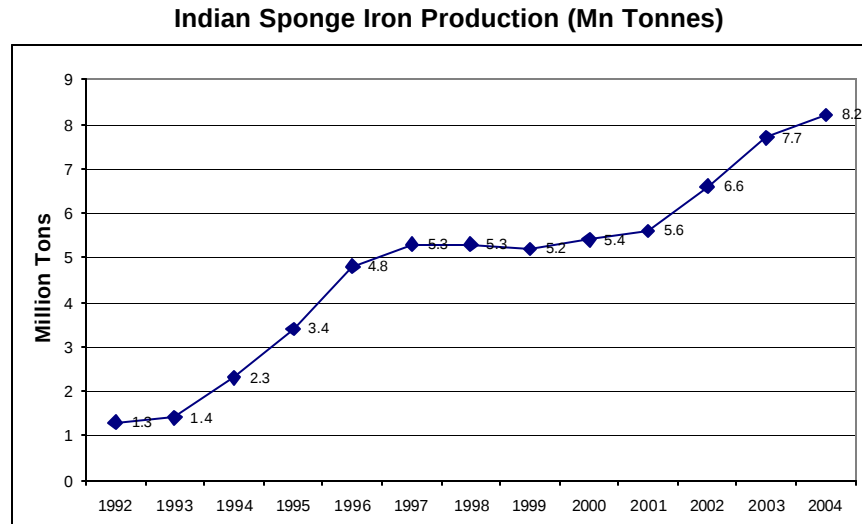
The following graph shows the increase in consumption trend over last 9 years



(Source: CRIS INFAC)

(b) Supply

India has emerged as the top most sponge iron producing country on the supply front in the last few years. This phenomena is depicted in the enclosed graph which envisages year-on-year growth trend in the domestic market



(Source:SIMA)

(c) Outlook

1. Sponge Iron is an attractive investment option since entry barriers are very low with short gestation periods, low initial capital, indigenous technology and equipments, an assured market, early payback, a modular system and an excellent growth potential. On the other hand, demand for sponge iron is expected to create an incremental demand of 1.3 Mn tonnes compared to 2.5 Mn tonnes of capacity additions. Thus, industry fundamentals of the sponge iron industry are expected to weaken over a few years, after which it would consolidate and stabilize at a higher level.
2. As per industry analysts, the upturn in the global sponge iron industry is expected to continue and is pegged to grow at a CAGR of 67%. This growth is at a back of an increase in steel production and continuous substitution in demand for scrap.
3. Significant additions in capacities are expected with a buoyant demand scenario. However, all capacities generated will not be able to function at an optimum operating rate due to scarcity of iron ore and coal. As per industry estimates, the Indian coal requirement for 2004-05 was approximately 405 Mn tonnes against the availability of 370 Mn tonnes. As a result, the players are forced to use E and F grade of coal, resulting in lower yield. Therefore, players with captive raw material sources would emerge successful in long run

Since sponge iron substitutes scrap, scrap prices work as a cap for sponge iron prices. Unavailability of scrap globally and import restrictions would maintain the prices of scrap at higher levels, resulting in increased sponge iron prices.

III. Flat Products

Flat products includes slabs, plates, hot rolled sheets, hot rolled coil and strips. Flat products have applications in various domains such as:

Architecture, Building and construction	oil & gas industries	Ship building Industry
Automotive	Power Generation, transmission	Manufacture of LPG cylinders
Chemical, processing	Railway wagons	Equipment Manufacturers and white goods

The very nature of flat products and the industry segments in which it is applied makes it very volatile and prone to price and demand fluctuations. Industry segments like Automobiles and White Goods are very dependent and directly proportional to prevailing economic conditions i.e. if the economy is in recession, these industry segments also go through declining sales and profits. In the same way, they are in great demand when the economy is on a bull run. India and China are prime examples of this phenomenon.

IV. Long Products

Introduction

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

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

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

Demand for bars and rods rose from 9.483 Mn in FY02 to 11.41 Mn in FY05. As per CRIS INFAC, the domestic demand is estimated to increase at 6% CAGR in FY06-10.

Demand Drivers

As per CRIS INFAC, the demand for long products is expected to be driven by buoyant construction activity. CRIS INFAC expects construction investment to increase by 11% over the tenth 5-year plan. Several projects with huge investment have been planned in more sectors. The key growth drivers for the construction industry will be housing, roads and bridges etc.

Long Products: Demand

('000 tonnes)	Bars and rods	Growth (per cent)	Structurals	Growth (per cent)	Railway materials	Growth (per cent)	Total	Growth (per cent)
1990-91	5,494	-	1,719	-	569	-	7,782	-
1991-92	5,699	3.7	1,708	-1	652	14.6	8,059	3.6
1992-93	5,559	-2.5	1,926	13	597	-8.4	8,082	0.3
1993-94	5,780	4.0	1,925	0	590	-1.2	8,295	2.6
1994-95	6,589	14.0	2,062	7	587	-0.5	9,238	11.4
1995-96	7,152	8.5	2,422	17	594	1.2	10,168	10.1
1996-97	7,619	6.5	2,551	5	634	6.7	10,804	6.3
1997-98	7,588	-0.4	2,720	7	615	-2.9	10,924	1.1
1998-99	7,756	2.2	2,710	0	555	-9.9	11,020	0.9
1999-2000	8,407	8.4	2,609	-4	562	1.3	11,578	5.1
2000-01	9,268	10.2	2,460	-6	614	9.3	12,342	6.6
2001-02	9,483	2.3	2,319	-6	703	14.4	12,505	1.3
2002-03	10,263	8.2	2,369	2	884	25.7	13,516	8.1
2003-04 E	10,626	3.5	3,041	28	929	5.1	14,596	8.0

E: Estimate

Source: CRIS INFAC

A. Construction

As a part of the shelter component of the national agenda, the government has estimated a shortage of 13 lakh houses in rural and 7 lakh in the urban areas in India.

Construction activity is also on an upswing due to a surge in retail development with shopping malls and multiplexes. This is due to rising disposable incomes among the middle class Indians and availability of cheap finance. The construction activities are also getting modernized and there is a steady departure from the traditional brick and mortar format to steel intensive and composite structures. In India, the future for steel intensive construction is promising. With steep rise in the land prices and the high population density, cities are growing vertically and new generation steel multi-stories seem to be the future in congested metros. Composite flyovers and bridges at crowded metros and busy highways can be cost-effective solutions – and the trend has already begun.

Steel-intensive/steel-concrete composite bridges became the preferred options since the mid-eighties after the publication of BS 5400 codes. In UK today, 35% of total bridges built are composite constructions. Even minor items like steel rod reinforced dividers, crash barriers and wire meshes to prevent cattle and humans from venturing onto high-speed modern highways are now used in a big way. Steel intensive multi-storied car parks can provide quick solutions to congested metros. Cities of Mumbai, Delhi and Bangalore are building rail based mass rapid transit systems (underground or on elevated steel reinforced concrete pillars) to take care of the urban traffic problem.

The experienced and developed western economies are taking maximum advantage of increased usage of steel in construction. For example in the UK, more than 90% of single storey buildings are steel framed and about half of these are portal frames. In 1991-92, steelwork construction in the UK had a market share of 59%, in Sweden of 50% and in Netherlands 26% in commercial construction. In industrial buildings, the market share of steelwork construction is reported to be between 77-92% in the UK, Sweden, Netherlands, Spain, Belgium and France. The situation in USA and Japan is almost similar. [Source: www.steelworld.com]

Trends in India generally mirror global trends and the use of steel in construction is no exception. This phenomenon is set to grow at an exponential rate in coming years as India witnesses its own construction boom. Even today, glass and steel buildings in industrial and IT hubs of Gurgaon, Bangalore, Mumbai and Hyderabad are visible.

B. Infrastructure

There has been a tremendous need for total infrastructure revolution in the post liberalization era. The government's focus on the golden quadrilateral road project, the proposed modernization and expansion of the country's ports and the planned expansion of the railway network – are all potential demand generators for the industry. Like most of the developed countries with a solid infrastructure base, we need to adopt the steel intensive or steel-concrete composite construction route. The National Highway Development Project has increased allocation from Rs. 65.14 billion to Rs. 93.20 billion and an additional Rs. 55 billion for the National Urban Renewal Mission.

The fillip given to modernizing India's infrastructure will lead to an upsurge in demand of long products for use in roads, bridges and highways and related steel requirements. The use of MRTS to solve urban traffic congestion problems will also require huge amounts of steel, especially mild steel products.

CRIS INFAC has also forecast the industrial investment to increase by 70% over the next five years compared with the past five years. The average annual investment is expected to increase from Rs.380bn over the past five years (98-99 to 03-04) to Rs.630bn over the next five years (04-05 to 08-09). These massive investments are expected to result in construction demand of Rs.100bn from industrial projects.

Unlike flat products, long products do not mirror the economic conditions of a country. They are fairly independent of whether the economy is in recession or is in a boom phase. Growth of long products is driven by certain policy decisions and the progression of a nation's development.

C. Demand Generators

Global Factors

- Global steel demand is rising on the back of accelerated infrastructure activity in China, CIS and India, housing boom in the USA, and the resurgence of white goods in Europe. In the recent recessionary phase, the industry has consolidated in terms of ownership and moth balling of inefficient capacities. Therefore, steel prices are expected to firm up further.
- For the first time in last 20 years, there is worldwide demand growth for steel.
- In US, demand is led by the booming housing industry. Additionally the auto industry too is showing signs of recovery.
- In Europe, there is demand from a buoyant housing and white goods industry.
- In China and other Asian countries, demand is led by emphatic investment activities in infrastructure.
- Russia and other CIS nations are also witnessing strong internal demand.
- Iraq reconstruction work is expected to fuel further demand for steel over the next three years.
- China is consuming steel for its infrastructure with investments such as the "Three Gorges Project" on Yangtze River as well as to build up infrastructure for Beijing Olympics in 2008 and the Shanghai Expo in 2010.

The demand supply gap is expected to increase and will drive steel prices north, even as the global steel industry is not prepared for this demand onslaught.

Local Factors

The Indian government believes that India will become a developed nation by 2020 with a per capita GDP of USD1540. Steel industry will play a leading role in achieving this target. Steel is poised for growth with abundant iron ore resources and an established base for steel production in India. Production has already increased from 13.4 Mn tones in 1991-92 to 38.4 Mn tones in 2004-05. While steel will continue to have a stronghold in traditional sectors such as construction, housing and ground transportation, special steels will be increasingly used in hi-tech engineering industries such as power generation, petro chemicals, and fertilizers. Steel will continue to be the most popular, versatile and dominant material used in wide ranging applications. In fact, analysts have forecast that the Indian steel sector will continue to witness growth in the next few years backed by domestic drivers such as infrastructure and automobile demand. The abysmally low per capita consumption of steel at 20 kilograms (kg) in India as compared with global majors will primarily drive demand

The continued thrust on infrastructure and related activities and their extension to rural India will provide a tremendous boost to the steel industry. This will require huge material and capital infusions. The union budget for 2003-04 provided a major thrust through innovative funding mechanisms. The initiative covers:

- 48 new road projects at an estimated cost of Rs.400, 000mn; with a quarter of the roads being concretized,
- National Rail Vikas Yojana projects worth Rs.80, 000mn;
- Renovation/modernization of two airports and two seaports at an estimated cost of Rs.110, 000mn,
- Establishing two international convention centres at global standard for an estimated cost of Rs.10, 000mn.

The total cost of these projects is estimated at Rs.600, 000mn. In addition, the budget also announced funding for the North-South and East-West corridors. This would provide a further Rs.26,000mn for highway development.

However, there may be a slowdown in the export markets in the coming months, partly due to additional capacities in China going on-stream and the possibility of further trade actions in the US and the European Union restricting imports from India.

D. Conclusion

Steel Products: Forecasted Pparent Consumption/Demand

('000 tonnes)	2005-06	2006-07	2007-08	2008-09	2009-10
Longs (Regression with GDP method)					
Bars and Rods	12214	12879	13593	14471	15465
Structurals	3064	3252	3432	3654	3904
Flats (End use method)					
HR Plates	3061	3284	3500	3730	3974
HR Coils	11930	12865	13873	14960	16132
CR Coils	6256	6672	7117	7591	8096
GP/GC	2068	2153	2241	2333	2429

Source: CRIS INFAC

As we can see, the consumption pattern of steel, especially of long products, will remain on an upward trajectory riding the back of increased spending on all construction and infrastructure related activities.

Economic growth is a key driver for steel industry growth. However, the government too spends substantial amounts on infrastructure related activities irrespective of the state of the economy. In fact, historically the government has upped its spending in the recessionary phases to generate employment and increase disposable incomes in the hands of the people.

Increased spending on infrastructure will drive the steel sector – resulting in a boost for demand for steel. The government has announced a total outlay of USD.13bn spread over a few years to develop roads, rails, airports and seaports. The government's initial funding for these new projects will be about USD.5bn per year. The Government has also chosen to continue with the tax sops available to the housing sector. This is a positive step for steel too, as housing sector development creates demand for steel. The demand for long products is expected to grow at 6-8% as per Cris Infac report on steel.

The rising steel prices have been absorbed well due to the overall growth in the economy. Although there are concerns about the rising input costs for the steel industry, an integrated approach and control over cost of raw materials and power will help steel manufacturing units perform better. Closer home, infrastructural spending by the state and private sector is driving demand for steel. This trend is expected to continue for some time with a positive impact on integrated steel players.

BUSINESS

We operate in the broader industry category of Iron and Steel, Sponge Iron, Steel & Ferro Alloys, Power and Mining. Initially we started our operations at Raipur in Chhattisgarh as a sponge iron manufacturer and later we progressively expanded our operations across a significant part of the value chain of the Iron and Steel Industry eventually covering the Sponge Iron, Steel and Power segments by venturing into green field projects.

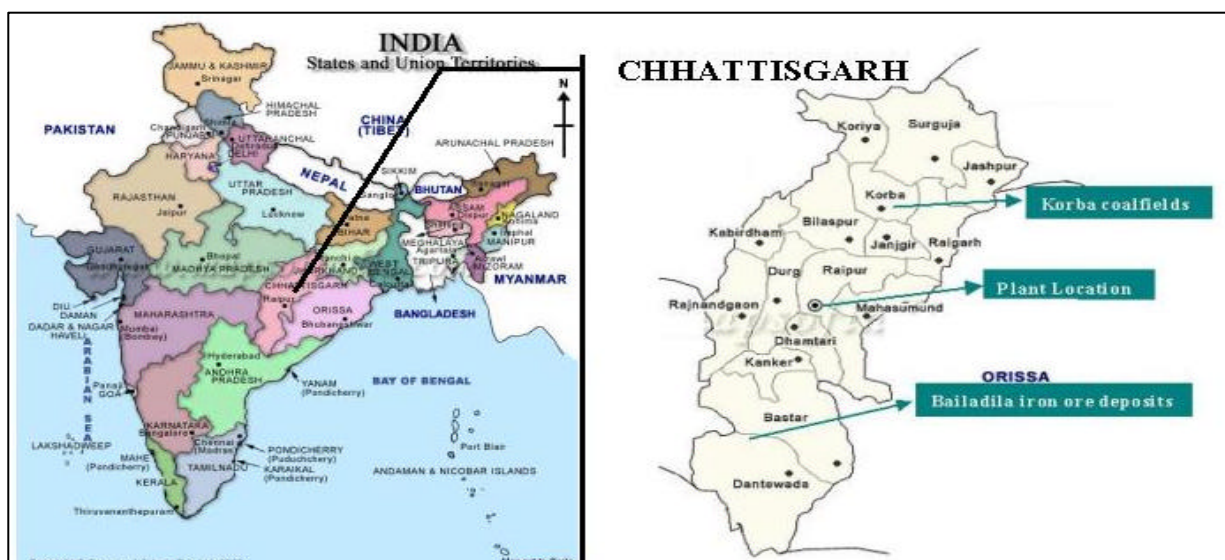
We are presently engaged in integrated business of manufacturing Sponge Iron, Steel Billets and Captive power generation. The manufacturing capacities of the existing businesses are as under:

Sponge Iron	:	105,000 MTPA
Steel Billets	:	150,000 MTPA
Captive Power	:	18 MW

Our other products i.e. Sponge Iron and power are captively used in production of steel billets which are major raw materials for manufacturing of steel billets.

Location:

Our manufacturing facilities are located at a single location at Siltara Industrial Estate, near Raipur in the state of Chhattisgarh, which is about 15 KM away from Raipur city. The location of the plant is near to the major source of Raw material i.e. iron ore mines at Bailadila (approx. 450 KM) and Bachel (approx. 500 KM), coal mines at Korba (approx. 200 KM) of South Eastern Coalfields Limited (SECL) and other infrastructure facilities like such as the railway track at Mandhar (South Eastern Central Railway) (38 KM) and Great Eastern Road (NH6) (approx. 20 KM) connecting Mumbai and Kolkata and NH 43 connecting Vizag/Chennai & Jagdalpur. Raipur City is located on Great Eastern highway, Mumbai – Howrah railway line and linked to Delhi, Vizag, Chennai and Mumbai by Air. The facilities such as road transport and telecommunication, water etc is also available near the plant location.



Production Facilities :

Our existing production facilities consist of following Divisions:

- Sponge Iron Division
- Steel Meting Shop Division
- Power Division

We have adopted rotary kiln technology for manufacture of Sponge Iron, Induction furnace, LRF (ladle refining furnace) and con-cast route for making steel billets and waste heat recovery and coal based captive power plant. We have expanded our facilities over past four years through equity infusion from promoters and debt assistance from banks.

- Our Sponge Iron division was set up in April, 2001 and commenced commercial production on April, 17, 2001.
- Our steel division started operating from February, 2002 with one Induction furnace of 6 MT and later on one more 6 MT furnace, two 7 Mt furnaces and one 12 MT furnace was added. The full capacity of 150,000 MTPA of steel billets became operational in August 2003.
- The power division consists of 2 turbines of 9 MW each, the first generating set started production in September, 2002 and second generator became operational in August, 2003.

EXISTING PRODUCTION FACILITIES:

Sponge Iron Division

Sponge Iron is produced by reduction of Iron Ore with Iron content of about 65% and it is also known as direct reduced iron or DRI. Sponge Iron can be produced in gas based or coal based plant. While the investment in gas based project is very high, coal based project requires lower investment and capacities up to 1 Mn can be set up by using coal based technology. The Sponge Iron is used as substitute of scrap (because of its known composition), the availability of which is reduced internationally and also the prices have gone up in recent past.

We have adopted coal based rotary kiln technology for manufacturing of Sponge Iron. The existing capacity of the plant is 105,000 MT consisting of one 350 TPD rotary kiln. We are presently setting up another 500 TPD kiln as a part of Phase -I of the expansion programme, which is under implementation. The installed capacity of sponge iron after Phase I of expansion will be 235,000 MT per annum. We also propose to set up 2 nos. of 500 TPD rotary kilns as part of its Phase II of expansion project, thereby enhancing the overall production capacity of 495,000 MT per annum on completion of both the expansion projects.

Steel Melting Shop (SMS) Division:

Our SMS division has facilities for manufacturing of mild steel billets. Steel Billets are further used as raw material for rolling into end products such as bars, rods etc.

Steel is essentially an alloy of iron and carbon with other alloying elements such Mn, Cr etc. finding application in various industries such as transportation, construction, shipping, process industries, tubes, etc. It is one of the core inputs in almost all infrastructure industries. The Steel industry comprises of two main types of producers:

- **Primary Producers:** These are Integrated Steel plants (ISP), who manufacture Steel directly from Iron Ore previously using blast furnace technology but nowadays also through sponge Iron/DRI/HBI using various coal and gas base technology.
- **Secondary Producers:** These are Mini Steel Plants (MSP) who manufactures Steel through the electric arc furnace/Induction furnace route using steel scrap/DRI/HBI/Sponge Iron.

We are primary producer of Steel, having integrated steel manufacturing facility using iron ore for manufacturing sponge iron and induction furnace for production of steel billets from sponge iron. The present installed capacity for steel billets is 150,000 MT per annum. We are expanding our existing capacity of steel billets from 150,000 MT to 250,000 MT per annum. The said project is under implementation at our existing manufacturing location and we further propose to enhance the capacity by an additional 150,000 MT. The overall capacity after completion of Phase I & II will be 400,000 MT per annum.

Our existing facilities were set up as group's backward integration for the wire rod and TMT bar rolling facilities. Our other Group Companies viz., Hira Steels Limited and R.R. Ispat Ltd are having wire rod and bar rolling facilities of 200,000 MTPA and steel billets produced by us are used as Raw material for making wire rods and bars. Presently billets produced by us are mainly sold to these two Companies. We are supplying about 40% of the billet requirement of these group Companies at our existing production level and they source balance requirement from SAIL and open market.

Power Division:

Electric power is main input for production of steel and is a major cost component for production of steel. We generate power using waste heat of gases generated during the process of manufacturing of sponge iron. We manufacture sponge iron through coal-based technology, a lot of waste gases are generated and these gases are utilized by us for generating power. In view of huge internal demand for power in our steel melting division and availability of waste gases from the sponge iron division at no additional cost, we have set up 18 MW power generation plant using waste heat and char/dolochar, and coal as fuel. The char / dolochar are by products of sponge iron making and environmentally hazardous to dispose off. We are however consuming 100% of char/dolochar generated in our power plant along-with coal as fuel, which is resulted in cost saving one hand and energy & environment conservation on the other. Considering expansion in capacities of sponge iron and steel billets, we propose to expand the power generation capacity. We are, as part of Phase I expansion, commissioning a power plant of 10 MW that will use waste heat from sponge iron plant. We further propose to add 25 MW capacity that will use waste heat generated from additional capacities to be commissioned in Phase II. On completion of Phase II the overall capacity of 53 MW will be sufficient to meet our internal demand. With existing 4 MW power supply agreement with Chhattisgarh State Electricity Board our initial requirement of power for operating the power plant will be sufficient.

Ferro Alloys Division:

Ferro Alloys is an important ingredient for manufacturing of alloy steel and stainless steel and also to some extent in mild steel. The use of Ferro alloys depends upon the ultimate use of finished steel to achieve the metal properties. Ferro alloys are manufactured through electric arc furnace/blast furnace technology using manganese, chrome ore etc. as raw material.

We have adopted Electric arc furnace route for manufacturing of ferro alloys. Our promoters are experienced in ferro alloys business. In view of the huge demand due increase in demand of finished steel for different applications, demand for ferro alloys is also rising. Our Company is setting one 9 MVA electric arc furnace for manufacture of 16,500 MT of ferro alloys which would mainly include Ferro Manganese/Silico manganese.

Mild Steel Wire :

Mild Steel wires find application in infrastructure sector and mainly in construction, railways, power transmission etc. Steel wire is drawn through cold drawing process using steel wire rods as raw material. Wire drawing division is a part of our forward integration program and is aimed at moving up the value chain. We are setting up a wire drawing unit for manufacture of 60,000 MT of mild steel wires that would be sold in the open market .

Competition:

We along with our subsidiary are one of the few integrated steel manufacturer in India who manufacture wire rods and mild steel wires. We face competition from a number of players in the Industry. Presently, our products are mainly sold in local markets, to small-scale producers who then further make small amount of value addition by further drawing and galvanization.

Key Players and Market Share

Wire rods and Wire industry is highly fragmented, where in large number of un-organised players are operating and only few of them are organised players. Some of the key players in the industry are TISCO, Monnet Ispat, Jindal Steel & Power Limited etc.

Mining operations***Coal Mining:***

For its existing operations of Power Plant and Sponge Iron Plant met out of supply from South Eastern Coalfields Ltd. To sustain its expansion programme, we have applied individually as well as in consortium with four other companies, who are in similar business, for allotment of Captive Coal Block. According to the details available from the web site of Ministry of Coal, Government of India, the consortium has been considered for allotment of a sizeable coal block to cater to the requirement of the partners in consortium. A final allotment letter from the Ministry of Coal, Government of India indicating the name of the block allotted is awaited.

Iron ore Mining:

For its existing operation company has long term supply arrangement with NMDC for part quantity and balance being sourced from TISCO and other mines owners in the State of Orissa.

In order to self sufficient in Iron Ore for the manufacturing of Sponge Iron to meet existing and expansion Programme Company has put up various applications for the Captive Mines. For Boria Tibbu (110 Hectors), cases have already been recommended by the State Government and Mining Lease (ML) is awaited from the Ministry of Mines, Government of India, New Delhi.

Prospecting License approved by the Government of India for our application for (Area 45.98 Hectors) for Padgal Area, Tehsil Bhanupratappur, Dist Kanker (CG) and for (area 16.50 Hectors) Kalwar Area, Bhanupratappur, Kanker Division (CG).

Manufacturing Process:**Sponge Iron**

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

The production technology of DRI has two distinct routes , viz :

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

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

Considering that the proposed Sponge Iron (DRI) Project is located very close to Coalfield areas of SECL. Solid Reduction Process is the natural choice for the Plant.

In Solid Reduction Process, Iron Ore (Hematite, Fe_2O_3) in 5 - 20 mm crushed size or in pellet form along with Limestone or Dolomite and non - coking coal in 0 - 20 mm size is charged to a Rotary Kiln and is heated to a temperature of about 1000 dg/C for solid reduction of Iron Ore . In the process, coal is used as reducing agent. Air is supplied to the kiln through a number of blowers operating through port holes in the kiln. The ore is reduced during its travel & movement through the Kiln length. The product is cooled by indirect water spray in Cooler.

In the reduction process, Carbon, Carbon - monoxide and Hydrogen are the reducing agents. The typical reactions are as follows :



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

The typical composition of Sponge Iron is as under:

Element		Percentage
(a)	Fe (Total)	- 90 – 95%
(b)	Fe (Metal)	- 83 – 88%
(c)	Metallisation	- 88 – 93%
(d)	Carbon	- <0.30 %
(e)	Sulphur	- <0.03 %
(f)	Phosphorous	- <0.06 %

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

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

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

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

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

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

Steel Billets

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

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

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

Power

(a) Waste Heat Recovery Power Plant.

The waste hot gasses from the rotary kilns of the sponge iron plant contain a lot of combustibles like coal volatiles, unused carbon monoxide and dust. The gas is taken to after-burners where

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

(b) Coal based Power Plant:

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

Ferro Alloys:

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

Mild Steel Wires

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

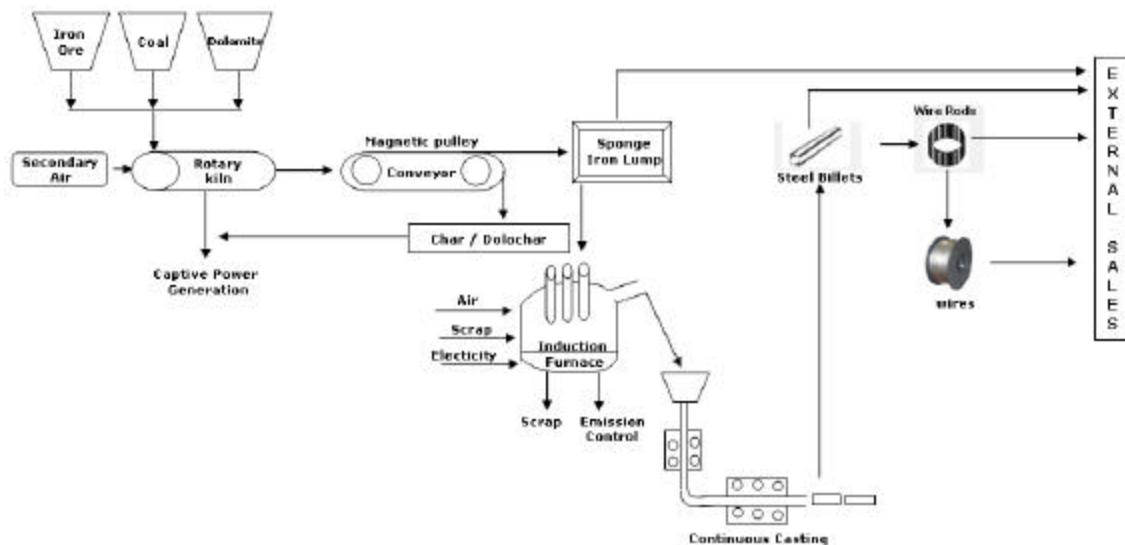


Figure 1 : Process Chart.

INFRASTRUCTURE FACILITIES FOR RAW MATERIALS AND UTILITIES LIKE WATER, ELECTRICITY, ETC.

Power:

We have 4 MVA power sanctioned from CSEB. This power we use as start-up power and also for synchronizing to smoothen our operations by paralleling to grid and rest of the power is then generated from flue gases of Sponge iron / Coal /Char/ dolochar. We have also approached CSEB for an additional connected load of 4.5 MVA bridge power requirements.

Water

The requirement of water is mainly in the cooling system of Plant in addition to small quantities for pollution control and human consumption. Presently, we require about 3000 KL/Day . Out of which almost 70% is consumed in cooling tower of Power Plant. Presently, we are getting almost 50% of our water requirement from Chhattisgarh State Industrial Development Corporation (CSIDC) and balance from our underground resources.

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

Business Strategy:

- To integrate the operation by setting up facilities for forward and back-word value chain and emerge as integrated and leading player in the steel wire segment in organized sector with a complete value chain from Iron Ore to steel wire.
- To achieve economics of scale by setting up sizable manufacturing facilities.
- To gainfully utilize waste generated during the process of manufacturing and maximum the return for shareholders.
- To foray into higher value added products such alloy and stainless wires with total integrated facility of producing Finished wire from Iron ore.

EXPANSION PROGRAM:

To pursue our business strategy and considering the demand for our products in the region and changes in the structure of the industry during past 2 years we have decided to expand our operations in two phases. The main objectives of our expansion program are:

- To be integrated player in the long product segment specially in wire of the steel business
- To scale up operations to obtain economies of scale
- To ensure consistent supply of sufficient quantity and quality material to our group companies.

Expansion Program – Phase I

We started expanding our operations by undertaking expansion at our existing facility located at Siltara Industrial Area, Ditrict Raipur, Chhattisgarh. The expansion for the facilities was based on capacities needed to meet the growing demand for our products.

The expansion of capacities in Phase I are as follows:

	Existing Capacity	Phase I	Capacity after Phase I	Status of expansion of Phase I (on 31ST August, 2005)
Sponge Iron	105,000	130,000	235,000	Under commissioning
Steel Billets	150,000	100,000	250,000	Under commissioning
Power	18	10	28	Under commissioning
Ferro Alloys	NIL	16,500	16,500	Under commissioning
Wire Drawing	NIL	60,000	60,000	Commenced production w.e.f July 2005

The cost of first expansion was Rs. 826.70 Mn. The means of finance for this project consisted of term loans of Rs.517.50 Mn from banks while rest was financed from internal accrual and promoters' contribution.

Expansion Program – Phase II

In a process of being an integrated player and to establish backward integration facilities for our Group Companies, we are now starting our Phase II expansion.

The expansion would primarily involve replicating the existing product portfolio with an increase in capacities for Sponge Iron, Steel (Billets) and captive power. Further, it would enable us to be a significant player in the Sponge Iron Industry, with lower costs of production and economies of scale.

(i) Sponge Iron

A significant demand-supply gap for sponge iron is expected, and we propose to meet this gap by increasing our capacity from 235,000 MTPA (post Phase I expansion) to 495,000 MTPA (an additional capacity of 260,000 MTPA).

(ii) Steel (Billets)

With increase in capacities of Sponge Iron, a commensurate increase in steel capacities is also envisaged. We propose to increase our capacity from 250,000 MT p.a. (post Phase I of our expansion) to 400,000 MT p.a. The availability of captive power would help us to control production costs as steel production is highly power intensive.

(iii) Power

The waste heat gas generated in the production of sponge iron will be used for generation of additional power to the extent of 25 MW which will cost Rs 0.95 to 1.00 per unit as against current rate of Rs 3.50 charged by CSEB.

On completion of the present expansion, we will have captive power generation capacities of 53 MW. This would meet around 90% of our total power requirement. The balance requirement will be met by sourcing power from CSEB. We currently have a sanctioned load of 4 MVA, and have also approached CSEB for an additional connected load of 4.5 MVA for power requirements.

Proposed Project

(i) Project Description

The project proposes establishing us as an integrated player in the field of sponge iron and steel sector with captive power facilities. The company has identified Siltara Industrial Estate, Raipur in the state of Chattisgarh, as the site for their project, which is adjoining to its

existing facilities. The proposed expansion envisages an increase in capacities of following products;

Product	Capacity Expansion (Phase II)
Sponge Iron	2,60,000 MTPA
Captive Power	25 MW
Steel Billets	1,50,000 MTPA

(ii) Project Highlights

(a) Strategic Location

The project is located adjacent to our existing plant at the Siltara Industrial Area, Raipur, in Chattisgarh. The existing site is a growth center which falls under the administrative control of Chattisgarh State Industrial Development Corporation Limited (CSIDCL) a category "B" backward district

Recently, Raipur has acquired a prominent place on the steel-manufacturing map of World due to inherent advantages in terms of its proximity to sources of raw material i.e. iron ore and coal and avenues for disposing of final output

The location of the project possesses all the facilities as below:

- the site is just 15 kms from Raipur city
- being a growth center under CSIDCL, the site possesses all the infrastructure facilities and civil facilities and amenities
- the site is well connected by road, rail and air.

The proposed site is ideal for a Sponge Iron unit since the main raw-material is easily available namely:

- Iron ore - available from Barbil (Orissa) / NMDC Bailadila at a distance of 450 kms.
- Coal - available from Korba at a distance of 200 kms.

(b) Delivered cost advantage

The project enjoys fiscal benefits as under:

- Exemption under Section 80IA of the Income Tax Act for 10 years on the profits captive power plant facility
- Exemption for 11 years from sales tax in Chattisgarh

(c) Captive power production

Power generation through Waste Heat Recovery from Sponge Iron Division would cost Rs. 0.95 to 1.00 per unit as against a normal charge of Rs. 3.50 resulting in a substantial saving in production cost

(d) Ready market

The surplus major production of steel billets is sold to our group companies and sponge iron and steel manufactured is proposed to be marketed through the existing network of agents on commission basis. The collection for the same is the agent's responsibility and the loss for the inability to deliver the same is also the agent's responsibility

(iii) **Implementation schedule and project status**

The Project from conceptualisation to commissioning would take about 16 months:

Activity /equipment	Start Date	End Date	Current status
Acquisition of Land			Completed
Civil Work	September, 2005	March, 2006	
Plant & Machinery - Imported - Indigenous	December, 2005 December, 2005	April, 2006 May, 2006	
Arrangement of Power			Already available
Arrangement of Water			Already Available
Erection of Equipment	Jan, 2006	July, 2006	
Commissioning	July, 2006	August, 2006	
Initial Procurement of Raw Materials	July, 2006	August, 2006	
Trial Run	August, 2006	September, 2006	
Commercial Production	October, 2006		

Our Capacities after completion of Phase II expansion.

Product	Unit	Existing Capacity	Proposed Expansion		Capacities post Phase I & II expansion
			1st Phase (Sept., 2005)	2nd Phase (June, 2006)	
Sponge Iron	MTPA	105,000	130,000	260,000	495,000
Steel Billets	MTPA	150,000	100,000	150,000	400,000
Power	MW	18	10	25	53
Ferro Alloys	MTPA	NIL	16,500	NIL	16,500
Mild Steel Wire	MTPA	NIL	60,000	NIL	60,000

Proposed Capacity Utilisation

Sponge Iron

The capacity utilization for sponge iron is as follows:

Year	2006-07			2007-08			2008-09		
	Existing	Proposed		Existing	Proposed		Existing	Proposed	
		Phase I	Phase II		Phase I	Phase II		Phase I	Phase II
Installed Capacity ('000 MT)	105	130	260	105	130	260	105	130	260
Capacity Utilisation	70%	65%	60%	70%	70%	65%	70%	70%	70%
Period Available (months)	12	12	6	12	12	12	12	12	12
Production (in MT's)	73500	84500	78000	73500	91000	169000	73500	91000	182000

Steel Melting Shop

The capacity utilisation for Steel melting shop is as follows:

Year	2006-07			2007-08			2008-09		
	Existing	Proposed		Existing	Proposed		Existing	Proposed	
		Phase I	Phase II		Phase I	Phase II		Phase I	Phase II
Installed Capacity ('000 MT)	150	100	150	150	100	150	150	100	150
Capacity Utilisation	65%	60%	60%	70%	70%	60%	70%	70%	70%
Period Available (months)	12	12	6	12	12	12	12	12	12
Production (in MT's)	97500	60000	45000	97500	70000	90000	97500	70000	105000

Power Division

Year	2006-07			2007-08			2008-09		
	Existing	Proposed		Existing	Proposed		Existing	Proposed	
		Phase I	Phase II		Phase I	Phase II		Phase I	Phase II
Installed Capacity (MW)	18	10	25	18	10	25	18	10	25
Generation Capacity (Units in Lakhs)	1296	720	1800	1296	720	1800	1296	720	1800
Capacity Utilisation	80%	80%	80%	80%	80%	80%	80%	80%	80%
Period Available (months)	12	12	6	12	12	12	12	12	12
Production (in Lakh units)	1037	576	720	1037	576	1440	1037	576	1440

Ferro Alloys Division:

Year	2006-07			2007-08			2008-09		
	Existing	Proposed		Existing	Proposed		Existing	Proposed	
		Phase I	Phase II		Phase I	Phase II		Phase I	Phase II
Installed Capacity (MT)	-	16500	-	-	16500	-	-	16500	-
Capacity Utilisation	-	60%	-	-	70%	-	-	70%	-
Period Available (months)	-	6	-	-	12	-	-	12	-
Production (in MT)	-	4950	-	-	11550	-	-	11550	-

Wire Drawing Division:

Year	2006-07			2007-08			2008-09		
	Existing	Proposed		Existing	Proposed		Existing	Proposed	
		Phase I	Phase II		Phase I	Phase II		Phase I	Phase II
Installed Capacity (MT)	-	60000	-	-	60000	-	-	60000	-
Capacity Utilisation	-	60%	-	-	70%	-	-	70%	-
Period Available (months)	-	6	-	-	12	-	-	12	-
Production (in MT)	-	18000	-	-	42000	-	-	42000	-

Marketing and selling arrangement:

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

a) Steel Billets

Our present capacity is 150000 MT per annum which would stand increased to 400000 MT after completion of both phases of expansion. We have been supplying steel billets to our group companies. The group companies that use our products are Hira Steels Limited and RR Ispat Limited. The demand for steel billets in our group companies during the past three years is given below:

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

Year	Installed Capacity for Wire rods (MT)	Production of wire rods (MT)	Consumption of billets
2002-03	100,000	70,187	78,103
2003-04	100,000	60,604	68,497
2004-05	100,000	64,490	72,451

- RR Ispat Limited has wire rod manufacturing capacity of 100,000 MT. RRIL's actual demand for steel billets for last 3 years as follows:-

Year	Installed Capacity for Wire rods (MT)	Production of wire rods (MT)	Consumption of billets
2002-03	100,000	34,550	38,279
2003-04	100,000	31,141	34,266
2004-05	100,000	41,131	45,739

As 1.05 MT of steel (billets) were consumed to manufacture 1 MT of Wire Rod, the in-house requirement for steel billets was always higher than the production. The shortage was thus, being met by purchase of steel from the open market. This created a need to increase the capacity of steel billets. At current capacity of 200000 MT of wire rods per annum the requirement of group companies at rated capacities is estimated at 210000 MT per annum. The surplus quantity of billets is proposed to be sold in the open market.

b) Sponge Iron:

In the years to come, a significant demand-supply gap for sponge iron is expected, (as mentioned in Market outlook section/chapter) which the company now would like to encash on because of its consolidated operations. It has therefore envisaged an expansion plan for doubling its capacity from 235,000 TPA (post 1st expansion) to 495,000 TPA (additional capacity on 260,000 TPA)

Of the total sponge iron produced post proposed expansion at the operating capacity of 70%, around 85-90% (3,10,000 TPA) would be used for captive purposes for manufacturing of Steel (Billets) and the balance 38,000 TPA – 40,000 TPA quantity would be sold in open market. We would be in a position to sell the extra sponge iron in the open market due to:

- Domestic demand in manufacturing of steel through secondary route
- Unavailability and high volatility in scrap prices
- Reduction in merchant sale of sponge iron by big players, namely, TISCO, Jindal, Monnet Ispat, etc as they are also in process of adding steel capacities and hence the captive consumption would be higher.
- IGL's integrated approach would ensure the Cost for manufacturing would be competitively lower than other domestic players. As IGL is expected to get rights of iron ore mines, the cost of production will reduce by around Rs 1,700 per tonne

Further based on our internal assessment, around 25 Mini Steel Plants are in operation in and around Raipur and another 15 are under various stages of commissioning. It is estimated that these units will be producing around 15.00 Lakh MT of ingots per annum. Based on current charge of around 70% Sponge Iron, the current annual demand for Sponge Iron in these Induction Furnace Units would be 10.50 Lakh MT per annum. Against this demand, our surplus quantity of sponge iron for sale in open market is negligible and we would be easily able to sell the sponge iron.

It is understood that TISCO has very successfully experimented with the use of Sponge Iron as an input to Blast Furnace which has resulted in improvement in Blast Furnace productivity and reduction in Coke rate. Similarly, plants of Steel Authority and other integrated Steel Plants have also commenced similar experimentation with Sponge Iron. It is anticipated that this would generate additional demand for Sponge Iron. In view of the above, the proximity of our proposed Sponge Iron Plant to the Steel Plants of TISCO and Bhilai Steel Plant will be an added advantage to the unit.

c) Ferro Alloys:

Ferro alloys such as Silico Manganese, ferro manganese etc is used as additives in making steel along with Sponge Iron, Scrap, Pig Iron etc. The consumption of ferro alloys depends upon the grade of steel produced. Our internal demand for ferro alloys is based on capacity of mild steel billets production is about 0.020 Mt per ton of billets produced which works out to about 8000 MT per annum at full capacity. The surplus quantity would be sold in the market to steel manufacturers. Our promoters have experience of manufacturing and marketing ferro alloys for the last two decades and has been marketing ferro alloys to major consumers in the country. The surplus quantity of ferro alloys would be sold in the open market by utilizing our established relationship with the user industry.

d) Mild Steel Wires:

The capacity of mild steel wire of our Company is 60000 MT per annum and our group as a whole is 150000 MT per annum. Our group is presently one of the leading players in the steel wire industry in organized sector. There are many small scale units who are manufacturing mild steel wires in unorganized sector with production volume of 10 to 50 Mt per day but they are unable in

catering to the requirements of the major consumers in terms of consistent quality and quantity of supplies. Our group companies including our subsidiary RR Ispat have been supplying wire to all major consumers in and around Raipur at competitive prices with consistent quality and delivery schedules. With increase in capacity we would be a major player in the mild steel wire segment in organized sector in the industry. Further no large player in the steel Industry is setting up facilities for wire drawing due to negligible demand in terms of their over all volume of business. The demand for steel wires in the country based on our internal estimates is about 3% of overall demand of steel in India which works out to be about 1 Mn tons and capacity of our group is about 0.15 Mn tons which translates into a market share of 15%. Further we plan to foray into high value added steel wires i.e. Alloy steel and stainless steel wires in near future. Looking to the huge demand of steel wires emerging out of growth in the construction and infrastructure sectors we do not expect any major problem in marketing of our product.

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

Our plant is located at Raipur, Chattishgarh, which has emerged as the hub of Steel production with number of induction furnaces, re-rolling mills and also wire drawing units and Galvanizing Plants located in and around Raipur, we are in a position to market our surplus Sponge Iron, Steel Billets and also wires in local market itself. However looking to this expansion, our group companies are also planning to expand their capacities for wire rod and steel wires so as to utilize the enhanced production of steel billets.

Export Obligations

We have no export obligations and we do not export any product currently.

Safety, Health and Environmental Regulations and Initiatives

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

We have made application to Pollution Control Board clearance for the project in February 2005.

Carbon Emission Trading and the Kyoto Protocol

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

Each country has been set its own individual targets according to its pollution levels. This will be achieved by using a trading system. In principle, a country may issue permits to individual companies for the emission of a certain quantity of greenhouse gases. Permits are only issued to a level equal to or below the assigned amount, thereby requiring a country to meet its Kyoto commitment. If a country is incapable of meeting its target, it could conceivably buy permits from countries that are under their targets. Similarly, companies within a country that prove more able to reduce their emissions would be allowed to 'trade' excess permits to other, more polluting, enterprises.

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

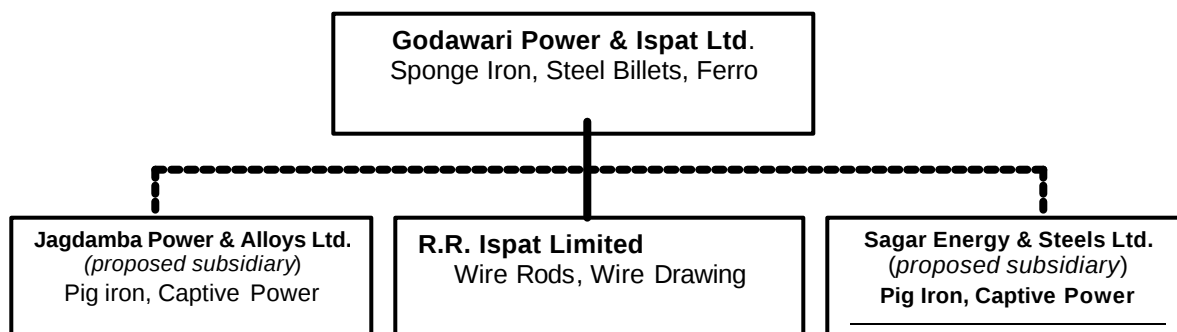
The Waste Heat Recovery Power Plant of the company qualifies as a Clean Development Mechanism Project as a part the Kyoto Protocol within the guidelines of the UNFCCC. The Government of India has already ratified the Kyoto Protocol in August 2002. This would attract and earn Foreign Exchange towards Carbon Credit due to curtailed emission of green house gases. The company has signed a Memorandum of Understanding with M/s. Shell International, U.K. for the sale of CER's and expects to sign an agreement for sale of carbon credits during the current year and will generate additional foreign currency earnings.

Purchase of Property:

S. No.	Name, Address and Description of Vendor	Area (in acres) & Location	Nature of title	Amount paid (Rs. in Mn)	Amount Payable (Rs. in Mn)
1.	CSIDC (99 yr. lease From 30/12/99 to 29/12/1098)	7.34 Siltara	Leasehold	3.74	NIL
2.	CSIDC (99 yr. Lease from 17/08/2001 to 18/08/2100)	16.43 Siltara	Leasehold		
3.	CSIDC (99 year lease from 22/06/2004 to 21/06/2103)	4.81 Siltara	Leasehold		
4.	Various Individuals*	68.073	Freehold	9.66	NIL

* Land acquired from 38 number of individuals, list of which together with name, address, description, area, nature of title and amount paid or payable forms part of the Material Documents for Inspection.

Our Subsidiaries Structure



R R Ispat Limited (RRIL)

In March 2005 we acquired 51% by subscribing to 1,200,000 equity shares at a premium of Rs. 15/- per share. RRIL since then has become our subsidiary. RRIL has Installed capacity of Wire Rods/MS Rounds in Coils of 100,000 MMTPA and HB Wire drawing capacity of 30,000 MMTPA. The investment in RRIL is a strategic one in downstream facilities. At present RRIL is a major consumer of our finished products i.e. steel billets.

Jagdamba Power and Alloys Limited (JPAL)

We propose to acquire 51% stake by way equity contribution in JPAL's equity. This equity contribution is towards promoters' contribution for the project for pig iron. JPAL was incorporated for manufacturing of Ferro Alloys and Pig Iron with captive power generation facility. JPAL is at present engaged in setting up 66,000 TPA pig iron plant and 25 MW captive power generation facility.

The cost of the project and means of finance are as below:

(Rs. in Mn)			
COST OF PROJECT	AS PER DPR		
	Power Plant	Pig Iron Plant	Total
Land & Site Development	0.00	11.60	11.60
Building & Civil Work	36.70	34.02	70.72
Plant & Machinery	570.07	182.08	752.16
Other Fixed Assets	44.73	6.77	51.50
Deposit	1.00	1.20	2.20
Prel. & Pre-oper. Expenses	8.51	4.43	12.94
Contingent Expenditure	9.77	11.44	21.21
M/M for Working Capital	5.83	37.06	42.89
TOTAL	676.61	288.60	965.21

Means of Finance

(Rs. in Mn)	
Equity	297.4
Term Loan	667.50
TOTAL	964.92
Debt-Equity Ratio	2.24

Bank of Baroda vide its letter no. BOB: PANRAI: ADV: 05-06:24/173 dated August 23, 2005 have sanctioned term loan of Rs. 6675 Mn.

Investment in JPAL is a strategic in nature for backward integration of our operations. Pig Iron is one of the major raw materials for manufacturing steel billets and after commencement of production and proposed facility of JPAL, our dependence on external suppliers for pig iron shall not be there and ensuring us a consistent and quality supply of pig iron from JPAL.

Sagar Energy and Steels Ltd. (SESL)

We propose to acquire 51% stake by way equity contribution in SESL's equity. This equity contribution is towards promoters' contribution for the project for pig iron. This contribution will be made through internal accruals generated by us. SESL was incorporated for manufacturing of Ferro Alloys and Pig Iron with captive power generation facility. SESL is at present engaged in setting up 66,000 TPA pig iron plant and 25 MW captive power generation facility.

The cost of project and means of finance are as below:

(Rs. in Mn)			
COST OF PROJECT	Pig Iron Plant	Power Plant	Total
Land & Site Development	0.00	14.15	14.15
Building & Civil Work	34.03	36.70	70.72
Plant & Machinery	178.76	611.65	790.41
Other Fixed Assets	6.57	1.10	7.67
Pre-operative Expenses	12.71	28.80	41.50
Preliminary Expenses	0.50	0.50	1.00
Contingent Expenditure	5.48	11.69	17.17
<i>Sub - Total</i>	238.05	704.59	942.62
M/M for Working Capital	37.86	10.84	48.70
TOTAL	275.91	715.43	991.32

Means of Finance

(Rs. in Mn)	
Equity	339.88
Term Loan	651.44
TOTAL	991.32
Debt-Equity Ratio	1.92

Investment in SESL is a strategic investment in backward integration facility. Pig Iron is one of the major raw materials for manufacturing steel billets and after commencement of production and proposed facility of SESL, our dependence on external suppliers for pig iron shall not be there and we would be able to get consistent and quality supply of it from SESL.

REGULATIONS AND POLICIES

There are several legislations, which apply to companies engaged in the mining and steel industry in India.

Under the provisions of various Central Government and State Government Statutes / Legislations, our Company is required to obtain and regularly renew certain licenses / registrations and / or to seek statutory permissions to conduct our business and operations.

The various statutes under which material registrations/licenses/consents/permissions are required to be obtained by us are set out below:

1. Mines and Minerals (Development and Regulation) Act, 1957 and the rules framed thereunder.
2. The Mines Act, 1952 and the rules framed thereunder.
3. The Cess and Other Taxes on Minerals (Validation) Act, 1992.
4. Offshore Areas Mineral (Development and Regulation) Act, 2002.
5. Public Liability Insurance Act.
6. The Companies Act, 1956
7. The Income-Tax Act, 1961
8. The Central Excise Act, 1944
9. The Customs and Excise Act, 1962
10. The Central Sales Tax Act, 1956
11. The Air (Prevention and Control of Pollution) Act, 1981
12. The Water (Prevention and Control of Pollution) Act, 1974
13. Environment (Protection) Act, 1986.
14. The Electricity Act, 2003
15. The Industries Development and Regulations Act, 1951
16. Contract Labour (Regulation) Act, 1970

The list set out above is by way of an illustration and is not an exhaustive list of all statutes applicable to the Company's operations.

In addition to the above, our Company is required to comply with various labour laws and the rules framed thereunder.

For details of the aforementioned / registrations see the section titled 'Government and Other Approvals' in this Draft Red Herring Prospectus beginning on page no.[?].

HISTORY

Our Company was incorporated on September 21, 1999 under the Companies Act, 1956 and was issued a Certificate of Commencement of Business on November 15, 1999. The Registration number assigned to us on incorporation is 10-13756 of 1999.

MAJOR EVENTS

Year	Key Events, Milestones and Achievements
1999	Our Company was incorporated as Ispat Godawari Limited with an objective to set up facilities for manufacture of sponge iron, Steel Billets and Captive Power, as a backward integration facility for our Group's Steel Rolling facilities.
2001	Sponge Iron division of Our Company commenced commercial operations.
2003	The initial project of our Company with an installed capacity of 105,000 tonnes of Sponge iron, 100,000 tonnes of Steel and 18 MW of Power Generation became fully operational from August 2003. Our Company became the flagship company of our group in terms of turnover and profitability. In January 2003, We received a prospecting license for Iron Ore mining for Boria Tibu mines in Chhattisgarh.
2004	We started implementation of first phase of expansion in capacities of Sponge iron, Steel Billets and Captive Power generation and also setting up of new facilities for manufacture of Ferro Alloys and HB Wire.
2005	We acquired 51.46% equity capital of R R Ispat Ltd. making its presence right across the entire value chain from sponge iron to finished steel. Our Company issued bonus shares in 4:1 ratio Our Company declared maiden dividend of Rs. 1 per shares. Our Company in a consortium has been shortlisted for allotment of Coal mines in Chhattisgarh

OUR MAIN OBJECTS

A. Our main objects as obtained in our Memorandum of Association are:

1. To carry on in India or elsewhere the business of manufacturing, producing, altering, converting, processing, treating, improving, manipulating, extruding, milling, sliding, casting, forging, rolling and rerolling of all shapes, sizes, varieties, specifications, dimensions, descriptions and strength of iron and steel products including bars, rods, structures, profiles pipes, sheets, casting, wires, rolling metals, girders, channels, angle, rolls, ingots, flats, slabs, torsteels, bright bars, there products, shafting, beams, rounds, squares, hexagons, octagons, foils, joints, deformed bars, there products, by-products, and allied materials, goods, articles and thing made of all grades of iron steels, alloy steel, special steel or any combination thereof with any other ferrous or non-ferrous materials and to act as agent, broker, distributors, stockist, importer exporter, buyer, seller, job worker, converter, consultant, supplier, vendor or otherwise.
2. To carry on in India and/or abroad the business to produce, generate, process, transform, formulate, buy, sell or in any way deal in, acquire, store, pack, transport, distribute, dispose off, utilize Electrical Energy, Thermal Energy, Bio Energy, Solar Energy, Hydro Power, Bio gas, Coal Gas, Natural Gas, Hydrogen Gas, Steam Water Gas, Methane Gas, Petroleum Gas, RLH Gas and fuel Gases of all or any other kind and to convert and/or to otherwise deal with or dispose off the generated bye products, wastes, effluents and emissions into saleable materials like coke, Ash, Bricks, Briquetts, Charcoal, Cinders, Tar, Carbolic Acids, Gypsum and other chemicals or distilled products.

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

CHANGES IN MEMORANDUM OF ASSOCIATION

Date of Amendment	Amendment
January 01, 2000	Increase of Authorised Capital Rs. 7000 to Rs. 10 Mn(Mn).
July 15, 2000	Increase of Authorised Capital Rs. 10 Mn. to Rs. 30 Mn.
February 06, 2004	Increase of Authorised Capital Rs. 30 Mn. to Rs. 40 Mn.
February 15, 2005	Increase of Authorised Capital Rs. 40 Mn. to Rs. 250 Mn.

CHANGE IN THE NAME OF THE COMPANY

The name of our Company was changed from Ispat Godawari Limited to Godawari Power and Ispat Limited w.e.f. June 20, 2005. The name was changed with an object to reflect the true nature of present activities of the company and to create a new and distinct corporate identity.

CHANGE OF ADDRESS OF THE REGISTERED OFFICE OF THE COMPANY

The registered office of our company was shifted from "Siddharth", Geeta Nagar, Raipur to 428/2 Phase 1, Industrial Area, Siltara, Raipur on May 15, 2000.

SUBSIDIARIES

1. RR Ispat Limited

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

Shareholding Pattern

The shareholding pattern of R. R. Ispat Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Godawari Power & Ispat Limited	1,200,000	51.44
2.	Mrs. Sarita Agrawal	72,600	3.11
3.	Mrs. Kanika Agrawal	37,500	1.61
4.	Mrs. Rashmi Agrawal	37,500	1.61
5.	M/s. Saraf Metalizing Industries Pvt. Ltd.	40,000	1.71
6.	Shashanko Commotrade Pvt. Ltd.	48,750	2.09
7.	Puffco Merchants Pvt. Ltd.	180,000	7.72
8.	Gunjan Agency Pvt. Ltd.	39,000	1.67
9.	Pujam Sales and Services Pvt. Ltd.	60,000	2.57
10.	Kajal Merchandise Pvt. Ltd.	78,750	3.38
11.	Imtihan Distributors Pvt. Ltd.	75,000	3.22
12.	Protocon Commerce Pvt. Ltd.	108,750	4.66
13.	Atlanta Commodities Pvt. Ltd.	37,500	1.61
14.	Sarvottam Commercial Pvt. Ltd.	75,000	3.22
15.	Mr. Om Prakash Agrawal	137,000	5.87
16.	Mrs. Raj Devi Agrawal	33,000	1.41
17.	M/s Ekta Metals Pvt. Ltd.	50,000	2.14
18.	Others	22,400	0.96
	TOTAL	2,332,750	100

Board of Directors

The Board of Directors on the Board of R. R. Ispat Limited as of March 31, 2005 are:

Sr No.	Name of Director	Designation
1	Mr. Suresh Agrawal	Director
2	Mr. Dinesh Agrawal	Director
3	Mr. S. Mahendru	Director
4	Mr. Arvind Dubey	Whole time Director

Financial Performance

(Rs. in Mn)

Particulars	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	532.41	614.50	1041.40
PAT	3.01	2.45	12.64
Equity Capital (Face value of Rs. 10 per share)	11.33	11.33	23.33
Reserves (excluding revaluation reserve)	11.91	14.36	45.00
EPS (Rs.)	1.68	2.16	5.42
Book Value/Share (Rs.)*	20.48	22.67	29.29

* Net of miscellaneous expenditure to the extent not written off.

Net Worth = Paid up Equity capital + Reserves (excluding revaluation reserves) – Accumulated

Losses – Deferred Expenditure to the extent not written off

EPS = PAT/No. of Equity Shares outstanding at the end of year

NAV = Net Worth/ No. of Equity Shares outstanding at the end of year

OUR MANAGEMENT

BOARD OF DIRECTORS

We currently have eight Directors. The following table sets forth certain details regarding the members of our Board as of date of filing this Draft Red Herring Prospectus with SEBI:

Sr. No	Name, Designation, Address, Father's Name, Occupation	Age (in years)	Other Directorships/ Partner/ Trustee
1.	Mr. Bajrang Lal Agrawal Chairman & Managing Director S/o Late Mr. R.R. Agrawal "Siddharth", Geeta Nagar, Raipur – 492001 Chhattisgarh Occupation: Business Liable to retire by rotation	51 years	1. Hira Steels Limited 2. Hira Ferro Alloys Limited 3. Alok Ferro Alloys Limited 4. Chhattisgarh Power and Coal Beneficiation Limited 5. Hira Industries Limited 6. Maruti Clean Coal and Power Limited 7. Hira Power and Alloys Limited
2.	Mr. Dinesh Agrawal Director S/o Late Mr. R.S Agrawal Matri Chaya, Phaphadih, Jail Road, Raipur - 492001 Chhattisgarh Occupation: Business Liable to retire by rotation	33 years	1. R.R. Ispat Limited 2. Chhattisgarh Power and Coal Beneficiation Limited 3. Hira Global Limited 4. Hira Global Marketing Limited 5. Hira Global Alloys Limited 6. Hira Power and Alloys Limited
3.	Mr. B. P. Singh Whole-time Director S/o Mr. Gajadhar Singh Lodhipara Chowk, Raipur 492001 Chhattisgarh Occupation: Service Liable to retire by rotation	43 years	Nil
4.	Mr. Dinesh Kumar Gandhi Whole-time Director (Finance) S/o Mr. Mangilal Gandhi B-704, "Rajrudram" Gokuldham Goregaon (east) Mumbai - 400063 Occupation: Service Liable to retire by rotation	43 years	Nil
5.	Mr. Divesh Nath Independent Director	35 years	1. Praticaya Pvt. Ltd.

Sr. No	Name, Designation, Address, Father's Name, Occupation	Age (in years)	Other Directorships/ Partner/ Trustee
	S/o Mr. Naresh Nath Delhi Press E-3, Jandewala, New Delhi - 110055 Occupation: Business Liable to retire by rotation		2. Nishid Infomedia Pvt. Ltd.
6.	Mr. Umesh Agrawal, Independent Director S/o Mr. Durga Prasad Agrawal OM Kutir, Jail Road, Phaphadih, Raipur - 492001 Chattisgarh Occupation: Business Liable to retire by rotation	24 years	1. Hira Ferro Alloys Ltd.
7.	Mr. Kapil Agrawal Independent Director S/o Mr. Keshao Kumar Agrawal H/5, Laxminagar, Nagpur 440022 Maharashtra Occupation: Business Liable to retire by rotation	30 years	1. Hira Ferro Alloys Ltd. 2. Khatuka Alloys Ltd. 3. Shree Radhe Fibres Pvt. Ltd. Proprietor: 1. Shubham Steels
8.	Mr. Neeraj Gupta Independent Director S/o Dr. R. L. Gupta 23, Jalvihar Colony, Raipur 492001 Chattisgarh Occupation: Business Liable to retire by rotation	49 years	1. Raipur Computer Services Pvt. Ltd.

DETAILS OF DIRECTORS

Mr. B.L. AGRAWAL, 51 years, Chairman & Managing Director, is an Electronic Engineer from Pandit Ravi Shakar Shukla University, Raipur. While his family concentrated on setting up a tyre trading business, he sought out the more challenging vocation of industrial entrepreneurship. His remuneration for the year ended March 31, 2005 was Rs. 300,000

MR. DINESH AGRAWAL, 33 years, Director, is an Electronic Engineer from Pune University has been associated with all the technical aspects of Ferro Alloys Unit, Steel Rolling Mills in the past. He is currently involved with the technical aspects of setting of the captive power plant of our group companies. He has associated in the business for the last 9 years. He has been appointed as an executive director in the current year and hence did not receive any remuneration for the year ended March 31, 2005.

MR. DINESH GANDHI, 43 years, Whole-time Director - Finance, is a qualified Chartered Accountant and Company secretary. Mr. Gandhi has more than 18 years of post qualification experience in different Industries particularly the steel industry in areas like Accounts, Finance, Project Planning and Financing. He started his career at Mepco Metal Powders Ltd. as Manager, Finance and worked there for 4 years. He then worked as an independent financial consultant to

various industrial houses in Madhya Pradesh. Subsequently, he worked at Indore Steel & Iron Mills Ltd. and Shri Ishar Alloy Steels Ltd. for a period of 7 years as Vice President (Finance). He then joined Reliance Info comm as Commercial Head, Raipur cluster and worked there for 3 years before joining our Company. He did not receive any remuneration for the year ended March 31, 2005 as he joined the company from April 1, 2005.

Mr. B. P. SINGH, 43 years, Whole-time Director, is a Master in Commerce from Pandit Ravi Shankar University, Raipur and a Diploma holder in Personnel Management. Mr. Singh is supervising all the activities relating to Accounting, Central Excise, and General Administration of our Company. He has vast experience of 18 years in the Accounts Department out of which he has worked as as store Incharge for 1 years in Swastik Industries Limited, For 2 years as Manager (Accounts) in Wood Laminates Pvt. Ltd., in Excise and Personal Department of Orient plywood and veneering Industries Limited for 1.5 years, as Deputy General Manager (Finance) of Jain Carbide and Chemicals Limited for a 12 years. His remuneration for the year ended March 31, 2005 was Rs. 239,071.

Mr. KAPIL AGRAWAL, 30 years, Independent Director, is a Mechanical Engineer from Nagpur University. Mr. Kapil has 10 years of work experience in trading of Iron and Steel, Cement and Rubber Industry.

Mr. UMESH AGRAWAL, 24 years, Independent Director, is a Chartered Accountant. Mr. Umesh has experience in Corporate Audits, Accounts and Finance, Project Appraisals etc.

Mr. DIVESH NATH, 35 years, Independent Director, is a Chartered Accountant and a MBA from Delhi Productivity Council, New Delhi. Mr. Nath is the Promoter of Delhi Press publishing various famous and popular magazines in India. He started his career at the age of 20 in Publication and Printing Business and is involved in publication of 29 magazines published in 9 different languages the leading publications interalia includes, SARITA, CHAMPA, GRIH SHOBHA, SARAS SALIL etc. Apart from this he also looks after the day-to-day Management, Administration, Journalism and Marketing.

Mr. Neeraj Gupta, 49 years, Independent Director, is a B.E. (Electronics) from Pandit Ravi Shankar University, Raipur. He has 26 years of experience in various industries and trading activities.

DETAILS OF BORROWING POWERS:

The Company at its Extra Ordinary General Meeting held on March 21, 2005, passed a resolution authorizing the Board of Directors pursuant to the provisions of section 293(1)(d) for borrowing any sum of money from time to time from any one or more of the Company's bankers as it may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with moneys already borrowed (apart from temporary loan obtained from the Company's Bankers in the ordinary course of the business) will exceed in the aggregate the paid-up Capital and free reserves, i.e. to say reserves not set apart for any specific purpose provided however that the total amount upto which money may be borrowed by the Board of Directors of the Company shall not exceed the sum of Rs. 500 crores (Rupees Five Hundred Crores only).

COMPENSATION OF OUR DIRECTORS

MR. B. L. AGRAWAL

Our Board of Directors in their meeting dated April 3, 2004, approved a monthly remuneration of Rs. 25,000

MR. DINESH GANDHI

Our Board of Directors in their meeting held on March 22, 2005, approved and appointed Mr. Dinesh Gandhi as Whole Time Director (Finance) of the Company w.e.f. April 1, 2005 on the following terms and conditions:

Salary

A consolidated salary of Rs. 45, 000(Rupees Forty Five Thousand only) per month or remuneration as may be determined by the Board of Directors or Committee of Directors (Remuneration) as may be delegated by the Board of Directors from time to time shall be payable to him during his term with the Company.

Perquisites and Allowances

1. Accommodation:
A suitable rent free accommodation at his place of posting as may be decided by the Managing Director of the Company from time to time. His initial place of posting shall be Mumbai.
2. Vehicle:
He will be provided with a Company car and expenses for running and maintenance shall be borne by the company.
3. Other Perquisites:
Other Perquisites such as Provident Fund, Super Annuation, Medicals, LTA, leave reimbursement of traveling and other expenses and other benefits/perquisites etc. as per rules of the Company shall be paid to him.

The above remuneration shall be payable to Mr. Gandhi even in circumstances of inadequacy of the profits of the Company.

CORPORATE GOVERNANCE

The provisions of the listing agreements to be entered into with the Stock Exchanges with respect to Corporate Governance become applicable to us at the time of seeking in-principle approval of the Stock Exchanges. We have complied with such provisions, including with respect to the appointment of independent Directors to our Board and the constitution of the following committees of the Board:

1. The Audit Committee,
2. The Compensation/Remuneration Committee; and
3. The Investors' Grievances Committee.

We undertake to take all the necessary steps to comply with all the requirements of the guidelines on corporate governance and adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges, as would be applicable to the Company upon listing of its Equity Shares.

Audit Committee

The composition of the Audit Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Audit Committee was constituted on March 22, 2005. The committee currently comprises of Mr. Kapil Agrawal (Independent Director), Chairman, Mr. Umesh Agrawal (Independent Director), Director and Mr. Dinesh Gandhi (Whole-time Director-Finance), Director.

The objective of the Committee is to comply with the requirements of the Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges and Section 292 A of the Companies Act, 1956.

Compensation Committee

The composition of the Remuneration Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Remuneration Committee was constituted on March 22, 2005. The committee comprises of Mr. Kapil Agrawal (Independent Director), Chairman, Mr. Umesh Agrawal (Independent Director), Director and Mr. Dinesh Gandhi (Whole-time Director-Finance), Director.

The objective of the Committee is:

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

Shareholders/Investor Grievance Committee

The composition of the Shareholders/Investor Grievance Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Shareholders/Investor Grievance Committee was constituted on March 22, 2005. The committee consists of of Mr. Kapil Agrawal (Independent Director), Chairman, Mr. Umesh Agrawal (Independent Director), Director and Mr. Dinesh Gandhi (Whole-time Director-Finance), Director

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

- Seek professional advice, delegate authority for share transfers to officer of the Company / share transfer agents and constitute sub committees required to discharge its functions.
- Other functions of a Shareholders / Investors Grievance Committee as required / recommended in the Listing Agreement.

SHAREHOLDING OF DIRECTORS IN OUR COMPANY

Name of Directors	Number of Equity Shares (Pre-Issue)	Number of Equity Shares (Post-Issue)
Mr. B. L Agrawal	1,122,500*	1,122,500
Mr. Dinesh Agrawal	675,500**	675,500
Mr. B. P. Singh	Nil	Nil
Mr. Divesh Nath	Nil	Nil
Mr. Kapil Agrawal	Nil	Nil
Mr. Umesh Agrawal	Nil	Nil
Mr. Neeraj Gupta	Nil	Nil
Mr. Dinesh Kumar Gandhi	Nil	Nil

* Mr. B. L . Agrawal additionally holds 1,070,000 shares through M/s. B. L. Agrawal HUF.

** Mr. Dinesh Agrawal additionally holds 150,000 shares through M/s. Dinesh Agrawal HUF.

INTEREST OF OUR DIRECTORS

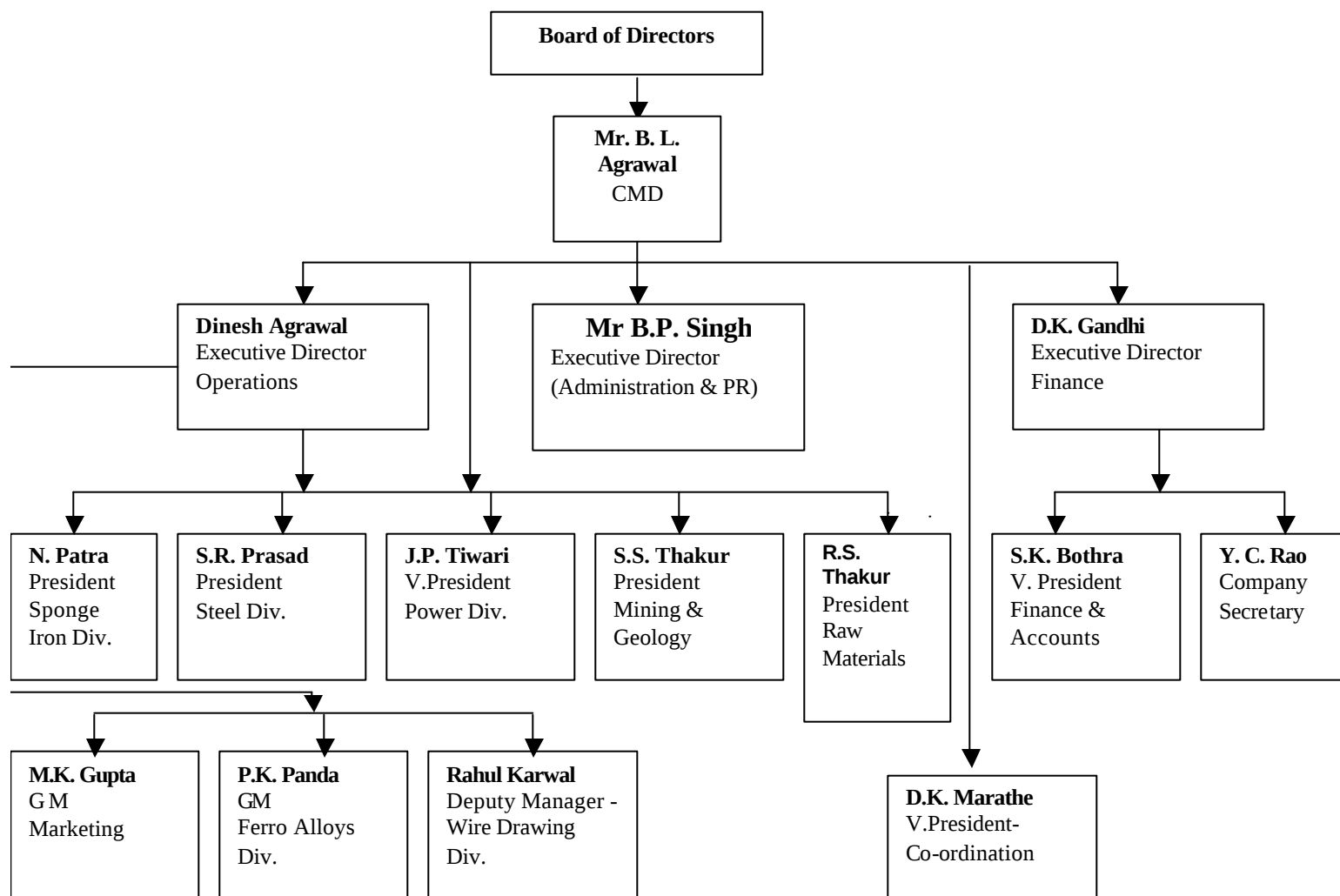
All Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. The Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. All our directors may also be deemed to be interested to the extent of Equity Shares, if any, 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 Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. For more information, please refer to the section titled "Related Party Transactions" on page [•] of the Draft Red Herring Prospectus.

CHANGES IN BOARD OF DIRECTORS

Name of Director	Date of Appointment	Date of Resignation	Reasons for changes
Mr. S. Mahendru	October 30, 1999	March 22, 2005	Personal Reasons
Mr. Suresh Agrawal	September 21, 1999	March 22, 2005	Board Reconstituted to Comply with Corporate Governance
Mr. S. N. Agrawal	September 21, 1999	January 10, 2000	Personal Reasons
Mr. P. T. Karpate	September 15, 2001	December 1, 2001	Personal Reasons
Mr. B. L. Agrawal	August 17, 2002		
Mr. O. P. Agrawal	March 15, 2004	March 22, 2005	Board Reconstituted to Comply with Corporate Governance
Mr. Dinesh Kumar Gandhi	February 25, 2005	Continuing	
Mr. Divesh Nath	March 22, 2005	Continuing	
Mr. Kapil Agrawal	March 22, 2005	Continuing	
Mr. Umesh Agrawal	March 22, 2005	Continuing	
Mr. Neeraj Gupta	March 22, 2005	Continuing	

MANAGEMENT ORGANISATION STRUCTURE

Our Management Organization structure is set forth below:



KEY MANAGERIAL PERSONNEL OF OUR COMPANY

1. **Mr. S. S. THAKUR, President (Mining and Geology)**, 67 years, has a Masters in Technology (Geology and Mining) degree from University of Sagar. Mr. Thakur is a permanent member of American Institute of Mining, Metallurgical and Petroleum Engineers, New York University, USA and also a Law Graduate from Raipur University.

He had association with Bhilai Steel Plant for 34 years in the prospecting of Iron Ore, Lime stone, Dolomite, Manganese, Bauxite etc. He acted as an advisor to M/s. Rajinder Steels Ltd. for Mining and Business Development, Project Co-ordinator for Mega Steel Projects in Orissa and Consultant on Mining and Geology to M/s. HEG Ltd.

He joined our Company on April 01, 2003 for looking after all the formalities connected with acquisition of Mining Rights for Iron Ore, Manganese, Non coking Coal etc., the major raw materials required by the Company.

He has been awarded National Metallurgical Day Award in the year 1967. He was member of steering committee on Imported Coal, Depreciation Review Committee, Uniform Cost

Committee of Steel Authority of India Ltd. (SAIL) and also a Member of Coal Pricing Committee of SAIL, Quality Assurance Committee, Purchase Committee of Ferro Alloys etc. His remuneration for the year ended March 31, 2005 was Rs. 259,992

2. **Mr. R. S. THAKUR, President (Raw Materials)**, 56 years, has a Master of Science in Chemistry from Pandit Ravi Shankar University.

He has 36 years of experience in multifarious fields like General Administration, Purchase, Production, Processing, Quality Control, Research and Development, Cement and Steel Machinery Design and Energy (Power and Fuel). He was closely associated in various conservation activities in India and abroad in a renowned dry processing cement, steel and sponge iron plants.

During his tenure he has worked for M/s. Cement Corporation of India, a Government of India Enterprise as Chemical Engineer, M/s. Sharjah Cement Factory, U.A.E., M/s. Century Cement Works as Senior Manager, M/s. Vinay Cements Ltd. Assam as General Manager and M/s. Jayaswals Neco Ltd. , as General Manager (Materials).

He is associated with our Company since November 01, 2002 for procurement of core raw materials and for also for looking after operation, maintenance of the existing Power Plant and also monitoring and administering of our Company's ongoing Power Plants.

He is an associate member of the Institute of Engineering in Chemistry and ISO-9002 Lead Auditor (U.K.)

His remuneration for the year ended March 31, 2005 was Rs. 364,990

3. **Mr. J.P. TIWARI, Vice-President (Power)**, 35 years, is an Electronic Engineering Graduate from the Regional Engineering College – Durgapur. He is associated with National Power Training Institute – Nagpur as a visiting faculty.

He started his career with Jindal Strips Limited now (Jindal Steel and Power Ltd.) – Raigarh and worked with Associated Cement Companies Ltd. For seven years - Jamul in their Captive Power Plant.

He joined our company on February 01, 2005. He is independently responsible for all the Administering, Monitoring and Controlling of Operation, Maintenance and Expansion activities of the Power Plant at our Company.

His remuneration for the year ended March 31, 2005 was Rs. 50,000.

4. **Mr. S. R. PRASAD, President (Steel Division)**, 51 years, is a Science Graduate and Engineer in Metallurgy from the Ranchi University.

He has experience of over two decades in production of tools, dies, Stainless Steel, furnace and concast steel, high alloy steel etc. During his tenure he worked for Bihar Alloy Steel Ltd., Panchmahal Steels Ltd., Ispat Profiles India Ltd., Powmex Steels Ltd., Rajinder Steels Ltd., Prakash Industries, Inaba Steels Pvt. Ltd. in various capacities looking after various activities relating to steel making.

He is associated with our Company since September 01, 2003 and responsible for production, quality and maintenance of Steel Division.

His remuneration for the year ended March 31, 2005 was Rs. 194,998

5. **Mr. N. PATRA, President (Sponge Iron Division)**, 45 years, Degree holder in Mechanical Engineering from Institute of Engineers' (India) Calcutta and Member of Indian Institute of Engineers' (India) in Mechanical Engineering.

He started his career as Engineer Trainee with M/s. ACC- Babcock Ltd., Durgapur, 210 MWs power plant in Private Sector. He has worked for 12 years as Manager (Mechanical) for M/s. Orissa Sponge Iron Limited,. He has also worked as Additional General Manger (Project and Maintenance) for six years for M/s. Monnet Ispat Limited, Raipur..

He is looking after operation, maintenance of the existing Sponge Iron Plant and also monitoring and administering of our Company's ongoing Sponge Iron Plants. He joined our Company on August 01, 2000.

His remuneration for the year ended March 31, 2005 was Rs. 477,103

6. **Mr. D.K. MARATHE, Vice-President (Co-ordination)**. 49 years, Commerce Graduate from the University of Pune

He has three decades of experience in Administration, Sales and Marketing in Engineering Products During his tenure he has worked for Kirloskar Cummins/Cummins Diesel Sales and Services India Ltd..

He looks after the co-ordination activities with various government and local authorities.He joined our Company on April 21, 2003

His remuneration for the year ended March 31, 2005 was Rs. 194,161.

7. **Mr. S. K. BOTHRA, Vice-President (Finance)**, 38 years, 6th rank Graduate from Pandit Ravi Shankar University, Raipur and a qualified Chartered Accountant

His post qualification association was for a period of 12 years as a partner of M/s. O.P. Singhania and Co. where he had experience in the Corporate Audits, Capital Restructuring, Amalgamations and Mergers, preparation of Project Reports, Project Identification and Loan syndication.

He looks after the various aspects of financial management, budgetary control and taxation. He joined our Company on September 01, 2004

His remuneration for the year ended March 31, 2005 was Rs. 156,692

8. **Mr. M.K. GUPTA, General Manager (Marketing)**, 35 years, is a Post Graduate in Commerce from Pandit Ravi Shankar University

He has 10 years experience in the field of Accounting and Taxation. He has worked for Utkal Solvent Extraction Pvt. Ltd. as General Manager (Accounts and Administration.

He look after Marketing of Sponge Iron and Steel of our Company.He joined our Company on April 01, 2002

His remuneration for the year ended March 31, 2005 was Rs. 176,265

9. **Mr. Y. C. RAO, Company Secretary**, 40 years, is a Fellow Member of the Institute of Company Secretaries of India and an Associate Member of the Institute of Cost and Works Accountants of India apart from being a Law Graduate from the University of Calcutta.

He started his career with M/s. Orient Paper and Industries Limited, one of the Birla Group of Companies and worked for two years as Incharge of Securities Department. He also worked for a Public Sector Undertaking M/s. Paradeep Phosphates Limited (a Joint Venture with the Government of Nauru) as Company Secretary for four years.

He is looking after all the Secretarial and Legal Compliances under various enactments and legal case relating to Central Excise and other Statutes. He joined our Company on March 01, 2005

His remuneration for the year ended March 31, 2005 was Rs. 15,000

- 10. Mr. P. K. Panda, GM (Ferro Alloys Division)**, 42 years, is a degree holder in Mechanical Engineering from Institute of Engineering (I) Kolkata.

He started his carrier as Engineer Trainee with M/s Kalinga Carbonated Ltd., Bhubaneshwar,(Orissa) a chemical processing plant. He has worked for graphite mines with graphite beneficiation plant for two years. He has worked in a Integrated Steel Plant named Sova Group of Industries, Durgapur (W.B) as project manager for three years.

He joined our Company on July 01, 2005 he is looking after the commissioning, Operation, Production & overall maintenance of the Ferro Alloys Project.

He did not receive any remuneration for the year ended March 31, 2005.

- 11. Mr. Rahul Karwal, Deputy Manager (Wire Drawing Division)**, 25 years, is a Degree holder in Mechanical Engineering from Raipur Institute of Technology, Raipur.

He started his career as with **Pahwa Chains Pvt. Ltd. (Chandigarh)**, A unit of AVON CYCLES, and worked for One Year.

He is associated with our Company since October 15, 2004 and looking after production, maintenance of the existing Wire Drawing Plant.

His remuneration for the year ended March 31, 2005 was Rs. 55,484

Key Managerial Personnel of Subsidiary/ Group Companies

All the abovementioned key managerial personnel are permanent employees of our Company. The remuneration of each of our key personnel is as per the statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

Shareholding of Key Managerial Personnel (If any)

None of our Key Managerial Employees hold any Equity Shares in our Company.

Bonus or Profit Sharing Plan for the Key Managerial Personnel

There are no bonus or profit sharing plan for our Key Managerial Employees.

Changes in the our key managerial personnel during the last one year

<u>Name of employee</u>	<u>Position Held</u>	<u>Date of Appointment</u>	<u>Date of Cessation</u>	<u>Reason</u>
Ms. Anshu Mundra	Company Secretary	25.08.2004	28.02.2005	Resignation
Mr. J.P. Tiwari	Vice President (Power)	01.02. 2005	Continuing	Appointed
Mr. S.K. Bothra	Vice President (Finance)	01.09.2005	Continuing	Appointed
Mr. Y. C. Rao	Company Secretary	01.03. 2005	Continuing	Appointed
Mr. P. K. Panda	General Manager (Ferro Alloys)	01.07.2005	Continuing	Appointed
Mr. Rahul Karwal	Deputy Manager (Wire Drawing)	15.10.2004	Continuing	Appointed

Employees Share Purchase Scheme/ Employee Stock Option Scheme

We do not have any stock option scheme or stock purchase scheme for our employees.

Payment or benefit to officers of our Company

Except statutory benefits upon termination of their employment in our Company or superannuation and except [•], no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

OUR PROMOTERS

The Promoters of our Company are:

Mr. B. L. Agrawal 	Mr. B. L. Agrawal, Chairman & Managing Director, aged 51 years, a qualified Electrical Engineer, son of Late Shri R. R. Agrawal. He has been in the Steel and Ferro Alloys industry since the past 27 years. Passport no: A-7652933 PAN no.: ACIPA4123E Voter ID no.: N.A Driving License No.: N.A Ration Card no.: N.A
Mr. H. P. Agrawal 	Mr. H. P. Agrawal, aged 47 years, a Commerce graduate, son of Late Shri R. R. Agrawal. He has vast experience in raw material procurement and civil construction Passport no: E-4442532 PAN No.: ACIPA2185Q Voter ID no.: N.A Driving License No.: N.A Ration Card no.: 24026
Mr. N.P. Agrawal 	Mr. Narayan Prasad Agrawal, aged 43 years, aCommerce graduate, son of Late Shri R.R. Agrawal.He has been associated with managning operations of ferro alloys business of the company and handling commercial and financial negotiations for raw material. Passport no: E-4443178 PAN No.: ACIPA2187N Voter ID no.: N.A Driving License No.: N.A Ration Card no.: 24026
Mr. Suresh Agrawal 	Mr. Suresh Agrawal, aged 36 years, a Commerce graduate, son of Late Shri R. S. Agrawal. He has vast commercial experience in cement and steel manufacturing and is knowledgeable about civil construction activities. Passport no: A-8737003 PAN No.: ACIPA2097B Voter ID no.: N.A Driving License No.: N.A Ration Card no.: 23969
Mr. Dinesh Agrawal	Mr. Dinesh Agrawal, Director, aged 33 years, a qualified Electrical

	Engineer, son of Late Shri R. S. Agrawal. He has been associated with all the technical aspects of setting up of Ferro Alloys unit and Steel Rolling mills in the past and is currently involved in implementation of Phase I and Phase II expansion. Passport no: B-1649655 PAN No.: AFHPA2667P Voter ID no.: N.A Driving License No.: N.A Ration Card no.: 23969
Mr. Sidharth Agrawal 	Mr. Sidharth Agrawal, aged 24 years, a Commerce graduate, son of Shri B. L. Agrawal. He has been associated with procurement of raw material and marketing of finished goods of group companies. Passport no: E-6814728 PAN No.: ADVPA6220E Voter ID no.: N.A Driving License No.: S/12048/R Ration Card no.: N.A

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to NSE and BSE at the time of filing this Draft Red Herring Prospectus with these Stock Exchange.

RELATED PARTY TRANSACTIONS

i) Related Parties

a) Subsidiary**

R.R.Ispat Limited

b) Associates

-- Hira Steels Ltd.
 -- Hira Ferro Alloys Ltd.
 -- Alok Ferro Alloys Ltd.
 -- Hira Industries Ltd.
 -- Shree Hira Exim Ltd.
 -- Jain Carbides & Chemicals Ltd.
 -- Raipur Complex.

c) Key Management Personnel

-- Shri B.L.Agrawal
 -- Shri Suresh Agrawal
 -- Shri Dinesh Agrawal

d) Relatives of Key Management Personnel**

-- Shri Siddarth Agrawal

ii) Transaction with Related Parties in the ordinary course of business (in lacs)

	Subsidiary*			Associates			Key Management personnel		
	2004-05	2003-04	2002-03	2004-05	2003-04	2002-03	2004-05	2003-04	2002-03
Purchase of Materials	302.61	N.A.	N.A.	854.90	671.05	310.12	0.00	0.00	0.00
Sale of Materials	3369.34	N.A.	N.A.	12170.98	7911.49	2301.99	0.00	0.00	0.00
Inter Corporate deposits accepted	0.00	N.A.	N.A.	0.00	0.00	263.50	0.00	0.00	0.00
Inter Corporate deposits repaid	0.00	N.A.	N.A.	0.00	0.00	263.50	0.00	0.00	0.00
Interest paid on intercorporate deposits	0.00	N.A.	N.A.	0.00	0.00	6.30	0.00	0.00	0.00
Rent paid for office premises	0.00	N.A.	N.A.	0.00	0.00	0.24	0.00	0.00	0.00
Service Charges Paid	0.00	N.A.	N.A.	18.19	0.00	0.00	0.00	0.00	0.00
Investment during the year	300.00	N.A.	N.A.	68.98	538.91	0.00	0.00	0.00	0.00
Repayment of Loans	0.00	N.A.	N.A.	316.91	0.00	0.00	0.00	0.00	0.00
Loans Received	0.00	N.A.	N.A.	0.00	538.91	0.00	0.00	0.00	0.00
Security Deposit Received	0.00	N.A.	N.A.	0.00	500.00	0.00	0.00	0.00	0.00
Remuneration Paid	0.00	N.A.	N.A.	0.00	0.00	0.00	3.00	0.00	0.00
Outstandings									
Receivables	259.86	N.A.	N.A.	0.00	432.28	100.53	0.00	0.00	0.00
Payables	0.00	N.A.	N.A.	507.50	41.14	93.60	0.00	0.00	0.00
Unsecured Loans	0.00	N.A.	N.A.	222.00	538.91	0.00	0.00	0.00	0.00
Security Deposit	0.00	N.A.	N.A.	500.00	500.00	0.00	0.00	0.00	0.00
Investments	614.90	N.A.	N.A.	292.99	538.91	0.00	0.00	0.00	0.00
* Subsidiary from 31st March,2005									
*** Salary Paid to relatives of Key Management Personnel							2.40	0.00	0.00

CURRENCY OF PRESENTATION

In this Draft Red Herring Prospectus, all references to “Rupees” “Rs.” are to the legal currency of India, all references to “U.S. Dollars”, and “US\$” are to the legal currency of the United States.

Any percentage amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Draft Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to, our earnings, capital requirements and overall financial condition. We have not paid any dividends to any of our Equity Share Holders till Financial Year 2003-2004. During the last Financial Year 2004-2005 our Company declared dividend of Rs. 1 per share and issued bonus equity shares in the ratio of 4:1 however, this is not indicative of our bonus or dividend policy in the future.

RESTATED FINANCIAL STATEMENTS

The Board of Directors

Godawari Power & Ispat Limited (formerly Ispat Godawari Limited)

428/2, Phase – I, Industrial Area

Siltara – 493111

Raipur, Chhattisgarh

Dear Sirs,

We have examined the financial information contained in the statements annexed to this report, which is proposed to be included in the offer document being issued by Godawari Power & Ispat Limited (formerly Ispat Godawari Limited) ("Company") in connection with the initial Public offer of equity shares in the Company to the public.

In accordance with the requirements of:

- a) Paragraph B(1) of Part II of Schedule II of the Companies Act, 1956,
- b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.
(‘Guidelines’) issued by the SEBI in pursuance of Section 11 of the SEBI Act, 1992,
- c) Instructions dated 30th June, 2005, received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer for sale of equity shares by the Godawari Power & Ispat Limited (formerly Ispat Godawari Limited).

We report that:

1. We have examined the attached restated Balance Sheets of the company as at March 31, 2005, 2004, 2003, 2002, and 2001 (Annexure-I) and the attached restated statement of Profit and Loss Account for the year ended March 31, 2005, 2004, 2003, 2002 and 2001 (Annexure-II), as prepared by the management and approved by The Board of Directors of the Company. Based on the our examination of these summary statements, we confirm that:
 - i. These statements reflect the profits and losses and assets and liabilities for each of the relevant periods as extracted from the audited Profit and Loss Account for the accounting years ended March 31, 2005, 2004, 2003, 2002 and 2001 and the audited Balance Sheets as at March 31, 2005, 2004, 2003, 2002 and 2001, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000. We have audited the Profit & Loss Account for the year ended March 31, 2005, 2004, 2003, 2002 and 2001 and Balance Sheet as at March 31, 2005, 2004, 2003, 2002 and 2001.
 - ii. The Adjustments to the ‘Summary Statements’ are enclosed as Annexure-III to this report.
 - iii. The Significant Accounting Policies adopted by the company are enclosed as Annexure-IV to this report.
 - iv. The Notes to the ‘Statement of adjusted Profit & Losses, As Restated’ and ‘Statement of adjusted Assets and Liabilities- As Restated’ are enclosed as Annexure-V to this report.

- v. The statement of dividend paid/proposed as on March 31, 2005 are enclosed as Annexure-VI to this report.
2. We have examined the 'Capitalization Statement' enclosed as Annexure-VII to this report and report that it correctly records the matters stated therein.
 3. We have examined the 'Statement of Accounting Ratios' of the Company for each of the financial years ended March 31, 2005, 2004, 2003, 2002 and 2001, enclosed as Annexure-VIII to this report and confirm that they have been correctly computed from the figures as stated in the 'Statements of adjusted Profit and Losses, As Restated' and 'Statement of adjusted Assets and Liabilities, As Restated' of the Company referred to in paragraph 1 above and read with the notes appended in Annexure-'IV'.
 4. We have examined the 'Statement of Tax Shelter' for the years ended March 31, 2005, 2004, 2003, 2002 and 2001 enclosed as Annexure-XIV to this report and report that, in our opinion it correctly reflects the 'Tax Shelter' for each of those years.
 5. We have examined the 'Cash-Flow Statement' in respect of each of the years ended March 31, 2005, 2004, 2003, 2002 and 2001 enclosed as Annexure-XVI to this report and confirm that, in our opinion, these statements have been prepared by the Company in accordance with the requirement of Accounting Standard 3 (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.
 6. We have also examined the following statements and the same have been found correct:
 1. Secured Loans - Annexure-IX
 2. Unsecured Loans - Annexure-X
 3. Sundry Debtors - Annexure-XI
 4. Loans and Advances - Annexure-XII
 5. Other Income - Annexure-XIII
 6. Commitments and Contingent Liabilities – Annexure-XV

We further report that the information mentioned in the items 2 - 6 above has been correctly computed from the figures as stated in the statements of adjusted Profit and Losses, as restated and adjusted Assets and Liabilities, as restated referred to in paragraph 1 above.

This report is intended solely for use for your information and for inclusion in the offer Document in connection with the initial public offer of equity shares of the Company and is not to be used, referred to or distributed for any purpose without our prior written consent.

For **O.P.Singhania & Co.,**
Chartered Accountants

O.P. Singhania
Partner
Membership No. 51909

Date: July 26, 2005
Place: Raipur

Annexure - I

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

The accompanying statement of Significant Accounting Policies (Annexure IV) and Notes to Summary Statements (Annexure V) is an integral part of this statement.

Particulars	Rs. in Mn				
	As at 31.03.2005	As at 31.03.2004	As at 31.03.2003	As at 31.03.2002	As at 31.03.2001
A. Fixed Assets					
Gross Block	650.37	632.98	451.22	195.22	1.56
Less: Depreciation	261.70	173.29	76.38	21.98	-
Net Block	388.67	459.69	374.84	173.24	1.56
Capital Work-in Progress (including incidental expenditure pending capitalisation / allocation)	654.97	35.38	71.07	109.98	171.36
	1,043.64	495.07	445.91	283.22	172.92
B. Investments	91.01	54.12	-	-	-
C. Current Assets, Loans and Advances					
Inventories	257.17	134.14	94.59	36.52	12.13
Sundry Debtors	80.46	49.93	20.21	22.67	-
Cash and Bank Balances	10.93	2.60	2.97	7.07	1.96
Loans and Advances	120.07	162.58	62.09	45.75	32.46
	468.63	349.25	179.86	112.01	46.55
Total Assets (A+B+C)	1,603.28	898.44	625.77	395.23	219.47
D. Liabilities and Provisions					
Secured Loans	759.17	310.79	265.28	107.12	-
Unsecured Loans	72.20	103.89	7.61	14.26	12.06
Current Liabilities	127.24	51.86	53.92	67.37	49.30
Provision for Taxation	2.91	1.50	1.30	-	-
Proposed Dividend & Tax thereon	4.03	-	-	-	-
	965.55	468.04	328.11	188.75	61.36
E. Deferred Tax Liability (Net)	-	-	-	-	-
F. Adjusted Net Worth (A+B+C-D-E)	637.73	430.40	297.66	206.48	158.11
Represented by					
G. Share Capital					
Equity Share Capital	161.49	32.05	25.56	10.70	7.18
Share Application Money	10.00	40.08	50.19	123.39	108.22
H. Reserves and Surplus					
General Reserve	100.00	-	-	-	-
Profit/ (Loss) brought forward from Profit and Loss Account	230.36	93.34	15.67	0.63	-
Share Premium	139.73	266.68	208.32	74.53	42.89
Less: Miscellaneous Expenditure (to the extent not written off or adjusted)	3.85	1.75	2.08	2.77	0.18
Adjusted Net Worth	637.73	430.40	297.66	206.48	158.11

Annexure – II

SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

The accompanying statement of Significant Accounting Policies (Annexure IV) and Notes to Summary Statements (Annexure V) is an integral part of this statement.

Rs. in Mn

Particulars	01.04.2004 to 31.03.2005	01.04.2003 to 31.03.2004	01.04.2002 to 31.03.2003	01.04.2001 to 31.03.2002	01.04.2000 to 31.03.2001
Income					
From Operations	1,913.46	1,227.27	677.84	361.36	-
Other Income	5.25	1.53	1.42	0.32	-
Increase/(Decrease) in stocks	13.23	12.86	(2.07)	14.60	-
Total Income	1,931.94	1,241.66	677.19	376.28	-
Expenses					
Operating Cost					
Raw Materials consumed	1,181.84	733.17	384.55	230.17	-
Purchase of Traded goods	-	2.85	3.83	-	-
Staff Cost	18.47	15.66	9.35	6.75	-
Stores & Spares Consumed	70.83	43.04	18.17	4.55	-
Power Charges	29.74	31.32	48.20	27.18	-
Other manufacturing expenses	20.73	18.87	9.21	6.93	-
Repair & maintenance to Plant & Machinery	23.96	16.98	12.92	9.34	-
Central Excise Duty	187.15	151.23	93.22	49.84	-
Sub-Total (A)	1,532.72	1,013.12	579.45	334.76	-
Repairs and Maintenance Others	1.05	0.27	0.37	0.39	-
Other Administrative Expenses	16.44	12.72	6.60	5.54	-
Other Selling Expenses	1.82	2.55	4.74	7.05	-
Interest/ Finance Charges	28.76	30.95	14.60	5.17	-
Depreciation	88.43	96.92	54.39	21.98	-
Miscellaneous Expenditure written off	0.79	0.79	0.70	0.70	-
Sub-Total (B)	137.29	144.20	81.40	40.83	-
Total Expenses (A) + (B)	1,670.01	1,157.32	660.85	375.59	-
Net Profit/ (Loss) before Provision for Tax and Exceptional Items	261.93	84.34	16.34	0.69	-
Less: Exceptional Items [Income/ (Expense)]	-	-	-	-	-
Net Profit/ (Loss) before Provision for Tax	261.93	84.34	16.34	0.69	-
Provision for Tax					
- Current Tax	20.50	6.50	1.30	0.06	-
- Deferred Tax (Net)	-	-	-	-	-
- Income Tax Related to Earlier Year	0.36	0.17	-	-	-
Net Profit/ (Loss) after Tax	241.07	77.67	15.04	0.63	-
Less: Adjustments (Net) (Refer Annexure III)	-	-	-	-	-
Adjusted Net Profit/ (Loss) After Tax	241.07	77.67	15.04	0.63	-

Balance of Profit/ (Loss) brought forward	93.34	15.67	0.63	-	-
Profit/ (Loss) Available for Appropriation	334.41	93.34	15.67	0.63	-
Proposed Dividend	3.58	-	-	-	-
Tax on Proposed Dividend	0.47	-	-	-	-
Transfer to General Reserve	100.00	-	-	-	-
Surplus/ (Deficit) carried to Balance Sheet	230.36	93.34	15.67	0.63	-

ADJUSTMENTS TO THE SUMMARY STATEMENTS

	Rs. in Mn				
	01.04.2004 to 31.03.2005	01.04.2003 to 31.03.2004	01.04.2002 to 31.03.2003	01.04.2001 to 31.03.2002	01.04.2000 to 31.03.2001
Net Profit after tax as per Summary of Profit and Loss Account Restated	241.07	77.67	15.04	0.63	-
Adjustment on account of:					
a. Deferred Tax (Net) as per Accounting Standard – 22 'Accounting for Taxes on Income'	-	-	-	-	-
b. Managerial Remuneration paid in excess of Schedule XIII limits	-	-	-	-	-
Total	-	-	-	-	-
Adjusted Net Profit/ (Loss) After Tax	241.07	77.67	15.04	0.63	-

SIGNIFICANT ACCOUNTING POLICIES**a) System of Accounting**

- i. The financial statements are prepared under the historical cost convention, on going concern concept and in compliance with the accounting standards issued by The Institute of Chartered Accountants of India
- ii. The Company follows mercantile system of accounting and recognizes income and expenditure on an accrual basis except those with significant uncertainties.

b) Fixed Assets

- i. Fixed Assets are stated at acquisition cost less depreciation. Cost includes taxes, duties, freight, installation and other direct or allocated expenses upto the date of commercial production and are net of CENVAT credit
- ii. The various expenditure incurred during the construction stage and upto the date of commercial production for setting-up the relevant project are grouped under the head "Pre-operative Expenditure" and allocated to related assets on pro-rata basis

c) Depreciation

- i. Depreciation is charged on Written Down Value Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956
- ii. Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.
- iii. Fixed Assets costing below Rs. 5000/- are fully depreciated in the year of acquisition itself.
- iv. Freehold land, leasehold land and site development expenditure are not depreciated/amortized.

d) Investments

- i. Long Term Investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.
- ii. Current Investments are stated at lower of cost and fair value.

e) Inventories

- i. Inventories are valued at lower of cost or net realizable value.
- ii. Cost of Raw Material is computed on a FIFO basis whereas Finished Goods is valued at Weighted Average Cost.
- iii. Cost of Finished Goods includes conversion and other cost incurred in bringing the inventories to their present location and condition.
- iv. Proceeds in respect of sales/disposal of raw materials is credited to the raw material purchase account.

f) Excise Duty

- i. The Excise Duty in respect of closing inventory of finished goods is provided in books of account and included as part of inventory.
- ii. CENVAT Credit relating to raw materials/components are debited under current assets for availing credit against CENVAT and credited to respective materials/component account.

g) Sales

Sales are accounted for inclusive of Excise Duty and Sales Tax but net of sales return.

h) Deferred Revenue Expenditure

In the case of new project expenditure incurred in respect of loan processing and documentation expenditure are written off in five equal annual installments.

i) Borrowing Cost

- a. Interest and other costs in connection with the borrowing of the funds to the extent related/attributed to the acquisition/construction of fixed assets are capitalized upto the date when such assets are ready for its intended use.
- b. During the year under review the Company has capitalized a sum of Rs.19,913,171/- (Previous Year Rs.7,831,114/-) in respect of cost of borrowings and added to the cost of related assets

j) Contingent Liabilities

Liabilities which are material and whose future outcome cannot be reasonably ascertained are treated as contingent and not provided for and disclosed by way of notes to the accounts.

k) Taxes on Income

Current Tax is determined as the amount of Tax/MAT payable in respect of taxable income/book profit for the year. Deferred Tax is recognized, subject to the consideration of prudence, on timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods

l) Foreign Currency Transactions

- i. Year end balance of foreign currency transactions is translated at the year end rates and the corresponding effects is given in the respective accounts. Transactions completed during the year are adjusted on actual basis.
- ii. In respect of transactions covered by Forward Foreign Exchange Contracts, the difference between the forward rate and exchange rate at the inception of contract is recognized as income or expenses over the life of the contract except for contracts relating to liabilities incurred for purchase of Fixed Assets, the difference thereof is adjusted in the carrying amount of respective Fixed Assets.

NOTES TO SUMMARY STATEMENT

1. Contingent Liabilities not provided for, are in respect of:
 - i. Counter Guarantees given to banks against Bank guarantees issued by the Company Banker aggregate to Rs.57.92 lacs (Previous Year Rs.20 lacs).
 - ii. Corporate Guarantees issued in favour of bank aggregating to Rs. 3670 lacs (Previous Year Nil) in respect of financing facilities granted to other body corporate
 - iii. Estimated amount of contracts remaining to be executed on capital accounts Rs.2000 lacs (Previous Year Rs.650 lacs)
2. Fixed Deposit receipts of Rs.5,945,000/- have been pledged as follows:
 - a) Rs.2,000,000/- with State Bank of India, Fafadih Branch, Raipur for availing the overdraft facility
 - b) Rs.5,000/- with Sales Tax Department as security deposit.
 - c) Rs.200,000/- with Canara Bank for availing bank guarantee.
 - d) Rs.3,740,000/- with State Bank of India, Commercial Branch, Raipur for availing bank guarantee and L.C.Margin.
3. During the year under review the Company has capitalized a sum of Rs.19,913,171/- (Previous Year Rs.7,831,114/-) in respect of cost of borrowings and added to the cost of related assets
4. In the opinion of the Board, the value of realisation of loans, advances and current assets in the ordinary course of business will not be less than the amount at which they are stated in the balance sheet
5. Amount of sundry debtors includes Rs.259.86 lacs (Previous Year Rs.425.54 lacs) debts due from the subsidiary company
6. Inventories and consumption of stores materials have been taken as valued and certified by the management
7. The Company has not received any information from any of the suppliers of their being a Small Scale Industrial Unit. Hence, the amount due to Small Scale Industrial Unit as on 31st March 2005 are not ascertainable
8. The previous year figures have been regrouped and/or rearranged wherever necessary.
9. No deferred tax liability/assets is provided for timing difference in depreciation in view of the benefits available u/s 80IA of the Income-tax Act for electricity generating unit of the company and overall minimum alternative tax payable.
10. Segment-wise revenue

Basis of preparation

 - i. Business segments of the company have been identified as distinguishable components that are engaged in a group of related product and that are subject to risks and returns different from other business segments. Accordingly Steel and Electricity have been identified as the business segments

- ii. The geographic segments identified as secondary segments are "Domestic Market" and "Export Market". Since there is no Export Market Revenue, the same has not been disclosed. The entire capital employed is within India

Information about business Segments-Primary							Rs.Lacs		
Particulars	Steel Segment			Electricity Segment			Total		
	2004-05	2003-04	2002-03	2004-05	2003-04	2002-03	2004-05	2003-04	2002-03
A) REVENUE									
External Sales	18681.08	12006.31	6767.67	363.50	266.44	24.92	19044.58	12272.75	6792.59
Inter Segment Sales	131.96	79.96	0.00	3462.62	2007.06	519.85	3594.58	2087.02	519.85
Segment Revenue	18813.04	12086.27	6767.67	3826.12	2273.50	544.77	22639.16	14359.77	7312.44
B) RESULTS									
Segment Operational Profit	851.40	360.03	168.07	2275.94	987.24	141.22	3127.34	1347.27	309.29
Un-allocable Income							5.29	15.24	14.22
Interest Expenses							(287.63)	(309.50)	(145.97)
Un-allocable Expenses							(225.69)	(209.66)	(14.21)
Income-tax Paid/Provided							(208.63)	(66.71)	(13.00)
Net Profit							2410.68	776.64	150.33
C) OTHER INFORMATION									
Segment Assets	8940.45	4952.07	3984.85	3651.99	2557.42	2300.04	12592.44	7509.49	6284.89
Un-allocable Assets							3440.60	1474.93	0.00
Total Assets							16033.04	8984.42	6284.89
Segment Liabilities and Provisions	650.15	250.30	1759.64	50.61	37.71	1527.83	700.76	288.01	3287.47
Un-allocable Liabilities and Provisions							641.20	255.5	0.00
Total Liabilities and Provisions							1341.96	543.51	3287.47

NOTE: The Company's power project went into commercial production w.e.f. 01.09.2002, therefore, the segment results have been given for the year 2002-03 onwards.

Annexure – VI

STATEMENT OF DIVIDEND PAID/ PROPOSED

Class of Shares	Face Value Rs./ Share	Rs. in Mn				
		01.04.2004 to 31.03.2005	01.04.2003 to 31.03.2004	01.04.2002 to 31.03.2003	01.04.2001 To 31.03.2002	01.04.2000 to 31.03.2001
Equity Shares	10					
Paid-Up Equity Share Capital (Rs. in Mn)		161.49	32.05	25.56	10.70	7.18
Interim Dividend (Rs. in Mn)		-	-	-	-	-
Final Dividend (Rs. in Mn)		-	-	-	-	-
Proposed Dividend (Rs. in Mn)		3.58	-	-	-	-
Dividend Tax (Rs. in Mn)		0.47	-	-	-	-
Interim Dividend (%)		-	-	-	-	-
Final Dividend (%)		-	-	-	-	-
Proposed Dividend (%)		10.00%	-	-	-	-

CAPITALISATION STATEMENT

Particulars	Pre-issue As at 31.03.2005	Adjusted for Present Issue
Borrowings:		
Short Term Debts (Refer Note 1 below)	76.30	
Long Term Debts (A)	755.07	
Total Debts	831.37	
Shareholders' Funds		
Equity Share Capital	161.49	-
Reserves and Surplus	470.09	-
Total Shareholders' Funds (B)	631.58	-
Total Capitalisation	1,462.95	-
Long Term Debt/ Equity Ratio (A)/ (B)	1.20	-

See Notes 2

Notes:

1. Short Term Debts are debts repayable within one year from the date of the above statement
2. The Equity Share Capital and Reserves and Surplus (Post Issue) can be calculated only on conclusion of the Book Building Process
3. As on 31.03.2005, share capital was increased from Rs.32.29 Mns to Rs.16.14 Mns by issue of Bonus shares in the ratio of 4 shares for every 1 share

ACCOUNTING RATIOS RESTATED

Particulars		01.04.2004 to 31.03.2005	01.04.2003 to 31.03.2004	01.04.2002 to 31.03.2003	01.04.2001 to 31.03.2002	01.04.2000 to 31.03.2001
(i) Basic EPS	Rs.	14.93	24.23	5.88	0.59	-
(ii) Cash EPS	Rs.	20.45	54.72	27.44	21.79	-
(iii) Net Asset Value Per Share	Rs.	39.49	134.29	116.46	192.97	220.21
(iv) Operating Margin	%	20.86%	18.62%	14.42%	11.49%	0.00%
(v) Return on Net Worth	%	37.80%	18.05%	5.05%	0.31%	0.00%
(vi) Return on Capital Employed	%	16.41%	9.19%	2.64%	0.19%	0.00%

Formulae:

- i. EPS represents basic earnings per share calculated as Adjusted Net Profit After Tax before exceptional items (PAT) divided by number of equity shares at the end of the fiscal year/period.
- ii. Cash EPS represents PAT for the year/ period plus non-cash charges divided by the number of equity shares at the end of the physical year/period. Non-cash charges comprise depreciation, provision for doubtful ground rent, provision for doubtful debts amortisation of miscellaneous expenditure and loss on sale of fixed assets.
- iii. Net Asset value per share, computed as per net equity method, is arrived at as Equity net worth at the end of the fiscal year/period minus miscellaneous expenses not written off and divided by the number of equity shares at the end of the fiscal year/period.
- iv. Operating Margin represents Gross Profit (Total Income - Staff Cost - Operating Costs) divided by Income from Operations.
- v. Return on Net Worth is arrived at by dividing PAT by total shareholders' funds (Net Worth) at the end of the fiscal year/ period
- vi. Return on Capital Employed is arrived at by dividing PAT by total shareholders' funds (Net Worth), Secured Loans and Unsecured Loans at the end of the fiscal year/ period.

Note:

Basic earning per share do not include weighted average of bonus shares which has been issued on 31.03.2005 by the company.

Annexure – IX

STATEMENT OF SECURED LOANS

Rs. in Mn

	As at 31.03.2005	As at 31.03.2004	As at 31.03.2003	As at 31.03.2002	As at 31.03.2001	Securities Offered	Interest Rate %	Terms of Repayment
SECURED LOANS								
Term Loans								
From Canara Bank (TL-I)	14.20	21.30	28.40	35.50	-	Refer Note 1 below	10.75%	20 equal quarterly instalments of Rs.17.75 Lacs from March' 02
From Canara Bank (TL-II)	51.94	69.34	86.74	21.91	-	Refer Note 1 below	10.75%	20 equal quarterly instalments of Rs.43.50 Lacs from March' 03
From Canara Bank (TL-III)	250.41	-	-	-	-	Refer Note 1 below	10.75%	20 equal quarterly instalments of Rs.125.25 Lacs from April' 06
From State Bank of India (TL-I)	58.80	78.40	98.14	28.44	-	Refer Note 1 below	10.75%	20 equal quarterly instalments of Rs.49.00 Lacs from June' 03
From State Bank of India (TL-II)	47.58					Refer Note 1 below	10.75%	60 equal monthly instalments of Rs.8.67 Lacs from Oct'05
From Syndicate Bank	167.00	-	-	-	-	Refer Note 1 below	12.00%	20 equal quarterly instalments of Rs.83.50 Lacs from April' 06
Cash Credit								
From Canara Bank	143.00	113.22	30.85	11.22	-	Refer Note 1 below	10.50%	
From State Bank of India	-	-	18.32	10.05	-	Refer Note 1 below	10.50%	
Foreign Currency Demand Loan from State Bank of India	26.24	27.54	-	-	-	Refer Note 1 below	6.75%	
	759.17	309.80	262.45	107.12	-			

Notes:

1. The Term Loan and Working Capital Facilities, granted under a consortium finance from Canara Bank, Raipur acting as a lead banker and State Bank of India, Commercial Branch, Raipur and Syndicate Bank, Raipur are secured by first mortgage by deposit of title deed of leasehold land and all the movable/immovable properties of the Company both present and future, ranking pari passu. The Working Capital Facilities including the foreign currency demand loan are also secured by hypothecation of inventories, book debts and other receivables. The above loans are secured by corporate guarantee of Hira Steels Limited, Hira Ferro Alloys Ltd. and Alok Ferro Alloys Ltd. and personal guarantee of the promoters and directors.

Annexure – X

STATEMENT OF UNSECURED LOANS

Rs. in Mn							
	As at 31.03.2005	As at 31.03.2004	As at 31.03.2003	As at 31.03.2002	As at 31.03.2001	Interest Rate %	Terms of Repayment
UNSECURED LOANS							
From Body Corporate	22.20	53.89	-	2.04	-	0%	Upto to 31.03.06
From Persons other than Bank	-	-	7.61	12.22	12.06	12%	
Security Deposit from Parties	50.00	50.00	-	-	-	0%	Long Term
	72.20	103.89	7.61	14.26	12.06		

STATEMENT OF SUNDRY DEBTORS

Particulars	Rs. in Mn				
	As at 31.03.2005	As at 31.03.2004	As at 31.03.2003	As at 31.03.2002	As at 31.03.2001
Debts Outstanding for a Period exceeding Six Months					
Considered Good	0.02	0.05	-	-	-
Considered Doubtful	-	-	-	-	-
Other Debts-Considered Good	80.44	49.88	20.21	22.67	-
Less: Provision for Doubtful Debts	-	-	-	-	-
	80.46	49.93	20.21	22.67	-

Notes:

1. The above include debts due from Related Parties.

Annexure – XII

STATEMENT OF LOANS AND ADVANCES

Rs. in Mn

Particulars	As at 31.03.2005	As at 31.03.2004	As at 31.03.2003	As at 31.03.2002	As at 31.03.2001
Advances recoverable in cash or kind or for value to be received					
- Due from Promoter	0	-	-	-	-
- Due from Directors	0	-	-	-	-
- Due from a Company in which Director is a member	0	-	-	-	-
- Others	78.39	144.54	40.84	31.44	17.53
Sub-Total	78.39	144.54	40.84	31.44	17.53
Share Application in Subsidiary Company	-	-	-	-	-
Security Deposits	6.23	10.65	11.24	7.77	3.85
Advance against Excise Duty	32.12	7.39	10.01	6.54	11.08
Total	116.74	162.58	62.09	45.75	32.46

Annexure – XIII

STATEMENT GIVING DETAILS OF OTHER INCOME

Particulars	Rs. in Mn					Nature of Income
	01.04.2004 to 31.03.2005	01.04.2003 to 31.03.2004	01.04.2002 to 31.03.2003	01.04.2001 to 31.03.2002	01.04.2000 to 31.03.2001	
Interest received	0.53	0.32	0.19	0.17	-	Recurring
Miscellaneous Income	4.72	1.21	1.23	0.15	-	Non-Recurring
	5.25	1.53	1.42	0.32	-	

Note:

The classification of income into recurring and non-recurring is based on the current operations and business activity of the Company

TAX SHELTER STATEMENT

	Rs. in Mn				
	01.04.2004 to 31.03.2005	01.04.2003 to 31.03.2004	01.04.2002 to 31.03.2003	01.04.2001 to 31.03.2002	01.04.2000 to 31.03.2001
Net Profit/ (Loss) Before Tax and Exceptional Items	261.93	84.34	16.34	0.69	-
Add: Adjustment for Managerial Remuneration (as per Annexure III)	-	-	-	-	-
(A)	261.93	84.34	16.34	0.69	-
Income Tax Rates:					
- Normal Tax Rates Applicable (%)	36.59%	35.875%	36.75%	35.70%	39.55%
- Minimum Alternate Tax (MAT) Rates Applicable u/s 115 JA/ JB (%)	7.84%	7.688%	7.875%	7.65%	8.48%
Tax at Normal Income Tax Rates	95.85	30.26	6.00	0.25	-
Tax at MAT Rates (B)	20.54	6.48	1.29	0.05	-
Adjustments:					
Expenses Disallowed	-	-	-	-	-
Deduction u/s 80 (IA) [Power Plant]	(261.93)	(84.34)	(16.34)	(0.69)	-
Total Permanent Differences (C)	(261.93)	(84.34)	(16.34)	(0.69)	-
Timing Differences					
Difference between Tax Depreciation and Book Depreciation	-	-	-	-	-
Total Timing Differences (D)	-	-	-	-	-
Net Adjustments (C) + (D)	(261.93)	(84.34)	(16.34)	(0.69)	-
Tax Saving thereon	(95.85)	(30.26)	(6.00)	(0.25)	-
Total Taxation Provision at Normal Income Tax Rates for the year (E)	-	-	-	-	-
Taxation on Exceptional Items	-	-	-	-	-
Tax Provision before Exceptional Items	-	-	-	-	-
Tax Payable [higher of (B) or (E)]	20.54	6.48	1.29	0.05	-
Tax Provision as per Books	20.50	6.50	1.30	0.06	-
Difference	0.04	(0.02)	(0.01)	(0.01)	-

Notes:

1. According to the provisions of Section 80-IA of the Income Tax Act, 1961, of India ("the Income Tax Act") the company is eligible for tax holiday under the Income Tax Act in respect of the Power Plant activities. Consequently, the Income-tax liability has been determined under Minimum Alternate Tax" pursuant to Section 115 JB of the Income Tax Act.

COMMITMENTS AND CONTINGENT LIABILITIES**Rs. in Mn**

Particulars	As at 31.03.2005	As at 31.03.2004	As at 31.03.2003	As at 31.03.2002	As at 31.03.2001
COMMITMENTS					
Estimated amount of contracts remaining to be executed on capital account and not provided for	200.00	65.00	6.00	40.00	90.00
CONTINGENT LIABILITIES					
Bank Guarantees issued by the company's banker	5.79	2.00	2.00	-	-
Demand by CSEB disputed by the Co.	-	-	-	0.98	
TOTAL	205.79	67.00	8.00	40.98	90.00

Annexure – XVI

Cash Flow Statement prepared from the restated financial statements for the year ended March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001

Rs. in Mn

		1.4.2004 to 31.3.2005	1.4.2003 to 31.3.2004	1.4.2002 to 31.3.2003	1.4.2001 to 31.3.2002	1.4.2000 to 31.3.2001
A. Cash flow from operating activities:						
Profit/ (Loss) After Exceptional Item and Before Taxation		241.07	77.67	15.04	0.63	-
Adjustment for:						
Depreciation		88.43	96.92	54.39	21.98	-
Interest Expense		28.76	30.95	14.60	5.17	-
Interest Income		(0.53)	(0.32)	(0.19)	(0.17)	-
Misc. Expenses written off		0.79	0.79	0.70	0.70	-
Profit/Loss on Sale of fixed assets		0.00	-	-	-	-
Operating profit before working capital changes		358.52	206.01	84.54	28.31	-
Adjustments for change in working capital:						
- Decrease/(Increase) in Inventories		(123.03)	(39.55)	(58.07)	(24.39)	(12.13)
- Decrease/ (Increase) in Sundry Debtors		(30.53)	(29.72)	2.46	(22.67)	-
- Decrease/ (Increase) in Loans and Advances		42.51	(100.49)	(16.34)	(13.29)	(32.46)
- Increase/ (Decrease) in Trade and Other Payables		75.38	(2.06)	(13.45)	18.07	49.30
Cash generated from operations		322.85	34.19	(0.86)	(13.97)	4.71
- Taxes Paid		19.45	6.30	-	-	-
Net cash from operating activities	(A)	303.40	27.89	(0.86)	(13.97)	4.71
B. Cash flow from investing activities:						
Purchase of Fixed Assets/Capital WIP		(637.03)	(146.08)	(216.18)	(132.29)	(128.73)
Purchase of Shares		(36.89)	(54.12)	-	-	-
Preliminary Expenditure		(3.85)	(1.75)	(2.08)	(2.77)	(0.18)
Interest Received		0.53	0.32	0.19	0.17	-
Net cash used in investing activities	(B)	(677.24)	(201.63)	(218.07)	(134.89)	(128.91)
C. Cash flow from financing activities:						
Subscription to Equity Shares Capital		99.36	(3.62)	(58.34)	18.69	115.40
Borrowing/ (Repayment) of Secured Loans		448.38	45.51	158.16	107.12	-
Unsecured Loans		(31.69)	96.28	(6.65)	2.20	12.06
Interest Paid		(28.76)	(30.95)	(14.60)	(5.17)	-
Net cash used in financing activities	(C)	487.29	107.22	78.57	122.84	127.46
Net Increase/ (Decrease) in Cash and Cash Equivalents	(A+B+C)	113.45	(66.52)	(140.36)	(26.02)	3.26
Cash and Cash Equivalents at the beginning of the year		2.60	2.97	7.07	1.96	0.19
Cash and Cash Equivalents at the year-end/ period-end		10.93	2.60	2.97	7.07	1.96
Net Increase/ (Decrease) in Cash and Cash Equivalents		8.33	(0.37)	(4.10)	5.11	1.77

Cash and Cash Equivalents comprise:						
Cash on Hand		0.23	0.27	0.45	1.48	1.32
Balances with Scheduled Banks on:						
- in Current Accounts		4.76	0.23	0.02	3.49	0.03
- in Deposit Account		5.94	2.10	2.50	2.10	0.61
Cash and Cash equivalents as at year-end/ period-end		10.93	2.60	2.97	7.07	1.96

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard - 3 'Cash Flow Statements' issued by the Institute of Chartered Accountants of India.
2. Previous year's figures have been regrouped/ rearranged wherever necessary.

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GODAWARI POWER & ISPAT LIMITED (FORMERLY ISPAT GODAWARI LIMITED) ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GODAWARI POWER & ISPAT LIMITED AND ITS SUBSIDIARY R.R.ISPAT LIMITED

1. We have examined the attached consolidated balance sheet of Godawari Power & Ispat Limited (formerly Ispat Godawari Limited) and its subsidiary, as at 31st March 2005 and also the consolidated profit and loss account and also the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Godawari Power & Ispat Limited. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the management of Godawari Power & Ispat Limited in accordance with the requirements of Accounting Standard (AS) 21, Consolidated financial statements, issued by the Institute of Chartered Accountants of India subject to:
 - (i) *No effect has been given for accounting of Investments in Associates in the Consolidated Financial Statements in accordance with Accounting Standard (AS) 23 – "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. [Refer principal of consolidation No.1 (e)].*
 - (ii) *No effect has also been ascertained on account of difference in Accounting Policy between holding and subsidiary in respect of depreciation as required Accounting Standard (AS) 21. [Refer Accounting Policy No.2(c) (i)].*
4. On the basis of the information and explanations given to us, we are of the opinion that, except for the effect, if any, on account of possible adjustments stated above.
 - (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Godawari Power & Ispat Limited (formerly Ispat Godawari Limited) and its subsidiaries as at 31st March, 2005;
 - (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Godawari Power & Ispat Limited (formerly Ispat Godawari Limited) and its subsidiaries for the year ended, and
 - (c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flow of Godawari Power & Ispat Limited (formerly Ispat Godawari Limited) and its subsidiaries for the year ended on that date.

For **OPSinghania & Co.**
Chartered Accountants,
O.P.Singhania
Partner

Place: Raipur
Date: 26.07.2005

Consolidated Balance Sheet as at 31st March 2005

	SCHE- DULE	AS AT 31ST MARCH, 2005 Rs.
SOURCES OF FUNDS		
A. SHAREHOLDERS' FUNDS		
(a) Share Capital	A	149,490,000
(b) Share Application Money		10,000,000
(c) Reserves & Surplus	B	489,369,515
		648,859,515
B. MINORITY INTEREST		32,837,533
C. LOAN FUNDS		
(a) Secured Loans	C	847,831,310
(b) Unsecured Loans	D	80,328,522
		928,159,832
D. DEFERRED TAX LIABILITIES (NET)		14,160,462
TOTAL		1,624,017,342
APPLICATION OF FUNDS		
A. FIXED ASSETS	E	
(a) Gross Block		821,854,810
(b) Less: Depreciation		298,778,022
(c) Net Block		523,076,788
(d) Capital WIP & Pre-operative Expenses		655,335,577
		1,178,412,365
B. INVESTMENTS	F	30,725,260
C. GOODWILL		4,383,406
D. CURRENT ASSETS, LOANS & ADVANCES		
(a) Inventories	G	320,422,541
(b) Sundry Debtors	H	89,254,506
(c) Cash & Bank Balances	I	14,056,203
(d) Loans & Advances	J	133,800,659
		557,533,910
Less : Current Liabilities & Provisions		
(a) Current Liabilities	K	142,022,044
(b) Provisions	L	8,868,226
		150,890,270
Net Current Assets		406,643,640
E. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		3,852,672
TOTAL		1,624,017,342
NOTES TO FINANCIAL STATEMENTS	U	

Consolidated Profit & Loss Account For The Year Ended 31st March 2005

	SCHEDULE	FOR THE YEAR ENDED 31ST MARCH 2005
INCOME		
Sales	M	2,593,717,547
Other Income	N	5,283,066
Increase/(Decrease) in Stocks	O	41,923,925
TOTAL		2,640,924,538
EXPENDITURE		
Raw Materials Consumed	P	1,710,195,401
Manufacturing Expenses	Q	190,535,954
Purchase of Traded Goods		-
Central Excise Duty & Cess		268,633,513
Payments to & Provisions for Employees	R	21,257,392
Selling Administration & Other Expenses	S	27,079,893
Financial Charges	T	38,435,144
Depreciation		99,520,491
TOTAL		2,355,657,788
PROFIT FOR YEAR BEFORE TAXATION		285,266,750
Less : Provision for Current Income Tax		22,415,000
Less : Provision for Deferred Income Tax		8,983,546
Less : Income Tax related to earlier year		363,466
PROFIT FOR THE YEAR AFTER TAXATION		253,504,738
Less : Minority Interest		6,039,349
Less : Pre-acquisition Profit/(Loss)		6,486,892
Add : Balance brought forward		93,336,751
BALANCE AVAILABLE FOR APPROPRIATION		334,315,248
Proposed Dividend		3,574,985
Tax on Proposed Dividend		467,206
Transfer to General Reserve		100,000,000
BALANCE CARRIED TO BALANCE SHEET		230,273,057
		334,315,248
NOTES TO FINANCIAL STATEMENTS	U	

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

		FOR THE YEAR ENDED 31ST MARCH, 2005 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax		285,266,750
ADJUSTMENTS FOR:		
Depreciation		99,492,635
Misc. Expenses Written off (Net)		788,107
Interest Charges		38,220,993
Interest Received		(536,109)
(Profit)/Loss on sale of Fixed Assets		803
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		423,233,178
ADJUSTMENTS FOR:		
(Increase)/Decrease in Receivables and Advances		(17,602,557)
(Increase)/Decrease in Inventories		(149,852,429)
Increase/(Decrease) in Trade payables		130,777,939
CASH GENERATED FROM OPERATION		386,556,131
Direct Taxes Paid/Deducted at Source		(20,111,126)
NET CASH FROM OPERATING ACTIVITIES	A	366,445,005
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets/Capital Expenditure		(657,333,714)
Sale of Fixed Assets		597,168
Interest received		536,109
(Increase)/Decrease in Investments		(7,909,260)
NET CASH USED IN INVESTING ACTIVITIES	B	(664,109,697)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of equity shares including premium		2,500,000
Proceeds/(Payment) of Long Term Borrowings from Banks		420,890,016
Proceeds/(Payment) of Short Term Borrowings from Banks		19,126,337
Proceeds/(Payment) of Short Term Borrowings to Others		(46,737,478)
Refund of Share Application Money		(52,084,000)
Interest Charges		(38,220,993)
NET CASH FLOW FROM FINANCING ACTIVITIES	C	305,473,882
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)		7,809,190
Cash and Cash Equivalents at the beginning of the year		6,247,013
Cash and Cash Equivalents at the end of the year		14,056,203

Notes:

1. Cash and Cash Equivalents include Cash and Bank Balances & Deposits with Bank.
2. Interest charges excludes interest capitalised Rs.19,913,171 (previous year Rs.7,831,114).

CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS

		AS AT 31st MARCH 2005 Rs.
SCHEDULE 'A': SHARE CAPITAL		
Authorised		
275,00,000 Equity Shares of Rs 10/- each		275,000,000
32,00,000 9% Non cumulative redeemable Preference Shares of Rs 10/- each		32,000,000
		307,000,000
Issued, Subscribed & Paid up		
149,49,000 Equity Shares of Rs 10/- each fully paid up (Out of the above 119,59,200 Shares were allotted as fully paid up Bonus Shares by capitalisation of Share Premium Account)		149,490,000
		149,490,000
SCHEDULE 'B': RESERVES & SURPLUS		
<u>Capital Reserve</u>		
Central Capital Subsidy		500,000
<u>General Reserve</u>		
As per last Balance Sheet	-	
Add : Addition during the year	100,000,000	100,000,000
<u>Share Premium Account</u>		
As per last Balance Sheet	266679000	
Add : Addition during the year	11509458	278,188,458
		278,188,458
Less : Capitalised by way of issue of bonus shares		119,592,000
		158,596,458
Profit & Loss Account		230,273,057
		489,369,515
SCHEDULE 'C': SECURED LOANS		
TERM LOAN		
- From Canara Bank		316,551,534
- From State Bank Of India		106,379,456
- From Syndicate Bank		167,000,000
- From Oriental Bank of Commerce		30,663,806
WORKING CAPITAL LOAN		
- From Canara Bank		143,003,003
- From State Bank Of India (Foreign Currency Loan)		26,237,700
- From Oriental Bank of Commerce		57,995,811
		847,831,310

(The Term Loan and Working Capital Facilities, granted under a consortium finance from Canara Bank, Raipur acting as a lead banker and State Bank of India, Commercial Branch, Raipur and Syndicate Bank, Raipur are secured by first mortgage by deposit of title deed of leasehold land and all the movable/immovable properties of the Company both present and future, ranking pari passu. The working capital facilities including the foreign currency demand loan are also secured by hypothecation of inventories, book debts and other receivables. The above loans are additionally secured by corporate guarantee of Hire Steels Limited, Hira Ferro Alloys Ltd. and Alok Ferro Alloys Ltd. and personal guarantee of the promoters and directors)

(The Term Loan granted by Oriental Bank of Commerce, Raipur in respect of subsidiary company is secured by first charge over entire immovable and movable assets of the company present and future and working capital facilities are secured by hypothecation of company's entire stocks of raw materials, finished goods, stock in process, consumable stores and book debts of the company. The aforesaid loans are also secured by personal guarantees of promoters).

SCHEDULE 'D': UNSECURED LOANS	
From body Corporate	29,253,522
Security Deposits from parties	51,075,000
	80,328,522

SCHEDULE 'E': FIXED ASSETS

	Gross Block				Depreciation				Net Block
	As at 01.04.2004 Rs	Addition during the year Rs	Deduction during the year Rs	As at 31.03.2005 Rs	Up to 31.03.2004 Rs	For the Year Rs	Adjustment during the year Rs	Up to 31.03.2005 Rs	As at 31.03.2005 Rs
Freehold Land	3284225	7343500	0	10627725	0	0	0	0	10627725
Leasehold Land	4190254	1156505	0	5346759	0	0	0	0	5346759
Site Development	756083	807036	0	1563119	0	0	0	0	1563119
Factory Shed & Building	71352299	665554	0	72017853	11019705	5411083	0	16430788	55587065
Plant & Machinery	699212263	21097325	583168	719726420	186365047	92348504	27856	278685695	441040725
Furniture & Fixtures	1444979	487764	0	1932743	361908	317274	0	679182	1253561
Vehicles	7386583	3294108	40500	10640191	1564424	1443630	25697	2982357	7657834
Total	787626686	34851792	623668	821854810	199311084	99520491	53553	298778022	523076788
Capital Work in Progress	35387939	619947638	0	655335577	0	0	0	0	655335577

SCHEDULE 'F': INVESTMENTS	
LONG TERM INVESTMENTS	
Unquoted (At Cost) (Fully Paid up)	
2240100 Equity Shares of Rs 10/- each in Hira Steels Ltd	22,401,000
26850 Equity Shares of Rs 10/- each in Chhattishgarh Power & Coal Benification Ltd.	1,111,000
14000 Equity Shares of Rs 10/- each in Hira Power & Alloys Ltd	140,000
2500 Equity Shares of Rs 10/- each in Raipur Infrastructure Co. Pvt.Ltd.	25,000
48913 Equity Shares of Rs 100/- each in Hira Industries Ltd	978,260
190000 Equity Shares of Rs 10/- each in Shree Hira Exim Ltd	2,280,000
52000 Equity Shares of Rs 10/- each in Hira Ferro Alloys Ltd	3,640,000
10000 Equity Shares of Rs 10/- each in Maruti Clean Coal & Power Ltd.	100,000
5000 Equity Shares of Rs 10/- each in Chhattisgarh Minerals Purification Ltd	50,000
	30,725,260
SCHEDULE 'G': INVENTORIES	
Raw Materials	203,274,944
Finished Goods & By Products	87,905,444
Stores & Spares	29,242,153
	320,422,541
SCHEDULE 'H': SUNDRY DEBTORS (Unsecured, Considered Good)	
Debts outstanding for a period exceeding six months	3,030,341
Other Debts	86,224,165
	89,254,506
SCHEDULE 'I': CASH & BANK BALANCES	
Cash in hand (as certified by the management)	3,348,619
Balances with Scheduled Banks	
- In Current Account	4,757,584
- In Deposit Account	5,950,000
	14,056,203
SCHEDULE 'J': LOANS & ADVANCES	
Advance recoverable in cash or in kind or for value to be received	88,358,845
Deposits with Govt & Others	8,260,844
Other Current Assets	3,662,459
Advance against Excise Duty	33,518,511
	133,800,659
SCHEDULE 'K ': CURRENT LIABILITIES	
Creditors for Goods, Services & Expenses	40,413,421
Creditors for Capital Goods	31,142,123
Other Liabilities	14,533,779
Advance excess payments and credit balances of parties	51,201,153
Interest accrued but not due on Term Loan	4,731,568
	142,022,044
SCHEDULE 'L': PROVISIONS	
Provision for Taxation	4,826,035
Provision for Proposed Dividend	3,574,985
Provision for Tax on Proposed Dividend	467,206
	8,868,226

	FOR THE YEAR ENDED 31ST MARCH, 2005 Rs.
SCHEDULE 'M': SALES	
Sale of Finished Goods	2,497,269,008
Sale of By Products	57,814,694
Sale of Electricity	21,913,035
Conversion Charges & other revenues	16,720,810
	2,593,717,547
SCHEDULE 'N': OTHER INCOME	
Interest Received	536,109
Miscellaneous Income	4,746,957
	5,283,066
SCHEDULE 'O': INCREASE/(DECREASE) IN STOCKS	
Closing Stock	
Finished Goods	72,762,411
By Products	15,143,033
	87,905,444
Opening Stock	
Finished Goods	34,316,796
By Products	11,664,723
	45,981,519
Increase/(Decrease) in the Stocks	41,923,925
SCHEDULE 'P': RAW MATERIALS CONSUMED	
Opening Stock	212,153,801
Add : Purchases	1,757,413,561
	1,969,567,362
Less : Disposal	56,097,017
Closing Stock	203,274,944
	259,371,961
Net Raw materials Consumed	1,710,195,401
SCHEDULE 'Q': MANUFACTURING EXPENSES	
Stores & Spares Consumed	103,568,139
Power Charges	37,466,265
Other Manufacturing Expenses	20,648,326
Water Charges	3,524,676
Repairs & Maintenance to Plant & Machinery	25,328,548
	190,535,954
SCHEDULE 'R': PAYMENTS TO AND PROVISIONS FOR EMPLOYEES	
Salaries, Wages and Other benefits	18,050,292
Contribution to Provident and other funds	1,731,848
Welfare Expenses	1,475,252
	21,257,392

FOR THE YEAR ENDED 31ST MARCH, 2005 Rs.	
SCHEDULE 'S': SELLING, ADMINISTRATION & OTHER EXPENSES	
Repairs to Building and Others	1,303,032
Traveling & Conveyance Expenses (includes Directors traveling Rs.699496/-)	5,081,113
Communication Expenses	2,729,452
Printing & Stationery	1,022,581
Rebate, Shortage claims and other deductions	786,407
Miscellaneous Expenses	5,992,980
Rent, Rates & Taxes	3,265,357
Sales Commission	1,251,544
Insurance Charges	1,475,329
Legal, Professional & Consultancy	1,915,948
Directors' Remuneration	1,056,000
Carriage Outward Expenses	416,391
Preliminary Expenses Written Off	36,871
Loan Processing & Documentation Exp Written Off	746,888
	27,079,893
SCHEDULE 'T': FINANCIAL CHARGES	
Interest on Term Loan	41,359,421
Interest on Working Capital Loan	14,500,291
Interest to Others	167,441
Bank Charges & Commission	2,321,162
	58,348,315
Less : Interest Capitalised	19,913,171
	38,435,144

SCHEDULE 'U'

1. PRINCIPAL OF CONSOLIDATION:

The Consolidated Financial Statements relate to the Godawari Power & Ispat Limited (formerly Ispat Godawari Limited) ("the Company") and its Subsidiary Company R.R.Ispat Limited. The consolidated financial statements have been prepared on the following basis:

- a) The Financial Statements of the company and its subsidiary company have been combined on a line-by-line basis by adding together the book values of items like assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profit or losses in accordance with the Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- b) The difference between the cost of investment in the subsidiary, over the net assets at the time of acquisition of shares in the subsidiary is recognized in the financial statements as goodwill or capital reserve as the case may be.
- c) Minority interest in the net assets of the consolidated subsidiary consist of:

- i) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
 - ii) The minorities' share of movements in equity since the date the parent subsidiary relationship came into existence
- d) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the company's separate financial statements except in respect of depreciation as referred in Accounting Policy No. 2(c)(i).
- e) In case of associates where the company directly or indirectly through subsidiary holds more than 20% of equity, the effect of investments in associates are not accounted for in accordance with Accounting Standard (AS) 23 - "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- f) The extent of interest in the subsidiary company was 51.44% as on March 31, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

a) System of Accounting

- i. The financial statements are prepared under the historical cost convention, on going concern concept and in compliance with the accounting standards issued by The Institute of Chartered Accountants of India
- ii. The Company follows mercantile system of accounting and recognizes income and expenditure on an accrual basis except those with significant uncertainties.

b) Fixed Assets

- i. Fixed Assets are stated at acquisition cost less depreciation. Cost includes taxes, duties, freight, installation and other direct or allocated expenses up to the date of commercial production and are net of CENVAT credit
- ii. The various expenditure incurred during the construction stage and up to the date of commercial production for setting-up the relevant project are grouped under the head "Pre-operative Expenditure" and allocated to related assets on pro-rata basis

c) Depreciation

- i. Depreciation is charged on Written Down Value Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956 but in case of subsidiary depreciation on fixed assets is charged on Straight Line Method at the rates specified in schedule XIV of the Companies Act, 1956.
- ii. Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.
- iii. Fixed Assets costing below Rs. 5000/- are fully depreciated in the year of acquisition itself.
- iv. Freehold land, leasehold land and site development expenditure are not depreciated/amortized.

d) Investments

- i. Long Term Investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.
- ii. Current Investments are stated at lower of cost and fair value.

e) Inventories

- i. Inventories are valued at lower of cost or net realizable value.
- ii. Cost of Raw Material is computed on a FIFO basis whereas Finished Goods is valued at Weighted Average Cost.
- iii. Cost of Finished Goods includes conversion and other cost incurred in bringing the inventories to their present location and condition.
- iv. Proceeds in respect of sales/disposal of raw materials is credited to the raw material purchase account.

f) Excise Duty

- i. The Excise Duty in respect of closing inventory of finished goods is provided in books of account and included as part of inventory.
- ii. CENVAT Credit relating to raw materials/components are debited under current assets for availing credit against CENVAT and credited to respective materials/component account.

g) Sales

- i. Sales are accounted for inclusive of Excise Duty and Sales Tax but net of sales return.
- ii. Income arising from services is accounted for inclusive of service tax and is shown separately as part of turnover.

h) Deferred Revenue Expenditure

In the case of new project expenditure incurred in respect of loan processing and documentation expenditure are written off in five equal annual installments.

i) Borrowing Cost

- a. Interest and other costs in connection with the borrowing of the funds to the extent related/attribution to the acquisition/construction of fixed assets are capitalized up to the date when such assets are ready for its intended use.
- b. During the year under review the Company has capitalized a sum of Rs.19,913,171/- (Previous Year Rs.7,831,114/-) in respect of cost of borrowings and added to the cost of related assets

j) Contingent Liabilities

Liabilities which are material and whose future outcome cannot be reasonably ascertained are treated as contingent and not provided for and disclosed by way of notes to the accounts.

k) Taxes on Income

Current Tax is determined as the amount of Tax/MAT payable in respect of taxable income/book profit for the year. Deferred Tax is recognized, subject to the consideration of prudence, on timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods

l) Foreign Currency Transactions

- i. Year-end balance of foreign currency transactions is translated at the year end rates and the corresponding effects is given in the respective accounts. Transactions completed during the year are adjusted on actual basis.
- ii. In respect of transactions covered by Forward Foreign Exchange Contracts, the difference between the forward rate and exchange rate at the inception of contract is

recognized as income or expenses over the life of the contract except for contracts relating to liabilities incurred for purchase of Fixed Assets, the difference thereof is adjusted in the carrying amount of respective Fixed Assets.

3. The name of the Company has been changed from Ispat Godawari Limited to Godawari Power & Ispat Limited vide fresh Certificate of Incorporation consequent on change of name issued by the Registrar of Companies, M.P. & Chhattisgarh on 20th June, 2005.
4. Contingent Liabilities not provided for, are in respect of:-
 - i. Counter Guarantees given to banks against Bank guarantees issued by the Company Banker aggregate to Rs.57.92 lacs
 - ii. In respect of demand from Central Excise Duty Rs.11.70 lacs, Commercial Tax Rs.2.69 lacs and Entry Tax Rs.2.42 lacs against which the company has preferred appeal before higher authorities
 - iii. Corporate Guarantees issued in favour of bank aggregating to Rs. 3670 lacs in respect of financing facilities granted to other body corporate
 - iv. Estimated amount of contracts remaining to be executed on capital accounts Rs.2000 lacs
5. Goodwill amounting to Rs.44.90 lacs has arisen on consolidation of accounts between Godawari Power & Ispat Limited (formerly Ispat Godawari Limited) and its subsidiary R.R.Ispat Ltd. Such goodwill represents excess of cost of its investments over its share of equity on the date of acquisition.
6. Fixed Deposit receipts of Rs.5,945,000/- have been pledged as follows:
 - a. Rs.2,000,000/- with State Bank of India, Fafadih Branch, Raipur for availing the overdraft facility
 - b. Rs.10,000/- with Sales Tax Department as security deposit
 - c. Rs.200,000/- with Canara Bank for availing bank guarantee
 - d. Rs.3,740,000/- with State Bank of India, Commercial Branch, Raipur for availing bank guarantee and L.C.Margin
7. In the opinion of the Board, the value of realisation of loans, advances and current assets in the ordinary course of business will not be less than the amount at which they are stated in the balance sheet
8. Amount of sundry debtors includes Rs.7.73 lacs debts due from the companies in which directors are interested
9. Inventories and consumption of stores materials have been taken as valued and certified by the management
10. The Company has not received any information from any of the suppliers of their being a Small Scale Industrial Unit. Hence, the amount due to Small Scale Industrial Unit as on 31st March 2005 are not ascertainable
11. No deferred tax liability/assets is provided for timing difference in depreciation in view of the benefits available u/s 80IA of the Income-tax Act for electricity generating unit of the company and overall minimum alternative tax payable

12. Miscellaneous expenses includes, payment to Auditors (including service tax, as applicable)

	2004-05
Towards Audit Fees	220400
Towards Tax Audit fees	38570
Towards certification works	15902
Towards taxation matters	30550

13. Related party disclosures, as required by Accounting Standard-18, "Related Party Disclosures" issued by The Institute of Chartered Accountants of India are given below:

i) Related Parties	
a) Associates -- Hira Steels Ltd. -- Hira Ferro Alloys Ltd. -- Alok Ferro Alloys Ltd. -- Hira Industries Ltd. -- Shree Hira Exim Ltd. -- Jain Carbides & Chemicals Ltd. -- Hira Power & Alloys Ltd. -- Jagdamba Power & Alloys Ltd.	b) Key Management Personnel -- Shri B.L.Agrawal -- Shri Suresh Agrawal -- Shri Dinesh Agrawal c) Relatives of Key Management Personnel*** -- Shri Siddarth Agrawal

NOTE: Related party relationship is as identified by the company and relied upon by the auditors

ii) Transaction with Related Parties in the ordinary course of business (in lacs)

	Associates	Key Management Personnel	Relative of Key Management Personnel
Purchase of Materials	854.90	0.00	0.00
Sale of Materials	12412.76	0.00	0.00
Service Charges Paid	24.43	0.00	0.00
Water Charges Paid	0.96	0.00	0.00
Purchase of Fixed Assets	1.41	0.00	0.00
Investment during the year	68.98	0.00	0.00
Repayment of Loans	316.91	0.00	0.00
Loans Received	400.00	0.00	0.00
Security Deposit Received	0.00	0.00	0.00
Remuneration Paid	0.00	8.40	0.00
Salary Paid	0.00	0.00	2.40
Out standings as on 31.03.2005			
Receivables	16.39	0.00	0.00
Payables	507.50	0.00	0.00
Unsecured Loans	222.00	0.00	0.00
Security Deposit	500.00	0.00	0.00
Investments	292.99	0.00	0.00

14. Segment wise Revenue

Basis of preparation:

- i. Business segments of the company have been identified as distinguishable components that are engaged in a group of related product and that are subject to risks and returns different from other business segments. Accordingly Steel and Electricity have been identified as the business segments.
- ii. The geographic segments identified as secondary segments are "Domestic Market" and "Export Market". Since there is no Export Market Revenue, the same has not been disclosed. The entire capital employed is within India.

Information about business Segments- Primary			Rs. Lacs
Particulars	Steel Segment	Electricity Segment	Total
A) REVENUE			
External Sales	25543.91	136.05	25679.96
Inter Segment Sales	131.96	3462.62	3594.58
Segment Revenue	25675.87	3598.67	29274.54

B) RESULTS			
Segment Operational Profit	1011.78	2275.94	3287.72
Un-allocable Income			172.84
Interest Expenses			(382.21)
Un-allocable Expenses			(225.69)
Income-tax Paid/Provided			(227.78)
Deferred Tax Adjustment (Net)			(89.84)
Minority Interest			(81.64)
Pre-acquisition Profit			(87.37)
Net Profit			2366.03

C) OTHER INFORMATION			
Segment Assets	11177.02	3651.99	14829.01
Goodwill			43.83
Un-allocable Assets			2837.71
Total Assets			17710.55
Segment Liabilities and Provisions	807.74	50.61	858.35
Minority Interest			328.38
Un-allocable Liabilities and Provisions			641.20
Total Liabilities and Provisions			1827.93

FINANCIAL STATEMENTS OF PROPOSED SUBSIDIARIES

JAGDAMBA POWER AND ALLOYS LIMITED

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

The accompanying statement of Significant Accounting Policies (Annexure IV) and Notes to Summary Statements (Annexure V) is an integral part of this statement.

Rs. in Million

Particulars	As at 31.03.2005	As at 31.03.2004	As at 31.03.2003	As at 31.03.2002	As at 31.03.2001
A. Fixed Assets					
Gross Block	4.93	-	-	-	-
Less: Depreciation	-	-	-	-	-
Net Block	4.93	-	-	-	-
Capital Work-in Progress(including incidental expenditure pending capitalisation / allocation)	0.19	-	-	-	-
	5.12	-	-	-	-
B. Investments	-	-	-	-	-
C. Current Assets, Loans and Advances					
Inventories	-	-	-	-	-
Sundry Debtors	-	-	-	-	-
Cash and Bank Balances	1.54	0.05	0.05	0.01	0.02
Loans and Advances	23.84	0.56	0.38	0.38	0.38
	25.38	0.61	0.43	0.39	0.40
Total Assets (A+B+C)	30.50	0.61	0.43	0.39	0.40
D. Liabilities and Provisions					
Secured Loans	-	-	-	-	-
Unsecured Loans	-	-	-	-	-
Current Liabilities	0.01	0.01	-	-	-
	0.01	0.01	-	-	-
E. Deferred Tax Liability (Net)	-	-	-	-	-
F. Adjusted Net Worth (A+B+C-D-E)	30.49	0.60	0.43	0.39	0.40
Represented by					
G. Share Capital					
Equity Share Capital	0.51	0.51	0.51	0.01	0.01
Share Application Money	30.06	0.16	0.01	0.46	0.46
H. Reserves and Surplus					
General Reserve	-	-	-	-	-
Profit/ (Loss) brought forward from Profit and Loss Account	(0.08)	(0.07)	(0.08)	(0.05)	(0.03)
Share Premium	-	-	-	-	-
Less: Miscellaneous Expenditure (to the extent not written off or adjusted)	-	-	0.01	0.03	0.04
Adjusted Net Worth	30.49	0.60	0.43	0.39	0.40

SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

The accompanying statement of Significant Accounting Policies (Annexure IV) and Notes to Summary Statements (Annexure V) is an integral part of this statement

Particulars	Rs. in Million				
	01.04.2004 to 31.03.2005	01.04.2003 to 31.03.2004	01.04.2002 to 31.03.2003	01.04.2001 to 31.03.2002	01.04.2000 to 31.03.2001
Income					
From Operations	-	-	-	-	-
Other Income	-	0.07	-	-	-
Increase/(Decrease) in stocks	-	-	-	-	-
Total Income	-	0.07	-	-	-
Expenses					
Operating Cost					
Staff Cost	-	-	-	-	-
Sub-Total (A)	-	-	-	-	-
Other Administrative Expenses	0.01	0.05	0.02	0.01	0.01
Interest/ Finance Charges	-	-	-	-	-
Depreciation	-	-	-	-	-
Miscellaneous Expenditure written off	-	0.01	0.01	0.01	0.01
Sub-Total (B)	0.01	0.06	0.03	0.02	0.02
Total Expenses (A) + (B)	0.01	0.06	0.03	0.02	0.02
Net Profit/ (Loss) before Provision for Tax and Exceptional Items	(0.01)	0.01	(0.03)	(0.02)	(0.02)
Less: Exceptional Items [Income/ (Expense)]	-	-	-	-	-
Net Profit/ (Loss) before Provision for Tax	(0.01)	0.01	(0.03)	(0.02)	(0.02)
Provision for Tax					
- Current Tax	-	-	-	-	-
- Deferred Tax (Net)	-	-	-	-	-
- Income Tax Related to Earlier Year	-	-	-	-	-
Net Profit/ (Loss) after Tax	(0.01)	0.01	(0.03)	(0.02)	(0.02)
Less: Adjustments (Net) (Refer Annexure III)	-	-	-	-	-
Adjusted Net Profit/ (Loss) After Tax	(0.01)	0.01	(0.03)	(0.02)	(0.02)
Balance of Profit/ (Loss) brought forward	(0.07)	(0.08)	(0.05)	(0.03)	(0.01)
Profit/ (Loss) Available for Appropriation	(0.08)	(0.07)	(0.08)	(0.05)	(0.03)
Transfer to General Reserve	-	-	-	-	-
Surplus/ (Deficit) carried to Balance Sheet	(0.08)	(0.07)	(0.08)	(0.05)	(0.03)

AUDITORS' REPORT

The Board of Directors
Jagdamba Power And Alloys Limited
Hira Arcade, New Bus Stand,
Pandri,
Raipur, Chhattisgarh-492001

Re: Initial Public offer of Equity Shares of Godawari Power & Ispat Limited (formerly Ispat Godawari Limited)

Dear Sirs,

We have examined the financial information contained in the statements annexed to this report, which is proposed to be included in the offer document being issued by Godawari Power & Ispat Limited (formerly Ispat Godawari Limited) ("Company") in connection with the initial Public offer of equity shares in the Company to the public.

In accordance with the requirements of:

- d) Paragraph B(1) of Part II of Schedule II of the Companies Act, 1956,
- e) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.
(‘Guidelines’) issued by the SEBI in pursuance of Section 11 of the SEBI Act, 1992,
- f) Instructions dated 30th June, 2005, received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer for sale of equity shares by the Godawari Power & Ispat Limited (formerly Ispat Godawari Limited).

We report that:

1. We have examined the attached restated Balance Sheets of the company as at March 31, 2005, 2004, 2003, 2002, and 2001 (Annexure-I) and the attached restated statement of Profit and Loss Account for the year ended March 31, 2005, 2004, 2003, 2002 and 2001 (Annexure-II), as prepared by the management and approved by The Board of Directors of the Company. Based on the our examination of these summary statements, we confirm that:
 - i. These statements reflect the profits and losses and assets and liabilities for each of the relevant periods as extracted from the audited Profit and Loss Account for the accounting years ended March 31, 2005, 2004, 2003, 2002 and 2001 and the audited Balance Sheets as at March 31, 2005, 2004, 2003, 2002 and 2001, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000. We have audited the Profit & Loss Account for the year ended March 31, 2005, 2004, 2003, 2002 and 2001 and Balance Sheet as at March 31, 2005, 2004, 2003, 2002 and 2001.
 - ii. The Adjustments to the ‘Summary Statements’ are enclosed as Annexure-III to this report.
 - iii. The Significant Accounting Policies adopted by the company are enclosed as Annexure-IV to this report.

- iv. The Notes to the 'Statement of adjusted Profit & Losses, As Restated ' and 'Statement of adjusted Assets and Liabilities- As Restated' are enclosed as Annexure-V to this report.
- v. The statement of dividend paid/proposed as on March 31, 2005 are enclosed as Annexure-VI to this report.
- 2. We have examined the 'Capitalization Statement' enclosed as Annexure-VII to this report and report that it correctly records the matters stated therein.
- 3. We have examined the 'Statement of Accounting Ratios' of the Company for each of the financial years ended March 31,2005, 2004, 2003, 2002 and 2001, enclosed as Annexure-VIII to this report and confirm that they have been correctly computed from the figures as stated in the 'Statements of adjusted Profit and Losses, As Restated' and 'Statement of adjusted Assets and Liabilities, As Restated' of the Company referred to in paragraph 1 above and read with the notes appended in Annexure-'IV'.
- 4. We have examined the 'Statement of Tax Shelter' for the years ended March 31, 2005, 2004, 2003, 2002 and 2001 enclosed as Annexure-XIV to this report and report that, in our opinion it correctly reflects the 'Tax Shelter' for each of those years.
- 5. We have examined the 'Cash-Flow Statement' in respect of each of the years ended March 31, 2005, 2004, 2003, 2002 and 2001 enclosed as Annexure-XVI to this report and confirm that, in our opinion, these statements have been prepared by the Company in accordance with the requirement of Accounting Standard 3 (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.
- 6. We have also examined the following statements and the same have been found correct:
 - 7. Secured Loans - Annexure-IX
 - 8. Unsecured Loans - Annexure-X
 - 9. Sundry Debtors - Annexure-XI
 - 10. Loans and Advances - Annexure-XII
 - 11. Other Income - Annexure-XIII
 - 12. Commitments and Contingent Liabilities – Annexure-XV

We further report that the information mentioned in the items 2 - 6 above has been correctly computed from the figures as stated in the statements of adjusted Profit and Losses, as restated and adjusted Assets and Liabilities, as restated referred to in paragraph 1 above.

This report is intended solely for use for your information and for inclusion in the offer Document in connection with the initial public offer of equity shares of the Company and is not to be used, referred to or distributed for any purpose without our prior written consent.

For OPSinghania & Co.,
Chartered Accountants

O.P. Singhania
Partner
Membership No. 51909

Date: July26,2005
Place: Raipur

SAGAR ENERGY AND STEELS LIMITED

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

The accompanying statement of Significant Accounting Policies (Annexure IV) and Notes to Summary Statements (Annexure V) is an integral part of this statement.

Particulars	Rs. in Million As at 31.03.2005
A. Fixed Assets	
Gross Block	3.37
Less: Depreciation	-
Net Block	3.37
Capital Work-in Progress(including incidental expenditure pending capitalisation / allocation)	0.07
	3.44
B. Investments	-
C. Current Assets, Loans and Advances	
Inventories	-
Sundry Debtors	-
Cash and Bank Balances	0.38
Loans and Advances	29.80
	30.18
Total Assets (A+B+C)	33.62
D. Liabilities and Provisions	
Secured Loans	-
Unsecured Loans	6.72
Current Liabilities	3.27
	9.99
E. Deferred Tax Liability (Net)	-
F. Adjusted Net Worth (A+B+C-D-E)	23.63
Represented by	
G. Share Capital	
Equity Share Capital	0.50
Share Application Money	23.15
H. Reserves and Surplus	
General Reserve	-
Profit/ (Loss) brought forward from Profit and Loss Account	-
Share Premium	-
Less: Miscellaneous Expenditure	0.02
(to the extent not written off or adjusted)	
Adjusted Net Worth	23.63

SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

The accompanying statement of Significant Accounting Policies (Annexure IV) and Notes to Summary Statements (Annexure V) is an integral part of this statement

Particulars	Rs. in Million 10.11.2004 to 31.03.2005
Income	
From Operations	-
Other Income	-
Increase/(Decrease) in stocks	-
Total Income	-
Expenses	
Operating Cost	
Staff Cost	-
Sub-Total (A)	-
Other Administrative Expenses	-
Interest/ Finance Charges	-
Depreciation	-
Miscellaneous Expenditure written off	-
Sub-Total (B)	-
Total Expenses (A) + (B)	-
Net Profit/ (Loss) before Provision for Tax and Exceptional Items	-
Less: Exceptional Items [Income/ (Expense)]	-
Net Profit/ (Loss) before Provision for Tax	-
Provision for Tax	
- Current Tax	-
- Deferred Tax (Net)	-
- Income Tax Related to Earlier Year	-
Net Profit/ (Loss) after Tax	-
Less: Adjustments (Net) (Refer Annexure III)	-
Adjusted Net Profit/ (Loss) After Tax	-
Balance of Profit/ (Loss) brought forward	-
Profit/ (Loss) Available for Appropriation	-
Transfer to General Reserve	-
Surplus/ (Deficit) carried to Balance Sheet	-

AUDITORS' REPORT

**The Board of Directors
Sagar Energy And Steels Limited**

Hira Arcade, New Bus Stand,
Pandri,
Raipur, Chhattisgarh-492001

Re: Initial Public offer of Equity Shares of Godawari Power & Ispat Limited (formerly Ispat Godawari Limited)

Dear Sirs,

We have examined the financial information contained in the statements annexed to this report, which is proposed to be included in the offer document being issued by Godawari Power & Ispat Limited (formerly Ispat Godawari Limited) ("Company") in connection with the initial Public offer of equity shares in the Company to the public.

In accordance with the requirements of:

- g) Paragraph B(1) of Part II of Schedule II of the Companies Act, 1956,
- h) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.
(‘Guidelines’) issued by the SEBI in pursuance of Section 11 of the SEBI Act, 1992,
- i) Instructions dated 30th June, 2005, received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the initial public offer for sale of equity shares by the Godawari Power & Ispat Limited (formerly Ispat Godawari Limited).

We report that:

1. We have examined the attached restated Balance Sheets of the company as at March 31, 2005 (Annexure-I) and the attached restated statement of Profit and Loss Account for the Period ended March 31,2005 (as the company has incorporated on 10th November,2004 therefore the statement of account has been prepared from the date of incorporation to 31st March,2005) (Annexure-II), as prepared by the management and approved by The Board of Directors of the Company. Based on the our examination of these summary statements, we confirm that:
 - i. These statements reflect the profits and losses and assets and liabilities for the relevant periods as extracted from the audited Profit and Loss Account for the period ended March 31,2005 and the audited Balance Sheets as at March 31, 2005, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000. We have audited the Profit & Loss Account for the period ended March 31, 2005 and Balance Sheet as at March 31, 2005.
 - ii. The Adjustments to the ‘Summary Statements’ are enclosed as Annexure-III to this report.
 - iii. The Significant Accounting Policies adopted by the company are enclosed as Annexure-IV to this report.

- iv. The Notes to the 'Statement of adjusted Profit & Losses, As Restated ' and 'Statement of adjusted Assets and Liabilities- As Restated' are enclosed as Annexure-V to this report.
- v. The statement of dividend paid/proposed as on March 31, 2005 are enclosed as Annexure-VI to this report.
- 2. We have examined the 'Capitalization Statement' enclosed as Annexure-VII to this report and report that it correctly records the matters stated therein.
- 3. We have examined the 'Statement of Accounting Ratios' of the Company for the financial years ended March 31,2005 enclosed as Annexure-VIII to this report and confirm that they have been correctly computed from the figures as stated in the 'Statements of adjusted Profit and Losses, As Restated' and 'Statement of adjusted Assets and Liabilities, As Restated' of the Company referred to in paragraph 1 above and read with the notes appended in Annexure-'IV'.
- 4. We have examined the 'Statement of Tax Shelter' for the years ended March 31, 2005 enclosed as Annexure-XIV to this report and report that, in our opinion it correctly reflects the 'Tax Shelter' for each of those years.
- 5. We have examined the 'Cash-Flow Statement' in respect of the period ended March 31, 2005 enclosed as Annexure-XVI to this report and confirm that, in our opinion, these statements have been prepared by the Company in accordance with the requirement of Accounting Standard 3 (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.
- 6. We have also examined the following statements and the same have been found correct:
- 7. Secured Loans - Annexure-IX
- 8. Unsecured Loans - Annexure-X
- 9. Sundry Debtors - Annexure-XI
- 10. Loans and Advances - Annexure-XII
- 11. Other Income - Annexure-XIII
- 12. Commitments and Contingent Liabilities – Annexure-XV

We further report that the information mentioned in the items 2 - 6 above has been correctly computed from the figures as stated in the statements of adjusted Profit and Losses, as restated and adjusted Assets and Liabilities, as restated referred to in paragraph 1 above.

This report is intended solely for use for your information and for inclusion in the offer Document in connection with the initial public offer of equity shares of the Company and is not to be used, referred to or distributed for any purpose without our prior written consent.

For OPSinghania & Co.,
Chartered Accountants

O.P. Singhania
Partner
Membership No. 51909
Date : July 26,2005
Place : Raipur

GROUP COMPANIES

1. Hira Ferro Alloys Limited

Hira Ferro Alloys Limited was incorporated as Parin Commercials Limited on December 31, 1984 and was granted certificate of commencement of business on January 8, 1985. On May 21, 1990, the name of the company was changed to Hira Ferro Alloys Limited. The registered office of the company is situated at 567 - B, Urla Industrial Area, Raipur, Chhatisgarh 493221. Hira Ferro Alloys Limited is engaged in the business of manufacturing Ferro Alloys.

Shareholding Pattern

The shareholding pattern of Hira Ferro Alloys Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Esquire Tea Plantation & Industries Limited	755,000	19.27
2.	Hira Steels Ltd.	190,000	4.85
3.	Arya Bhatt Sales Pvt Ltd.	125,700	3.21
4.	Velkan Vinimay Pvt. Ltd.	114,200	2.91
5.	Topgrain Management Pvt. Ltd	107,000	2.73
6.	Konark Commerce & Investment Ltd.	107,000	2.73
7.	Maa Santoshi International Ltd.	107,000	2.73
8.	Mrs. Agrawal Gita Devi	97,500	2.49
9.	Rajgaria Industrial Equip. Pvt. Ltd.	95,700	2.44
10.	Gazal Textile & Finance Pvt. Ltd.	85,700	2.19
11.	Imtiyan Merchant Pvt. Ltd.	85,700	2.19
12.	Others	2,047,200	52.26
Total		3,917,700	100.00

Board of Directors

The Board of Directors of Hira Ferro Alloys Limited as of March 31, 2005 are:

1. Mr. N. P. Agrawal
2. Mr. B. L. Agrawal
3. Mr. Y. C. Rao
4. Mr. C. M. Tripathi
5. Mr. Umesh Agrawal
6. Mr. Kapil Agrawal

Financial Performance

Particulars	(Rs. in Mn)		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	114.42	259.36	297.60
PAT	0.39	14.66	12.84
Equity Capital (Face value of Rs. 10 per share)	19.18	19.18	39.18
Reserves (excluding revaluation reserve)	39.75	49.33	179.81
EPS (Rs.)	0.20	7.64	3.28
Book Value/Share (Rs.)	28.07	35.72	55.90

Hira Ferro alloys Limited is listed on the Delhi Stock Exchange Association Limited (DSE) and Madhya Pradesh Stock Exchange, Indore (MPSE).

As per communication received from DSE vide letter no. DSE/LIST/6435/INR/149, the stock is not traded since April 1, 1993. The same holds for MPSE. However, no communication is available from them.

2. Alok Ferro Alloys Limited

Alok Ferro Alloys Limited was incorporated as Hira Ferro Alloys Private Limited on February 26, 1987. On April 25, 1990, the name of the company was changed to Alok Ferro Alloys Private Limited. This name was further changed to Alok Ferro Alloys Limited on September 21, 1992. The registered office of the company is situated at 458/1, Urla Industrial Area, Raipur, Chhatisgarh 493221. Alok Ferro Alloys Limited is engaged in the manufacturing of Ferro Alloys.

Shareholding Pattern

The shareholding pattern of Alok Ferro Alloys Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1	Mrs. Nisha Agrawal	638,000	17.36
2	Mr. Gopal Prasad Agrawal	560,010	15.23
3	Mr. Hanuman Prasad Agrawal (HUF)	279,000	7.59
4	Mr. J. P. Agrawal	253,000	6.88
5	Mrs. Sita Devi Agrawal	227,000	6.18
6	Mr. Amit Agrawal	200,000	5.44
7	Mr. Narayan Prasad Agrawal	147,510	4.01
8	Mr. Alok Agrawal	137,700	3.75
9	Narayan Prasad Agrawal (HUF)	129,000	3.51
10	Welkan Vinimay Pvt. Ltd.	75,000	2.04
11	Mr. B. L. Agrawal (HUF)	72,000	1.96
12	Others	958,000	26.05
	TOTAL	3,676,220	100.00

Board of Directors

The Board of Directors of Alok Ferro Alloys Limited as of March 31st, 2005 are:

1. Mr. B. L. Agrawal
2. Mr. G. P. Agrawal
3. Mr. T. Bose
4. Mr. Ajay Ahluwalia

Financial Performance

Particulars	(Rs. in Mn)		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	192.08	284.57	299.55
PAT	4.87	1.11	1.30
Equity Capital (Face value of Rs. 10 per share)	29.76	29.76	36.76
Reserves (excluding revaluation reserve)	31.95	31.95	104.18
EPS (Rs.)	1.63	0.37	3.53
NAV/Share (Rs.)	19.09	19.46	38.33

3. Hira Power and Alloys Limited

Hira Power and Alloys Limited was incorporated on January 29, 2003. The registered office of the company is situated at Hira Arcade, Near New Bus Stand, Pandri, Raipur, Chhatisgarh 492001. The company has not yet started any commercial activities.

Shareholding Pattern

The shareholding pattern of Hira Power and Alloys Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Godawari Power and Ispat Ltd..	10,000	20.00
2.	Hira Ferro Alloys Ltd.	10,000	20.00
3.	Alok Ferro Alloys Ltd.	10,000	20.00
4.	Jain Carbide and Chemicals Limited	10,000	20.00
5.	Shree Hira Exim Ltd.	4,000	8.00
6.	R. R. Ispat Ltd.	4,000	8.00
7.	Mr. B. L. Agrawal	2,000	4.00
	TOTAL	50,000	100.00

Board of Directors

The Board of Directors of Hira Power and Alloys Limited as of March 31, 2005 are:

1. Mr. B. L. Agrawal
2. Mr. N. P. Agrawal
3. Mr. Alok Agrawal
4. Mr. Dinesh Agrawal
5. Mr. H. P. Agrawal

Financial Performance

(Rs. in Mn)

Particulars	As at and for the year ended	
	March 31, 2004	March 31, 2005
Sales and Other Income	-	-
PAT	-	-
Equity Capital (Face value of Rs. 10 per share)	0.50	0.50
Reserves (excluding revaluation reserve)	-	-
EPS (Rs.)	-	-
NAV/Share (Rs.)	10.00	10.00

4. Jagdamba Power and Alloys Limited

Jagdamba Power and Alloys Limited was incorporated as Vinay Ispat Limited on September 16, 1999. The Certificate of commencement of business was received on November 29, 1999. On January 14, 2002 the name of the company was changed to Hira Bio Fuels Limited. Further, the name of the company was changed to Jagdamaba Power and Alloys Limited on April 16, 2004. The registered office of the company is situated at Hira Arcade, New Bus Stand, Pandri, Raipur, Chhatisgarh 492001. Jagdamaba Power and Alloys Limited is setting up a pig iron manufacturing unit and a captive power plant. The company is in the process of setting up its manufacturing facilities and has yet not commenced commercial operations.

Our Company proposes to invest in 51% of Jagdamba's proposed equity of Rs. 350 Mn and subsequently make it a subsidiary.

Shareholding Pattern

The shareholding pattern of Jagdamaba Power and Alloys Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1	Mr. H. P. Agrawal	45,100	88.95
2	Hira Industries Limited	5,000	9.91
3	Mrs. Nisha Agrawal	100	0.19
4	Mr. Manohar Khatri	100	0.19
5	Mr. Firoz Khan	100	0.19
6	Mr. S. N. Agrawal	100	0.19
7	Mr. M. K. Gupta	100	0.19
8	Mrs. Reena Agrawal	100	0.19
	Total	50,700	100.00

Board of Directors

The Board of Directors of Jagdamaba Power and Alloys Limited as of March 31, 2005 are:

1. Mr. J. P. Agrawal
2. Mr. S. K. Bothra
3. Mr. Alok Agrawal
4. Mr. R. K. Singhania

Financial Performance

(Rs. in Mn)

Particulars	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	-	0.07	-
PAT	(0.03)	-	(0.01)
Equity Capital (Face value of Rs. 10 per share)	0.51	0.51	0.51
Reserves (excluding revaluation reserve)	-	-	-
EPS (Rs.)	(0.52)	0.07	(0.14)
NAV/Share (Rs.)	8.19	8.52	8.38

5. Hira Steels Limited

Hira Steels Limited was incorporated as Hira Ispat Limited on August 16, 1994. On June 5, 1995, the name of the Company was changed to Hira Steels Limited. The registered office of the Company is situated at 720/1, Rawabhata Industrial Area, Raipur, Chhatisgarh 49322. Hira Steels Limited is engaged in the business of manufacturing, processing and trading of iron and steel products like Wire Rods and HB Wires.

Shareholding Pattern

The shareholding pattern of Hira Steels Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	M/s Ram Richpal Agrawal HUF	1,800,000	18.72
2.	Canara Bank	1,600,000	16.64
3.	Mrs. Sita Devi Agrawal	1,000,000	10.40
4.	Godawari Power & Ispat Limited	640,100	6.66
5.	M/s J. P. Agrawal HUF	614,000	6.39
6.	Mr. J.P. Agrawal	212,600	2.21

7.	Mr. H.P. Agrawal	200,100	2.08
8.	M/s N.P. Agrwal HUF	200,000	2.08
9.	Mrs. Mamta Nath	200,000	2.08
10.	Mr. Amit Agrawal	189,500	1.97
11.	Shree Hira Exim Ltd.	117,500	1.22
12.	Mrs. Sita Devi Agrawal	115,000	1.20
13.	M/s H. P. Agrawal HUF	100,000	1.04
14.	Others	2,627,150	27.31
	Total	9,615,950	100.00

Board of Directors

The Board of Directors of Hira Steels Limited as of March 31, 2005 are:

1. Mr. B. L. Agrawal
2. Mr. Amit Agrawal
3. Mr. Ajay Ahluwalia

Financial Performance

Particulars	(Rs. in Mn)		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	1117.99	1116.02	1678.04
PAT	4.36	4.12	2.78
Equity Capital (Face value of Rs. 10 per share)	96.16	96.16	96.16
Reserves (excluding revaluation reserve)	45.30	49.42	52.19
EPS (Rs.)	0.45	0.43	0.29
NAV/Share (Rs.)	14.70	15.13	15.42

6. R. R. ISPAT LTD.

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

Shareholding Pattern

The shareholding pattern of R. R. Ispat Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Godawari Power & Ispat Limited	1,200,000	51.44
2.	Mrs. Sarita Agrawal	72,600	3.11
3.	Mrs. Kanika Agrawal	37,500	1.61
4.	Mrs. Rashmi Agrawal	37,500	1.61
5.	M/s. Saraf Metalizing Industries Pvt. Ltd.	40,000	1.71
6.	Shashanko Commotrade Pvt. Ltd.	48,750	2.09
7.	Puffco Merchants Pvt. Ltd.	180,000	7.72
8.	Gunjan Agency Pvt. Ltd.	39,000	1.67
9.	Pujam Sales and Services Pvt. Ltd.	60,000	2.57
10.	Kajal Merchandise Pvt. Ltd.	78,750	3.38
11.	Imtihan Distributors Pvt. Ltd.	75,000	3.22

12.	Protocon Commerce Pvt. Ltd.	108,750	4.66
13.	Atlanta Commodities Pvt. Ltd.	37,500	1.61
14.	Sarvottam Commercial Pvt. Ltd.	75,000	3.22
15.	Mr. Om Prakash Agrawal	137,000	5.87
16.	Mrs. Raj Devi Agrawal	33,000	1.41
17.	M/s Ekta Metals Pvt. Ltd.	50,000	2.14
18.	Kaushal Consultancy & Trading Pvt. Ltd.	20,000	0.86
19.	Others	2400	0.10
	TOTAL	2,332,750	100

Board of Directors

The Board of Directors on the Board of R. R. Ispat Limited as of March 31, 2005 are:

1. Mr. Suresh Agrawal
2. Mr. Dinesh Agrawal
3. Mr. S. Mahendru
4. Mr. Arvind Dubey

Financial Performance

(Rs. in Mn)

Particulars	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	532.41	614.50	1041.40
PAT	3.01	2.45	12.64
Equity Capital (Face value of Rs. 10 per share)	11.33	11.33	23.33
Reserves (excluding revaluation reserve)	11.91	14.36	45.00
EPS (Rs.)	1.68	2.16	5.42
Book Value/Share (Rs.)*	20.48	22.67	29.29

* Net of miscellaneous expenditure to the extent not written off.

Net Worth = Paid up Equity capital + Reserves (excluding revaluation reserves) – Accumulated Losses – Deferred Expenditure to the extent not written off

EPS = PAT/No. of Equity Shares outstanding at the end of year

NAV = Net Worth/ No. of Equity Shares outstanding at the end of year

7. Chattisgarh Power and Coal Beneficiation Limited

Chattisgarh Power and Coal Beneficiation Limited was incorporated on February 6, 2003. The registered office of the company is situated at Hira Arcade, Pandri, Near New Bus stand, Raipur, Chhatisgarh. Chattisgarh Power and Coal Beneficiation Limited is engaged in the business of coal beneficiation.

Shareholding Pattern

The shareholding pattern of Chattisgarh Power and Coal Beneficiation Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Maruti Clean Coal and Power Ltd.	228,000	49.57
2.	Peekay Vanijya Pvt. Ltd.	50,000	10.87
3.	Deepraj Vinimay Pvt. Ltd.	50,000	10.87
4.	Spin Packaging Ltd.	26,850	5.84
5.	Best Advisory Pvt. Ltd.	25,000	5.43

6.	Imtihan Merchants Pvt. Ltd.	20,000	4.35
7.	R. R. Ispat Ltd.	16,850	3.66
8.	Gupta Coalfields & Washeries Ltd.	10,000	2.18
9	Godawari Power and Ispat Ltd..	10,000	2.18
10	Mr. B. L. Agrawal	5,000	1.09
11	M/s Hira Steels Ltd.	5,000	1.09
12	Mr. Padmesh Gupta	5,000	1.09
13.	Mr. Ram Avtar Agrawal	5,000	1.09
14	Mr. H. P. Agrawal HUF	3,300	0.72
	TOTAL	460,000	100.00

Board of Directors

The Board of Directors of Chattisgarh Power and Coal Beneficiation Limited as on March 31, 2005 are:

1. Mr. B. L. Agrawal
2. Mr. Dinesh Agrawal
3. Mr. Ram Avtar Agrawal
4. Mr. Raju Kedia
5. Mr. Mukesh Agrawal

Financial Performance

Particulars	(Rs. in Mn)	
	As at and for the year ended	
	March 31, 2004	March 31, 2005
Sales and Other Income	-	22.30
PAT	-	0.13
Equity Capital (Face value of Rs. 10 per share)	0.50	4.60
Reserves (excluding revaluation reserve)	-	20.63
EPS (Rs.)	-	0.28
NAV/Share (Rs.)	10.00	54.84

8. MARUTI CLEAN COAL AND POWER LTD.

Maruti Clean Coal & Power was incorporated as Maruti Explochem Pvt. Ltd. Was incorporated on March 8, 1999. The company was converted to a Public Ltd. Company w.e.f September 17, 2002. The name was changed to Maruti Clean Coal & Power w.e.f September 25, 2002. The company is yet to commence commercial operations.

Shareholding Pattern

The shareholding pattern of Maruti Clean Coal & Power Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	M/s Spin Packaging Ltd.	700,000	19.96
2.	Gupta Coalfields & Washeries Ltd	400,000	11.41
3.	Hira Ferro Alloys Ltd.	340,000	9.70
4.	R. S. Agrawal HUF	260,000	7.42
5.	Inchook Tracon Pvt. Ltd.	72,000	2.05
6.	Topgrain Consultants Pvt Ltd.	64,000	1.83

7.	Mirases Commercial Pvt. Ltd.	56,000	1.60
8.	Norcross Commercial Pvt. Ltd.	50,000	1.43
9.	Narottamka Mercantile Pvt. Ltd.	48,000	1.37
10.	Others	1,515,400	43.23
	Total	3,505,400	100.00

Board of Directors

The Board of Directors of Maruti Clean Coal & Power Limited as on March 31, 2005 are:

1. Mr. B. L. Agrawal
2. Mr. Mr. Ram Avtar Agrawal
3. Mr. Rajkumar Kedia
4. Mr. Mukesh Agrawal
5. Mr. Lakshman Prasad
6. Mr. P. D. Gupta
7. Mr. Dev Dutt Gupta

Financial Performance

Particulars	(Rs. in Mn)		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	-	-	-
PAT	-	-	-
Equity Capital (Face value of Rs. 10 per share)	18.50	35.05	36.45
Reserves (excluding revaluation reserve)	8.00	74.20	79.80
EPS (Rs.)	-	-	-
NAV/Share (Rs.)	14.32	31.16	31.89

9. HIRA INDUSTRIES LIMITED

Hira Industries Limited was incorporated as Jai Bajrang Cement Private Limited on October 20, 1983. On April 16, 1991, the name of the company was changed to Jai Bajrang Cement Limited. This name was further changed to Hira Industries Limited on June 21, 1991. The registered office of the company is situated at 572, Urla Industrial Area, Raipur, Chhatisgarh 493221. Hira Industries Limited is engaged in the business of iron ore crushing and cement trading.

Shareholding Pattern

The shareholding pattern of Hira Industries Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1	Mrs. Sarita Devi Agrawal	51,607	29.77
2	M/s Godawari Power and Ispat Ltd.	48,913	28.25
3	Mr. B.L. Agrawal	42,400	24.45
4	Mr. Abhisekh Agrawal	9,616	5.54
5	Mr. Siddharth Agrawal	9,000	5.19
6	Mr. Kumar Agrawal	6,714	3.87
7	M/s Amritmoya Projects P. Ltd.	2,500	1.44
8	M/s Sulabh Merchandise Pvt. Ltd.	2000	1.15

9	Mr. N.P. Agrawal	600	0.34
	TOTAL	1,73,350	100.00

Board of Directors

The Board of Directors of Hira Industries Limited as of March 31, 2005 are:

1. Mr. B. L. Agrawal
2. Mr. Y. C. Rao
3. Mr. Ajay Ahluwalia

Financial Performance

Particulars	(Rs. in Mn)		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	38.97	46.42	47.02
PAT	0.01	0.79	1.07
Equity Capital (Face value of Rs. 100 per share)	17.34	17.34	17.34
Reserves (excluding revaluation reserve)	25.89	25.89	25.89
EPS (Rs.)	0.05	4.57	6.21
NAV/Share (Rs.)	71.41	75.99	82.20

10. SHREE HIRA EXIM LIMITED

Shree Hira EXIM Limited was incorporated as Hira EXIM Limited on May 31, 1994. On July 1, 1996, the name of the company was changed to Shree Hira Exim Limited. The registered office of the company is situated at Hira Arcade, Pandri, Near New Bus Stand, Raipur, Chhatisgarh 492001. Shree Hira EXIM Limited is engaged in the business of cement grinding through its division, M/s Hira Cement.

Shareholding Pattern

The shareholding pattern of Shree Hira EXIM Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Mr. Suresh Agrawal	3,62,600	40.24
2.	M/s Hira Industries Ltd.	218,000	24.19
3.	M/s Godawari Power and Ispat Ltd.	1,90,000	21.08
4.	M/s Hira Ferro Alloys Limited	80,100	8.88
5.	Mr. Dinesh Agrawal	40,000	4.44
6.	Mr. B.L. Agrawal	10,100	1.12
7.	Mr. J.P. Agrawal	100	0.01
8.	Mr. N.P. Agrawal	100	0.01
9.	Mr. H.P. Agrawal	100	0.01
10.	Mrs. Kanika Agrawal	100	0.01
	TOTAL	901,200	100.00

Board of Directors

The Board of Directors on the Board of Shree Hira EXIM Limited as of March 31, 2005 are:

1. Mr. Suresh Agrawal
2. Mr. T. K. Kar
3. Mr. Vinod Pillai

Financial Performance

Particulars	(Rs. in Mn)		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	42.52	46.36	60.99
PAT	0.12	0.13	0.26
Equity Capital (Face value of Rs. 10 per share)	6.83	6.83	9.01
Reserves (excluding revaluation reserve)	4.33	4.33	8.95
EPS (Rs.)	0.17	0.19	0.29
NAV/Share (Rs.)	16.14	16.33	19.93

11. SAGAR ENERGY AND STEELS LIMITED

Sagar Energy and Steel Ltd. was incorporated on November 10, 2004. The Registered Office of the company is situated at Hira Arcade, near New Bus Stand, Pandri, Raipur, Chhattisgarh – 492001. The company is setting up a pig iron manufacturing unit together with a captive power plant.

Shareholding Pattern

The shareholding pattern of Sagar Energy and Steels Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Mr. Amit Agrawal	8,000	16.00
2.	Mr. H. P. Agrawal	7,000	14.00
3.	Mr. Suresh Agrawal	7,000	14.00
4.	Mr. G. P. Agrawal	7,000	14.00
5.	Mr. B.L. Agrawal	7,000	14.00
6.	Mrs. Sita Agrawal	7,000	14.00
7.	Mrs. Nisha Agrawal	7,000	14.00
	TOTAL	50,000	100.00

Board of Directors

The Board of Directors on the Board of Sagar Energy and Steels Limited as of March 31, 2005 are:

1. Mr. Amit Agrawal
2. Mr. J. P. Agrawal
3. Mr. Manoj Agrawal
4. Mr. R. K. Singhania

Financial Performance

Particulars	(Rs. in Mn)
	As at and for the year ended March 31, 2005
Sales and Other Income	-
PAT	-
Equity Capital (Face value of Rs. 10 per share)	0.50
Reserves (excluding revaluation reserve)	-
EPS (Rs.)	-
NAV/Share (Rs.)	10

12. GODAWARI REAL ESTATE (CG) LIMITED

Godawari Real Estate was incorporated on August 22, 2001. The Registered Office of the Company is at Hira Arcade, Near New Bus Stand, Pandri, Raipur, Chhattisgarh. The Company is engaged in the business of dealing, owning and investing in land, building and factories

Shareholding Pattern

The shareholding pattern of Godawari Real estate (CG) Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	M/S H. P. Agrawal (HUF)	120,000	92.17
2.	Mr. G. P. Agrawal	5,100	3.92
3.	Mr. N. P. Agrawal	2,500	1.92
4.	Mrs. Madhu Agrawal	2,500	1.92
5.	Ms. Nisha Agrawal	100	0.07
	Total	130,200	100.00

Board of Directors

The Board of Directors on the Board of Godawari Real estate (CG) Limited as of March 31, 2005 are:

1. Mr. G. P. Agrawal
2. Mr. N. P. Agrawal
3. Mr. Ashok Agrawal

Financial Performance

Particulars	(Rs. in Mn)		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	-	0.07	1.32
PAT	-	(0.01)	(0.38)
Equity Capital (Face value of Rs. 10 per share)	0.10	0.10	1.30
Reserves (excluding revaluation reserve)	-	0.00	(0.40)
EPS (Rs.)	-	(0.55)	(2.97)
NAV/Share (Rs.)	9.52	8.97	6.94

13. Tanusha Real Estate Private Limited

Tanusha Real Estate Private Limited was incorporated on April 23, 1998. The registered office of the company is situated at Om Kutir, Jail Road, Phaphadih, Raipur, Chhatisgarh 492001. Tanusha Real Estate Private Limited is engaged in the business of running cold storage under the name of Ram Cold Storage and investments in Real Estate.

Shareholding Pattern

The shareholding pattern of Tanusha Real Estate Private Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1	Smt. Nisha Agrawal,	149,800	49.9%
2	Smt. Reena Agrawal,	70,000	23.32%
3	Smt. Madhu Agrawal,	50,000	16.66%
4	Shri H.P.Agrawal (HUF),	10,000	3.33%
5	Shri N.P.Agrawal (HUF),	10,000	3.33%
6	Shri G.P.Agrawal (HUF),	10,000	3.33%
7	Shri Nilesh Wadhwa,	100	0.03%
8	Shri R.R.Agrawal (HUF),	100	0.03%
9	Shri Vivekanand Wadhwa,	100	0.03%
10	Shri G.P.Agrawal,	100	0.03%
	TOTAL	300,200	100.00

Board of Directors

The Board of Directors of Tanusha Real Estate Pvt. Limited as of March 31, 2005 are:

1. Shri N.P. Agrawal
2. Shri G.P. Agrawal
3. Shri C.M. Tripathi

Financial Performance

Particulars	(Rs. in Mn)		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	4.02	4.35	6.67
PAT	2.14	(1.39)	0.61
Equity Capital (Face value of Rs. 10 per share)	3.00	3.00	3.00
Reserves (excluding revaluation reserve)	3.58	2.32	2.80
EPS (Rs.)	7.12	(4.62)	2.02
NAV/Share (Rs.)	21.93	17.31	19.33

14. KUMAR HOMES INDIA PVT. LTD.

Kumar Homes India was incorporated on August 8, 2001. The Registered Office of the Company is situated at "Om Kutir" Jail Road, Phaphadih, Raipur, Chhatisgarh. The Company is engaged in the business of dealing in, owning and investing in land, building and factories.

Shareholding Pattern

The shareholding pattern of Kumar Homes India Private Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Mrs. Madhu Agrawal	10,100	99.02
2.	Mr. N. P. Agrawal	100	0.98
	Total	10,200	100.00

Board of Directors

The Board of Directors of Kumar Homes India Private Limited as of March 31, 2005 are:

1. Mr. N. P. Agrawal
2. Mrs. Madhu Agrawal

Financial Performance

Particulars	(Rs. in Mn)		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Sales and Other Income	-	-	-
PAT	(0.01)	(0.01)	(0.01)
Equity Capital (Face value of Rs. 10 per share)	0.10	0.10	0.10
Reserves (excluding revaluation reserve)	-	-	-
EPS (Rs.)	(1.09)	(0.62)	(0.93)
NAV/Share (Rs.)	7.29	7.04	6.48

15. VINAY BUILDCON PRIVATE LIMITED

Vinay Buildcon Private Limited was incorporated on September 16, 2004. The Registered Office of the Company is situated at "Om Kutir" Jail Road, Phaphadih, Raipur, Chhatisgarh. The Company is engaged in the business of acquiring properties through lease, mortgage, exchange, Hire and Rent.

Shareholding Pattern

The shareholding pattern of Vinay Buildcon Private Limited as of March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Mr. H. P. Agrawal	5,000	50.00
2.	Mr. N. P. Agrawal	5,000	50.00
	Total	10,000	100.00

Board of Directors

The Board of Directors of Kumar Homes India Private Limited as of March 31, 2005 are:

1. Mr. H. P. Agrawal
2. Mr. N. P. Agrawal

Financial Performance

Particulars	(Rs. in Mn)
	As at and for the year ended March 31, 2005
Sales and Other Income	-
PAT	(0.01)
Equity Capital (Face value of Rs. 10 per share)	0.10
Reserves (excluding revaluation reserve)	-
EPS (Rs.)	(0.14)
NAV/Share (Rs.)	8.58

16. TIRUPATHI BALAJI REALTOR PRIVATE LIMITED

Tirupathi Balaji Realtor Private Ltd. was incorporated on September 16, 2004. The Registered Office of the Company is situated at "Om Kutir" Jail Road, Phaphadih, Raipur, Chhatisgarh. The Company is engaged in the business of acquiring properties through lease, mortgage, exchange, hire and rent.

Shareholding Pattern

The shareholding pattern of Tirupathi Balaji Realtor Private Ltd. as on March 31, 2005 is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of Shareholding
1.	Mr. H. P. Agrawal	5,000	50.00
2.	Mr. N. P. Agrawal	5,000	50.00
	Total	10,000	100.00

Board of Directors

The Board of Directors of Kumar Homes India Private Limited as of March 31, 2005 are:

1. Mr. H. P. Agrawal
2. Mr. N. P. Agrawal

Financial Performance

Particulars	(Rs. in Mn)
	As at and for the year ended March 31, 2005
Sales and Other Income	-
PAT	(0.01)
Equity Capital (Face value of Rs. 10 per share)	0.10
Reserves (excluding revaluation reserve)	-
EPS (Rs.)	(0.14)
NAV/Share (Rs.)	8.57

17. M/S RAIPUR COMPLEX

M/s Raipur Complex is a partnership firm. The deed was executed on April 06, 1989. The Head Office of the firm is situated at Hira Arcade, Pandri, Raipur, Chhatisgarh. The firm is engaged in the business of dealing in real estate, purchase, development and selling of land, construction and letting on hire and money lending.

Partners of the firm

Following are the partners of M/s Raipur Complex as on March 31, 2005:

1. Mr. Jagdish Prasad Agrawal
2. Mr. Om Prakash Agrawal
3. Mr. Bajrang Lal Agrawal
4. Hanuman Prasad Agrawal
5. Narayan Prasad Agrawal
6. Gopal Prasad Agrawal
7. Suresh Agrawal

Note: The Partners share the profits equally.

Financial Performance

Particulars	(Rs. in Mn)		
	As at and for the year ended		
	March 31, 2003	March 31, 2004	March 31, 2005
Rental and Other Income	-	-	0.81
Net Profit	-	-	0.01
Partners Capital	-	-	12.43

Management's Discussion And Analysis Of Financial Conditions And Results Of Operations

You should read the following discussion and analysis of our financial condition and results of operations with our financial statements included in this Draft Red Herring Prospectus. You are also advised to read the section titled "Risk Factors" beginning on page i, 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 Godawari Power and Ispat Limited on a standalone basis. Our financial statements have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211 (3C) of the Companies Act, the other applicable provisions of the Companies Act and the SEBI Guidelines. The following discussion is also based on internally prepared statistical information and publicly available information.

Overview

We operate in the broader industry category of Iron and Steel, Sponge Iron, Steel & Ferro Alloys. We started its operations initially as a sponge iron manufacturer in April 2001. Subsequently, we progressively expanded our operations across a significant part of the value chain of the Iron and Steel Industry eventually covering the Sponge Iron, Steel and Power segments by venturing into green field projects.

We are presently engaged in integrated business of manufacturing Sponge Iron, Steel Billets and Captive power generation. We are also in the Process of setting up a plant manufacturing Ferro Alloys and HB Wires.

Our manufacturing facilities are located at a single location at Siltara Industrial Estate, near Raipur in the state of Chattisgarh. The location of the plant is near to the major source of Raw material i.e. iron ore, coal and dolomite mines located within the radius of 450 KM.

Income

We derive our income from Sponge Iron, Steel Billets and Power. Our total income has grown at a CAGR of 68.90% during the period FY 2003 - FY 2005. This has largely been contributed by increase in capacity and by moving up in the value chain. In FY 2003 we derived our substantial income from sale of Sponge Iron with small capacity to produce Steel Ingots. We expanded steel making capacity in second quarter of FY 2004 and installed steel billet unit. During the FY 2004 we derived major income from sale value added product steel billets instead of sponge iron. Sponge Iron sale has decreased in FY 2004 as same was used captively for production of steel billets/ ingots.

Buoyant steel market was other factor contributed to increase in total income. Price realization of Sponge Iron has increase from Rs. 6,751 per MT in FY 2003 to 11,829 per MT in 2005. Similarly steel billets fetched better price from Rs. 12,986 per MT in FY 2003 to Rs. 20,220 per MT in FY 2005.

Income from sale of Power has increased with increase in capacity of power generation with set up of second 9 MW power plant in August 2003.

Particulars	Turnover in MT's			Turnover in Rs. '000			Price per MT		
	04-05	03-04	02-03	04-05	03-04	02-03	04-05	03-04	02-03
Steel Billets	82182	55083	6490	1661717	869670	84279	20220	15788	12986
Sponge Iron	10956	26076	48123	129597	251583	324895	11829	9648	6751

Iron ore Fines	21822	38381	-	21282	34697	-	975	904	-
	Sale in Units			Sale in Rs.'000			Price per Unit		
Electricity	13373115	12315191	988699	44658	26353	2492	3.34	2.14	2.52

We installed ore crusher in FY 2004, Iron ore fine is by product of crushing of iron ore lumps which we sold in market.

Raw Materials Consumed

The Key inputs for production of sponge iron , steel billets and generation of power are Iron Ore, Coal and Power.

	Consumption in MT's			Consumption in Rs. '000			Price per MT		
	04-05	03-04	02-03	04-05	03-04	02-03	04-05	03-04	02-03
Iron Ore	144134	158103	118288	240950	179353	140819	1672	1134	1190
Coke and Coal	207293	165930	113953	304542	292816	171529	1469	1764	1505

Iron Ore

Iron ore consumption in production of one MT of Sponge Iron has increased from 1.62 MT to 2.27 MT in FY2004. Iron consumption decreased to 2.08 MT for production of one MT of sponge iron. Increase in consumption is because of we were using sized iron ore in FY 2003 and in FY 2004 we purchased iron ore lump which is cheaper than the sized ore. We installed iron ore crushing unit to size the iron within the facility to save the cost, as price of iron ore lump is lesser than sized ore and by product – ore fines produced in crushing sold in the open market generate additional revenue for us.

Coal

Coal consumption has increased from FY 2003 to FY 2004 primarily because of generation power by using coal, average coal consumption per unit has increased from FY 2004 to FY 2005 on account of use of low quality coal which is reflected in price MT of coal.

Consumption Iron ore, Coal and Power for per unit production of Sponge Iron and Steel billets and generation of Power

Particulars	Iron Ore (Units in MT's)			Coal (Units in Mt's)			Power In units		
	04-05	03-04	02-03	04-05	03-04	02-03	04-05	03-04	02-03
Sponge Iron (MT's)	2.08	2.27	1.62	1.51	1.45	1.45	114	117	79
Steel Billets/Ingots	-	-	-	-	-	-	1092	1053	929
Power ('000 units)	-	-	-	0.70 (Kgs)	0.65 (Kgs)	NA	0.11	0.12	0.12

Power

Power consumption in per MT production of Sponge Iron has increased from 79 units in FY 2003 to 117 units in FY 2004; increase in consumption is on account of use of power in crushing unit for sizing of iron ore.

Consumption of power in production of per MT of Steel has increased from 929 units to 1053 units, as we started manufacturing steel billets higher value steel instead of steel ingot.

Revenue Recognition

We follow the mercantile system of accounting and recognize income and expenditure on an accrual basis except those with significant uncertainties.

Depreciation Policy

We charge depreciation on fixed assets on Written Down Value Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

Depreciation on Fixed Assets added/disposed off during the year is provided on pro-rata basis. Fixed Assets costing below Rs. 5000/- are fully depreciated in the year of acquisition itself.

Free-hold Land, Leasehold land and site development expenditures are no depreciated/amortized.

Discussion on Results of Operations:

A summary of past financial results for based on the restated accounts are given below:

Particulars	31st March 2005		31st March 2004		31st March 2003	
	Amount	%	Amount	%	Amount	%
Income						
Sales	1913.46	99.04	1,227.27	98.84	677.84	100.10
Other Income	5.25	0.27	1.53	0.12	1.42	0.21
Increase (Decrease in Stocks)	13.23	0.68	12.86	1.04	(2.07)	(0.31)
Total	1,931.94	100.00	1,241.66	100.00	677.19	100.00
Expenditure						
Raw Materials Consumed	1181.84	61.17	733.18	59.05	384.55	56.79
Manufacturing Expenses	146.31	7.57	110.21	8.88	88.50	13.07
Purchase of Traded Goods	0	0.00	2.85	0.23	3.83	0.57
Central Excise Duty	187.15	9.69	151.23	12.18	93.22	13.77
Payments to & Provision for Employees	18.47	0.96	15.66	1.26	9.35	1.38
Selling Admin. & Other Expenses	19.05	0.99	16.34	1.32	12.42	1.83
Financial Charges	28.76	1.49	30.95	2.49	14.60	2.16
Total	1,581.58	81.86	1,060.41	85.40	606.47	89.56
Net Profit Before Depr and Tax	350.36	18.14	181.25	14.60	70.72	10.44
Depreciation	88.43	4.58	96.92	7.81	54.39	8.03
Net Profit Before Tax	261.93	13.56	84.33	6.79	16.33	2.41
Provision for Current Income Tax	20.5	1.06	6.50	0.52	1.30	0.19
Income Tax related to earlier year	0.36	0.02	0.17	0.01	0.00	0.00
Profit After Taxation	241.07	12.48	77.66	6.25	15.03	2.22
Balance of Profit Brought Forward	93.34	4.83	15.67	1.26	0.64	0.09
Balance Carried To Balance Sheet	334.41	17.31	93.33	7.52	15.67	2.31

Comparison of Fiscal 2004 with Fiscal 2003

Income

Total Income registered a growth of 81% from 677.19 Mn in 2003 to 1241.66 Mn in 2004. The production of steel billets jumped from 6563 Mts. in 2003 to 55403 Mts. in 2004. This was the major factor driving the sales. Further, sale of power also increased to 1231519 units in 2004 against 988699 units in FY 2003

Raw Materials Consumed

Raw Materials consumed increased by 91% due to continued increase in production levels of steel billets. The generation of power also increased leading to increased raw material consumption. Increase in raw material consumption is also attributable to increase in price of raw of raw material viz. iron ore, coal. However, consumption of raw material as percentage to increased marginally from 56.79 % in FY 2003 to 59.03% in FY 2004.

Manufacturing Expenses

Manufacturing Expenses increased by 24% in absolute terms even though power costs fell by 54% due to captive generation of electricity. The increase was mainly in the form of increased consumption of stores and spares and manufacturing costs. However, manufacturing expense have come down in terms of total revenue from 13.07% in FY 2003 to 8.88% FY 2004.

Central Excise Duty

Excise Duty saw a jump of 62.24% due to increased level of production and subsequent increase in levy of duty.

Staff Costs

Staff Costs and Employee Benefit costs continued to increase due to large-scale expansion by the company. Though the staff costs in 2004 increased by 67% as compared to 2003, it decreased from 1.38 % to 1.26% during the period as percentage to total revenue

Selling, Admin. & Other Expenses

Selling, Administration and Distribution expenses increased marginally by 31% during the period, due to increase in production level. Overall expenses in comparison to total revenue have come down to 0.99% in FY 2005 from 1.32 % in FY 2003.

Financial Charges

Due to an increased level of manufacturing and production activity, the demand for working and long-term capital doubled in 2004 over their levels in 2003.

Net Profit before Depreciation and Tax

Net Profit Before Depreciation and Tax increased by 156.29% in comparison to previous year. This was primarily due to the turnover of our company almost becoming double as compared to the previous year and sale of value added product steel billets instead of sponge iron.

Depreciation

Depreciation charges increased by 78% due to an increase in capital expansion and new induction furnaces for steel production and 9 MW power plant added into our assets

Income Tax

Higher levels of profits were the primary reason for a jump of 400% in the amount of Income taxes paid.

Profit after Tax

Profit After Tax registered a jump of 418% due to higher turnover and reduced expenditure as a percentage of Total Income.

COMPARISON OF FISCAL 2005 WITH FISCAL 2004

Total Income

The total income grew by 55.59% from Rs. 1241.66 Mn in Fiscal 2004 to Rs. 1931.94 Mn in Fiscal 2005. Increase in sales is due sale of 82182 MT of steel billets in FY 2005 against 55082 MT in FY 2004.

Raw Material Consumed

Raw Material Consumption increased by 61.2% in comparison with the previous year due to an expansion in product portfolio as well as increase in production capacity of existing products. Increase in raw material consumption is also attributable to increase in price of raw material viz. iron ore, coal. However, consumption of raw material as percentage to increased marginally from 59.03% in FY 2004 to 61.17% in FY 2005.

Manufacturing Expenses

Manufacturing Expenses increased by 31.81% in comparison to the previous year on account of increased consumption of store, spares, power and increase in own manufacturing level. However, manufacturing expense has come down in terms of total revenue from 8.88% in FY 2004 to 7.57% in FY 2005.

Central Excise Duty

Excise Duty saw a jump of 23.76% due to increased level of production and subsequent increase in levy of duty.

Staff Costs

Staff Costs and Employee Benefit costs continued to increase due to ongoing large-scale expansion by the company. Though the staff costs in 2005 increased by 19.35% as compared to 2004, it decreased from 1.26 % to 0.96% during the period as percentage to total revenue.

Selling, Admin. & Other Expenses

Selling, Administration and Distribution expenses increased by 21.67% during the period, due to increase in production level. Overall expenses in comparison to total revenue have come down to 1.32% in FY 2004 from 1.83 % in FY 2003.

Financial Charges

We paid off some of outstanding loan out of internal accruals and hence finance charges came down from Rs. 30.95 Mn. in FY 2004 to 28.76 Mn. in FY 2005.

Net Profit before Depreciation and Tax

Net Profit Before Depreciation and Tax increased by 93.30% in comparison to previous year. This was primarily due to the turnover of the company registering a growth of almost 55.59% compared to the previous year.

Depreciation

Depreciation charges decreased marginally by 8.75% , as we follow written down value method of depreciation and there was no major addition to the gross block.

Income Tax

Higher levels of profits were the primary reason for a jump of 212.72% in the amount of Income taxes paid.

Profit after Tax

Profit After Tax registered a huge jump of 210.40% due to higher turnover and reduced expenditure as a percentage of Total Income.

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5. OF SEBI DIP GUIDELINES

1. Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions that has significantly affected the business of our Company.

2. Significant economic changes that materially affected or are likely to affect income from continuing operation.

- Thrust on Infrastructure i.e. buildings, roads, ports, airports etc. to benefit our company as steel forms the basic infrastructure raw material.
- Customs duty on coking coal with greater than 12% ash content has been brought down from 15% to 5%.
- We have got a prospective license to mine its own Iron Ore. The mining rights have been vested on the company.
- We have also applied for allotment of suitable opencast coal block to the Ministry of Coal. The said application is under consideration. Moreover, FDI in captive coal mining will be allowed soon, thus bringing down production costs, as they would save on coal cost.
- Excise duty on steel has been increased to 16% from 12%, marginally affecting the future development and growth.

3. Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

Uncertainties exist over the availability and price of raw materials and prevailing market prices of our finished products like long products, ferro alloys and wire products.

Prices over the last 12 months have been:

in Rs. Per tonne			
Month	Iron Ore	Coal	Steel Billets
July 2005	2149	1921	16133
June 2005	2068	2883	17032
May 2005	2162	1971	17468
April 2005	1988	1855	19284
March 2005	1973	1953	18010
Feb 2005	1975	2019	17501
Jan 2005	1833	1888	17401
Dec 2004	1825	1953	17520
Nov 2004	1779	1945	17808
Oct 2004	1634	1884	18219
Sept 2004	1656	1737	18228
Aug 2004	1632	1863	19186
July 2004	1657	2020	19018

Note: The above figures are factory landed cost and include freight and transportation

The risk on account of availability of raw material will be reduced as soon as captive mines of coal and iron ore are in possession. Also, making the captive power plant operational has eliminated the risk of availability of power. Moreover, the risk on account of the above prices is reduced to a significant extent considering the fact that a rise in the price of basic raw material will be passed on in the form of increased price of the finished product.

4. Future relationship between costs and income

Other than as described elsewhere in the Prospectus. To our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

5. Total turnover of each major industry segment in which the Company operates

We operate in only one industry segment – Steel Industry

6. New Products or business segments.

Our company has not entered and neither proposes to enter a new business segment.

7. Seasonality of business

Our business is not seasonal in nature

8. Dependence on single or few suppliers/ customers

The two major Raw Materials required for Steel production are Iron Ore and Coal. Our company sources 60% of its Iron Ore from the National Mineral Development Corporation and the remaining Ore from various suppliers including TISCO.

South Eastern Coalfields Ltd. supplies majority of the Coal requirement, which is a subsidiary of Coal India Ltd. Any shortfall is imported.

As far as the output is concerned, 90% of the steel billet production of our company is supplied to two companies within the group namely Hira Steels Ltd. and R. R. Ispat Ltd.

9. Competitive Conditions:

We face competition from small players in the unorganized sector. For further details, please refer to the discussions of our competition in the sections entitled "Risk Factors" and "Business" beginning on page [•] in this Draft Red Herring Prospectus.

10. Details of any encumbrances over the property of the Company and guarantees given by the Company to any other party:

All properties owned by us and have a clean title. Properties owned by us are mortgaged with various banks against the loan facility extended by them. For details on corporate guarantee please refer to the section "Financial Information" on page ____ of this DRHP.

11. Details of Material Developments after the date of last Balance Sheet

There are no Material Developments after the last Balance Sheet date.

OUTSTANDING LITIGATION

1. CASES PERTAINING TO GPIL

A. Excise Related Show Cause Notices

1. Cases in which the amount involved exceeds Rs. 3,00,000/- (Rupees Three Lacs Only):

Sl. No.	Authority	Particulars	Status	Amount Involved (Rs. in Lacs [approx])
1	Office of the Commissioner, Customs and Central Excise, Raipur ("CCE")	A Show Cause Notice dated 18.10.2004 was issued by the CCE for the recovery of CENVAT Credit availed on Iron Ore Concentrate amounting to Rs.1,05,77,871/- on account of Iron Ore Conc. supplied by TISCO under CENVAT Credit Rules, 2002 and the Central Excise Act, 1944.	The final hearing in the matter has been held on 10 th May 2005. However, the adjudication order is yet to be received.	106

2. Cases in which the amount involved does not exceed Rs. 3,00,000/- (Rupees Three Lacs Only):

None

B. Cases That GPIL's Directors Are Involved In

1. Cases in which the amount involved exceeds Rs. 3,00,000/- (Rupees Three Lacs Only):

Sl. No.	Parties	Authority	Particulars	Status	Amount Involved (Rs. in Lacs [approx.])
1	Gujarat Gas Financial Services Ltd. Vs. Shri Ishaar Alloy Steels Ltd.	Metropolitan Magistrate at Ahmedabad	A complaint was filed under Section 138 of the Negotiable Instruments Act, 1881 for the dishonour of a cheque dated 30-03-99	Pending for evidence	5.25

2. Cases in which the amount involved does not exceed Rs. 3,00,000/- (Rupees Three Lacs Only):

None

2 CASES PERTAINING TO HIRA STEELS LIMITED (A “Promoter Group” Company)

A. Excise Cases

1. Cases in which the amount involved exceeds Rs. 3,00,000/- (Rupees Three Lac Only)

Parties:

Hira Steels Limited, (“**HSL**”) Versus Union of India & Ors.

Authority:

High Court, Delhi

Particulars:

Writ Petition No.6256

- a. HSL challenged as arbitrary and ultravires, and sought to strike down, the introduction of Section 3A of the Central Excise Act, 1944 (“**Act**”), along with the attendant Rules and Notifications, (collectively referred to as the “**Contested Regulations**”).
- b. In light of the Contested Regulations, Modvat credit has been denied to HSL.
- c. The Commissioner, Central Excise has contended that :
 - i) The legality of Section 3A of the Act has been challenged in another matter which is pending before the Hon'ble Supreme Court (Appeal No.5263/98 of U.O.I. and Ors. Vs. Supreme Steel and General Mills and others).
 - ii) Section 3A of the Act was introduced to enable the Government to levy excise duty in respect of certain items/goods on the basis of production.
 - iii) Capacity of HSL's plant, should be determined by the Capacity Determination Rules, 1947, (“**Capacity Rules**”), regardless of the actual production.
 - iv) The Contested Regulations would apply to HSL for the goods in question, i.e. Hot Rolled product of Mild Steel and H.B. Wires, (collectively referred to as “**Goods**”), only if their manufacturing facility had a center distance of roll pinion in the pinion stand of the size 410 mm and less, (“**Pinion Requirement**”).
- d. HSL had contended that they are outside the scope of the Pinion Requirement and accordingly the Contested Regulations, hence, they availed of MODVAT credit on the Goods.
- e. The Excise Department is of the view that HSL may be within the scope of the Contested Regulations as they may fall within the scope of the Pinion Requirements. Accordingly, MODVAT on the Goods was denied to HSL, and in accordance with Section 3A of the Act, show cause notices dated 30-09-98 and 2-11-98, were issued, (the “**Notices**”).
- f. The central dispute is as to whether HSL falls within the Pinion Requirement, expert reports in this regard show that they do not. The Excise Department believes otherwise,

and accordingly their monetary claim against HSL disallows the benefit of MODVAT credit, and certain other exemption/s (“**the Exemptions**”). Accordingly the Excise Departments claim against HSL is briefly, as follows:

Modvat Credit denied	Rs. 23,42,16,463
Modvat Credit proposed to be recovered	Rs. 23,05,80,102
Mandatory Penalty	Rs. 23,37,29,060
Recovery of duty of HB Wires cleared.	Rs. 8,66,33,916
Amount of duty as per the Capacity Rules	Rs. 7,38,38,900
Aggregate	Rs. 85,89,98,441

- g. HSL did not file the declaration as envisaged under rule 3 of the Capacity Rules so as to claim exclusion of their mill from the ambit of Section 3A of the Act, and has represented that the value of nominal center distance of the pinions in the pinion stand of their hot rolling mill, was more than 411 mm, namely 415 mm Dia Centre, and that this was communicated to the Commissioner of Central Excise and the Asstt. Commissioner of Central Excise.
- h. In light of an SLP, filed by other parties, a stay of operation of Notification No.7/98, (being one of the Contested Regulations), has been granted by the Hon'ble Court vide an Order dated 21.4.1998.
- i. The Excise Department has further relied on the Finance Act, 1999, (Section 132), which states that any credit of specified duty lying unutilized in respect of units working under section 3A shall lapse.
- j. The Excise Authorities visited HSL and carried out stock verifications on two occasions. Pursuant to which, records of HSL were seized as were finished exciseable goods valued at approx. Rs.2.06 crores. The Excise Authorities however agreed to release these goods, subject to HSL executing a Bond for the full value of the goods with cash security of 20% of the value of the goods. HSL could not get the said goods released and the factory was closed from 29th September, 1998 after intimation to the Respondent.
- k. We have been informed that the factory commenced operations after a period of approximately two days from the date of closure.
- l. The Excise Authorities have further contended that HSL does not require a pinion nominal centre distance of 415 mm, given the size of its operations. HSL has contended that this is required for the manufacture of CTD Bars, which fact, HSL contends, has been overlooked by the Excise Authorities. HSL has filed its Rejoinder in this regard.
- m. HSL has resisted the imposition of duty of excise unrelated to actual production and clearances, and claims to be liable to pay excise duty only on the basis of actual production and actual clearances u/s 3 of the Central Excise Act, 1944, after availing of Modvat credit on inputs as well as capital goods besides the benefit of exemption from duty of excise in respect of intermediate products manufactured for captive consumption, and, the benefit of job-work exemption for excisable goods produced on job-work basis.
- n. Despite this Writ Petition being filed on 26-11-98, the Commissioner of Central Excise has, subsequently issued an additional five Show cause notices dated 30-03-99, 28-07-99, 03-01-00, 31-03-00, and, 17-05-00, to HSL, in connection with the same issues that

are sub-judice. HSL has responded to these notices from time to time, on the same lines as in their defense in the aforementioned proceedings.

Status:

The matter is pending hearing and final disposal

Amount involved:

Rs. 8590 lacs

2. Cases in which the amount involved does not exceed Rs. 3,00,000/- (Rupees Three Lac Only)

In addition to the case listed above, there are two cases pending in which the amount involved is less than Rs.3,00,000/-. The aggregate amount involved in the said cases is Rs.75,000/- (Rupees Seventy Five Thousand Only).

B. Show Cause Notices

1. Cases in which the amount involved exceeds Rs. 3,00,000/- (Rupees Three Lac Only)

Sl. No.	Party	Authority	Particulars	Status	Amount Involved (Rs. in Lacs [approx])
1.	Hira Steels Limited ("HSL")	Additional Commissioner, Customs and Central Excise, Raipur, ("CCE")	A Show Cause Notice dated 21.3.2001 was issued by the CCE pursuant to the excise departments physical verification of stocks of HSL.	Adjudication order of the Commissioner is awaited.	13.25

2. Cases in which the amount involved does not exceed Rs. 3,00,000/- (Rupees Three Lac Only)

In addition to the case listed above, there are three cases pending in which the amount involved is less than Rs.3,00,000/-. The aggregate amount involved in the said cases is Rs. 3,43,000 (Rupees Three Lacs Forty Three Thousand Only)

C. Other Cases

Sl. No.	Parties	Authority	Particulars	Status	Amount Involved (Rs. in Lacs [approx.])
1.	Hira Steels Limited ("HSL") Versus Union of India	Madhya Pradesh High Court	Petition filed against the memo No. M.P./Raipur/11436/ Prajyogta Kaksh/69/1998 dated 3rd August 1998 issued by the Regional Provident Fund Commissioner, Raipur District to HSL for enforcing the provisions of the Employees Provident Funds and Miscellaneous Provisions Act 1952, as amended in 1997, to the newly set up factory of HSL at Rawabhata which had commenced production prior to the coming into force of the Employees Provident Funds and Miscellaneous Provisions (Amendment) Act 1998. By virtue of the aforementioned amendment, Section 16(1)(d) which provided for the infancy benefit, one of the incentives for HSL to set up a new industrial unit was omitted. This Petition was filed to seek reliefs against such an amendment.	Pending hearing and final disposal.	N.A.

D. Details of Penalties Imposed in the Past (Central Excise Cases).

Sr. No.	Forum	Particulars	Penalty Imposed (Rs. In lacs)
1	Assistant Commissioner Customs and Central Excise, Raipur, Chattisgarh	Modvat credit amounting to approx 3.89 Lacs was allowed, however a penalty of Rs.5,000/- was imposed under Rule 173Q of the Central Excise Rules, 1944.	0.05
2	Assistant Commissioner Customs and Central Excise, Raipur, Chattisgarh	It was held that Hira Steels Limited ought to have stopped issuing computer generated invoices when so instructed by the Excise Department, which they failed to do, hence they were ordered to pay a penalty of Rs, 5,000/-	0.05
3	Assistant Commissioner Customs and	Modvat Credit of Rs.9,757/- was denied to Hira Steels Limited., and a penalty of the same amount was imposed under Section 11AC of the Central Excise Act, 1944.	0.098

	Central Excise, Raipur, Chattisgarh		
4	Superintendent (Appeals-I), Customs and Central Excise, Raipur, Chattisgarh	An order in appeal was passed. This order upheld the disallowance of credit to Hira Steels Ltd. and further recorded that since a major portion of the credit in question in the appeal was allowed, the penalty imposed was reduced to Rs.1,500/-	0.015
5	Assistant Commissioner Customs and Central Excise, Raipur, Chattisgarh	Hira Steels Limited sought to avail of certain Modvat credits, on two separate occasions, some of these Modvat credits were allowed by the Assistant Commissioner, others however were disallowed with an imposition of a penalty of Rs.5,000/-	0.05

E. Criminal Proceedings filed by Hira Steels Limited under Section 138 of the Negotiable Instruments Act, 1881.

1. There are Ninety Six (96) Criminal Complaints filed by Hira Steels Limited under Section 138 of the Negotiable Instruments Act, 1881. The aggregate amount involved in these cases is approximately Rs.1,70,00,000/- (Rupees One Crores Seventy Lacs Only)
2. We have been informed that no separate civil proceedings have been filed for the recovery of the aforementioned amounts.
3. **CASES PERTAINING TO R. R. ISPAT LIMITED (A “Promoter Group” Company)**

A. Excise Cases

1. Cases in which the amount involved exceeds Rs. 3,00,000/- (Rupees Three Lacs Only):

Sl. No.	Parties	Authority	Particulars	Status	Amount Involved (Rs .in Lacs [approx])
1	R. R. Ispat Ltd. (“RRIL”) Versus The Commissioner, Central Excise and Customs, Raipur,	Customs Excise and Service Tax Appellate Tribunal, (“Tribunal”)	RRIL appealed the CCE’s order dated 28-05-04, which order demanded duty based on the annual capacity of production of RRIL for hot re-rolled products under section 3A of the Central Excise Act, 1944. RRIL has sought to have the demand of differential duty demanded set aside, on the grounds that the CCE’s findings are erroneous and self contradictory. The Tribunal passed an order directing RRIL to “pre-deposit” four lacs, by a specified date, upon which the requirement	Pending final hearing and disposal.	8.64

	("CCE")		to pre-deposit the balance duty amount would stand waived, and recovery stayed till the disposal of the Appeal. RRIL has accordingly deposited the said amount.		
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2. Cases in which the amount involved does not exceed Rs. 3,00,000/- (Rupees Three Lacs Only):

None

B. Excise Related Show Cause Notices

1. Cases in which the amount involved exceeds Rs. 3,00,000/- (Rupees Three Lac Only)

Sl. No.	Parties	Authority	Particulars	Status	Amount Involved (Rs . in Lacs [approx.])
1	R.R. Ispat Limited, ("RRIL")	Office of the Commissioner, Central Excise, Raipur, ("CCE")	A Show Cause Notice dated 23.12.2003 was issued by the CCE for the recovery of central excise duty of Rs.29,92,381 along with interest and penalty thereon, as allegedly leviable on goods manufactured by RRIL, under the central Excise Rules, 2002.	Pending personal hearing and adjudication.	29.92
2.	R.R. Ispat Limited ("RRIL")	Office of the Commissioner, Central Excise, Raipur, (Appeals)	A Show Cause Notice dated 18.12.2003 was issued by the Deputy Commissioner, Central Excise, Raipur, for the recovery of: 1. central excise duty amounting to Rs. 2,49,098/- paid short on the clearances of goods sold, due to alleged under valuing; 2. mandatory penalty under Section 11AC of the Central Excise Act, 1944; and 3. interest under Section 11AB of the Central Excise Act, 1944.	An Appeal has been preferred before the Commissioner (Appeals) against the aforementioned order, which appeal is pending for Adjudication.	4.98

			The Commissioner vide his Order on 10.01.2005 confirmed the following: 1. Recovery of Excise Duty of Rs. 2,49,098 2. Mandatory penalty of Rs. 62,275. 3. Interest in terms of Section 11AC of the Central Excise Act, 1944.		
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2. Cases in which the amount involved does not exceed Rs. 3,00,000/- (Rupees Three Lac Only)

In addition to the cases listed above, there is one case pending in which the amount involved is less than Rs.3,00,000/-. The aggregate amount involved in the said case is Rs.1.14 lac.

C. Details of Penalties Imposed in the Past (Central Excise Cases).

Sr. No.	Forum	Particulars	Penalty Imposed (Rs. In lacs)
1	Commissioner Customs and Central Excise, Raipur, Chattisgarh	Unaccounted finished goods and inputs were held to be legally confiscated. The maximum penalty under Rule 226 of the Central Excise Rules, 1944, ("the Rules"), was imposed, (Rs.2,000/-) Orders for mandatory penalty were set aside and a penalty under Rule 173Q of the Rules was imposed, namely Rs.10,000/-.	0.12
2	Additional Commissioner Customs and Central Excise, Raipur, Chattisgarh	The stock of 18.272MT of miss-rolls and 26.285MT of billets was seized and ordered to be confiscated, which order was reversed in appeal, subject to the payment of redemption fine of Rs.10,000/-, alongwith a penalty of Rs.1,000/- under Rule 173Q of the Central Excise Rules, 1944.	0.11

D. Criminal Proceedings filed by R.R. Ispat Limited under Section 138 of the Negotiable Instruments Act, 1881.

1. There are three (3) Criminal Complaints filed by R.R. Ispat Limited under Section 138 of the Negotiable Instruments Act, 1881. The aggregate amount involved in these cases is approximately Rs.11,77,000 /- (Rupees Eleven Lacs Seventy Seven Thousand Only)
2. We have been informed that no separate civil proceedings have been filed for the recovery of the aforementioned amounts.

4 CASES PERTAINING TO HIRA FERRO ALLOYS LIMITED (A “PROMOTER GROUP” COMPANY)

A. Excise Cases

1. Cases in which the amount involved exceeds Rs. 3,00,000/- (Rupees Three Lac Only)

None

2. Cases in which the amount involved does not exceed Rs. 3,00,000/- (Rupees Three Lac Only)

There is one case pending in which the amount involved is less than Rs.3,00,000/-. The aggregate amount involved in the said case is Rs.0.22 lac.

B. Income Tax Cases

1. Cases in which the amount involved exceeds Rs. 3,00,000/- (Rupees Three Lac Only)

Sl. No.	Parties	Authority	Particulars	Status	Amount Involved (Rs . in Lacs [approx.])
1.	Hira Ferro Alloys Limited (“HFA”) versus Deputy Commissioner of Income Tax (Assessment), Chhattisgarh.	High Court, Bilaspur, Chhattisgarh	This appeal pertains to the assessment year 1995-96 and has been filed against an order dated 17th September 2002 passed by the Income Tax Appellate Tribunal. The relief’s claimed in this appeal are as follows: a. Allowing HFA to avail of a deduction of Rs. 5,50,957/- towards quality rebate in respect of goods supplied and billed. b. Allowing HFA to avail of a deduction of Rs. 60,61,369/- towards fuel cost adjustment charges and electricity consumed. c. Determining whether the expenditure incurred by HFA for the purpose of earning interest on deposits with the MPSEB and interest received from customers for delayed payment, for determining income eligible for relief under Section 80 I of the Income Tax Act, 1961.	Pending for hearing and final disposal.	31.25 HFA has already paid the entire amount under protest hence there will not be any further demand or liability in this regard.
2.	Hira Ferro Alloys Limited (“HFA”)	High Court, Bilaspur, Chhattisgarh	This appeal pertains to the assessment year 1996-97 and has been filed against an order dated 26 th June 2003 passed by the Income Tax Appellate Tribunal. The relief’s claimed in this appeal are as follows:	Pending for hearing and final disposal.	8.67 (This amount has already been paid

	versus Joint Commiss ioner of Income Tax.		a. Allowing HFA to include its interest income (being interest on security deposits with the MPSEB) of a sum of Rs. 14,49,454.00 in its gross total income for the purpose of claiming relief under Section 80 IA of the Income Tax Act, 1961. b. As an alternative to the relief claimed in (a) above, to allow HFA to exclude interest payments made by HFA for the purpose of claiming relief under Section 80 IA of the Income Tax Act, 1961.		under protest.)
3.	Hira Ferro Alloys Limited ("HFA") versus Joint Commiss ioner of Income Tax.	High Court, Bilaspur, Chhattisgar h	This appeal pertains to the assessment year 1996-97 and has been filed against an order dated 26th June 2003 passed by the Income Tax Appellate Tribunal. The relief's claimed in this appeal are as follows: a. Allowing HFA to include its interest income (being interest received by HFA from its customers for delayed payments) of a sum of Rs. 1,52,863.00 in its gross total income for the purpose of claiming relief under Section 80 IA of the Income Tax Act, 1961. b. As an alternative to the relief claimed in (a) above, to allow HFA to exclude interest payments made by HFA for the purpose of claiming relief under Section 80 IA of the Income Tax Act, 1961.	Pending for hearing and final disposal.	8.67 (alongwith the case reported at Serial No. 2 above.) (The amount involved has already been deposited under protest.)

2. Cases in which the amount involved does not exceed Rs. 3,00,000/- (Rupees Three Lac Only)

There is one case pending in which the amount involved is less than Rs.3,00,000/-. The aggregate amount involved in the said case is Rs.87,000 (Rupees Eighty Seven Thousand Only).

C. Details of Penalties Imposed in the Past (Central Excise Cases).

Sr. No.	Forum	Particulars	Penalty Imposed (Rs. in Lacs)
1	Assistant Commissioner Customs and Central Excise, Raipur, Chattisgarh	Modvat credit amounting to approx 3.89 Lacs was allowed, however a penalty of Rs.5,000/- was imposed under Rule 173Q of the Central Excise Rules, 1944.	0.05

D. Criminal Proceedings filed by Hira Ferro Alloys Limited under Section 138 of the Negotiable Instruments Act, 1881.

- There are Sixteen (16) Criminal Complaints filed by Hira Ferro Alloys Limited under Section 138 of the Negotiable Instruments Act, 1881. The aggregate amount involved in these cases is approximately Rs.31,00,000 /- (Rupees Thirty One Lacs Only)
- We have been informed that no separate civil proceedings have been filed for the recovery of the aforementioned amounts.

5 CASES PERTAINING TO HIRA INDUSTRIES LTD. (A “Promoter Group” Company)

A. Excise Related Show Cause Notices

- Cases in which the amount involved exceeds Rs.3,00,000/- (Rupees Three Lacs Only):

Sl. No.	Parties	Authority	Particulars	Status	Amount Involved (Rs . in Lacs [approx.])
1	Hira Industries Limited (“HIL”)	Office of the Assistant Commissioner, Central Excise, Raipur, (“ACCE”)	A Show Cause Notice dated 26.2.2003 was issued by the ACCE for the recovery of: - central excise duty amounting to Rs.1,51,344/- computed at the rate of Rs.200 PMT as applicable on 52.5 MT of cement as well as 704.219 MT of clinkers; - mandatory penalty under Section 11AC of the Central Excise Act, 1944; and - interest under section 11AB of the Central Excise Act, 1944.	The Deputy Commissioner has passed an order confirming the demand of Rs.1.51 lacs and imposing a penalty of an equal amount. The Company preferred an appeal against the said order before the Commissioner (Appeals). Pending for final order.	3.02

			HIL has been given an opportunity to be heard		
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2. Cases in which the amount involved does not exceed Rs.3,00,000/- (Rupees Three Lacs Only):

None

B. Excise Cases

1. Cases in which the amount involved exceeds Rs.3,00,000/- (Rupees Three Lacs Only):

Sl. No.	Parties	Authority	Particulars	Status	Amount Involved (Rs . in Lacs [approx.])
1	Appeal No.E/386/97 -B The Commissioner of Central Excise, Raipur ("CCE") Versus Hira Industries Ltd., ("HIL") & Appeal No.E/607/97-B HIL Versus CCE	Customs, Excise & Gold (Control) Appellate Tribunal, New Delhi	Show cause notice dated July 6, 1995 was served on HIL, wherein it was alleged that: (i) HIL procured parts / components to complete "Vertical Shaft Kiln with Blower House", cement grinding mill, steel cement silo and has conducted activities which amount to their manufacture; (ii) HIL failed to file classification list for the manufacture of goods; and (iii) It appeared that HIL had not discharged duty liability on the said goods amounting to Rs.7,45,600/- on the assessable value of Rs.70,38,164. The CCE has appealed in respect of findings in connection with HIL's cement silos. HIL has filed an appeal in respect of findings in connection with their vertical shaft kiln.	Vide the order dated 6.6.2001, the Appellate Tribunal has remanded both the matters and the matter in respect of the benefit under notification no. 67/95 CE dated 16.3.95 to be examined, which matters are pending hearing and adjudication.	1.25 as demanded by the CCE in respect of the cement silos and penalty thereon. 3.26 as claimed by HIL.

2. Cases in which the amount involved does not exceed Rs.3,00,000/- (Rupees Three Lacs Only):

None

C. Other Cases

1. Cases in which the amount involved exceeds Rs.3,00,000/- (Rupees Three Lacs Only):

Sl. No.	Parties	Authority	Particulars	Status	Amount Involved (Rs. in Lacs [approx])
1	Hira Industries Limited ("HIL") Versus State of Madhya Pradesh, (Non Applicant)	Court of District Judge, Jagdalpur (M.P.)	HIL made an application under Order XXXIII Rule 2 of the Civil Procedure Code for leave to sue the Madhya Pradesh Government and obtain a decree for a sum of Rs. 9,22,61,530/- for damages sustained by HIL on account of stoppage of mining activities by the State of Madhya Pradesh. HIL has also claimed interest at the rate of 24% p.a., till the date of realization.	Pending for adducing evidence.	922.62
2	Hira Industries Limited, ("HIL") Versus State of Madhya Pradesh & Ors.	High Court of Jabalpur	HIL filed a Writ Petition against the State of Madhya Pradesh and various other state authorities for payment of transport subsidy allegedly due to HIL	Pending hearing and final disposal	34.90
3.	Hira Industries Ltd ("HIL") Versus State Government of Chhattisgarh	Board of Revenue, Bench at Raipur	HIL filed the present appeal under section 44 of the Chhattisgarh Land Revenue Code, 1959, to set aside the order dated 28 th March 2003, passed by the Learned Upper Collector, Jagdalpur, District Bastar in Revenue Case No. 133/A-67/1993-94.	Pending for evidence and arguments	61.30

2. Cases in which the amount involved does not exceed Rs.3,00,000/- (Rupees Three Lacs Only):

None

D. Sales Tax Cases

1. Cases in which the amount involved exceeds Rs.3,00,000/- (Rupees Three Lacs Only):

Sl. No.	Parties	Authority	Particulars	Status	Amount Involved (Rs. In Lacs (Approx))
1	Hira	Addl.	HIL has filed a Revision Application	Order	21.14

	Industries Ltd.,("HIL")	Commissioner, Commercial Taxes, Raipur	against an order dated 29.05.1997 passed by the Asst. Commissioner, Commercial Tax in connection with commercial tax payable for the year 1993-94 on the ground that levy of Tax on Sale of Clinker by the reason of it not being included in the eligibility certificate is bad in law, that exemption was not allowed on sales after 17.10.93 and that a sale of Tax paid Slag was not allowed.	awaited.	
2	Hira Industries Ltd.,("HIL")	Addl. Commissioner, Commercial Taxes, Raipur	HIL has filed a Revision Application against the order dated 31.01.2003 passed by the Asst. Commissioner, Commercial Tax in connection with Entry Tax payable for the year 1994-954 on the ground that Levying of Entry Tax on Stores and Spares amounting to Rs.5.28 lacs which are used for manufacturing is bad in law and that levying Penalty is bad in law in view of HIL being registered with the BIFR.	Order awaited.	6.56
3	Hira Industries Ltd.,("HIL")	Addl. Commissioner, Commercial Taxes, Raipur	HIL has filed a Revision Application against the order dated 31.01.2003 passed by the Asst. Commissioner, Commercial Tax in connection with Central Sales Tax payable for the year 1994-95 on the ground that HIL was not allowed an opportunity to obtain and submit the amended Eligibility Certificate.	Order awaited.	6.63
4	Hira Industries Ltd.,("HIL")	Addl. Commissioner, Commercial Taxes, Raipur	HIL has filed a Revision Application against the order dated 31.01.2003 passed by the Asst. Commissioner, Commercial Tax in connection with Entry Tax payable for the year 1995-96 on the ground that Stores and spares are incidental goods not liable for Entry Tax.	Order received to the effect that the amount is payable by HIL	7.15
5	Hira Industries Ltd.,("HIL")	Addl. Commissioner, Commercial Taxes, Raipur	HIL has filed a Revision Application against the order dated 31.01.2003 passed by the Asst. Commissioner, Commercial Tax in connection with Central Sales Tax payable for the year 1995-96 on the ground that the tax liability towards HIL's own manufactured goods is Rs.21.85 lacs which needs to be set aside in view of amended Eligibility Certificate.	Order awaited.	24.88
6	Hira	Addl.	HIL has filed a Revision Application	Order	16.68

	Industries Ltd.,("HIL")	Commissioner, Commercial Taxes, Raipur	against the order dated 29.03.2005 passed by the Asst. Commissioner, Commercial Tax demanding Rs.48.62 lacs. The Additional Commissioner passed revision order on 25.03.2005 giving relief of Rs.31.93 lacs.	passed to the effect that the amount is payable	
7	Hira Industries Ltd.,("HIL")	Addl. Commissioner, Commercial Taxes, Raipur	HIL has filed a Revision Application against the order dated 31.03.2000 passed by the Asst. Commissioner, Commercial Tax in connection with Entry Tax payable for the year 1996-97 on the ground that levy of interest is bad in law because this amount is not payable as per returns. The unit being revision undertaking is eligible for deferment of tax and therefore, the levy of interest be set aside.	Revised order awaited.	13.21
8	Hira Industries Ltd.,("HIL")	Addl. Commissioner, Commercial Taxes, Raipur	HIL has filed a Revision Application against the order dated 31.03.2000 passed by the Asst. Commissioner, Commercial Tax in connection with Central Sales Tax payable for the year 1996-97 on the ground that the unit is eligible for exemption of 11 years under "Pioneer status". Accordingly Clinker which is one of the principal products manufactured in the unit and is also eligible for exemption. Balance amount Rs.2.58 lacs is payable, which relates to Tax on Trading Sales.	Revised order awaited.	25.99
9	Hira Industries Ltd.,("HIL")	Addl. Commissioner, Commercial Taxes, Raipur	HIL has filed a Revision Application against the order dated 31.12.2003 passed by the Asst. Commissioner, Commercial Tax in connection with Commercial Tax payable for the year 1997-98 on the ground that the Modified eligibility certificate is valid upto 15.09.97; the same is accepted and assessed the tax. The Eligible period of 11 years expires on 17.10.97 but since the unit was closed on 15.09.97, the Eligibility certificate has been issued for the production upto that date.	Revised order awaited.	17.44
10	Hira Industries Ltd.,("HIL")	Addl. Commissioner, Commercial Taxes, Raipur	HIL has filed a Revision Application against the order dated 31.12.2003 passed by the Asst. Commissioner, Commercial Tax in connection with Central Sales Tax payable for the year 1997-98 on the ground that HIL was not	Revised order awaited.	13.42

			giving a reasonable opportunity to obtain and submit the amended Eligibility Certificate permitting exemption for this period.		
11	Hira Industries Ltd.,("HIL")	Deputy Commissioner, Commercial Taxes, Raipur	HIL has filed a Revision Application against the order dated 25.08.2001 passed by the Asst. Commissioner, Commercial Tax in connection with Commercial Tax payable for the year 1998-99 on the ground that levying of interest and penalty for Rs.5.53 lacs, is bad in law.	Pending in appeal.	14.05

2. Cases in which the amount involved does not exceed Rs.3,00,000/- (Rupees Three Lacs Only):

There are eight (8) other cases in which the amount involved does not exceed Rs. 3,00,000/-. The total amount involved in these cases is Rs.8,34,000/- (Rupees Eight Lacs Thirty Four Thousand Only)

E. Details of Penalties Imposed in the Past (Central Excise Cases).

Sr. No.	Forum	Particulars	Penalty Imposed (Rs. in Lacs)
1	Commissioner Customs and Central Excise, Raipur, Chattisgarh	It was held that Hira Cement Ltd. and Hira Industries were disentitled to certain exemptions due to the use of a common brand name on the packaging of their products, hence a duty demand was confirmed and a penalty of Rs.50,000/- and Rs.25,000/- was imposed on the parties, respectively.	0.25
2	Commissioner, (Appeals II), Customs and Central Excise, Raipur, Chattisgarh	It was held that Hira Industries failed to adequately intimate the Excise Department about certain goods that were to be used in their manufacturing process, prior to using the same. Accordingly, a penalty was imposed, and reduced in appeal to Rs.1,000/-.	0.01
3	Deputy Commissioner, Customs and Central Excise, Raipur, Chattisgarh	It was held that Modvat credit should be allowed to Hira Industries Ltd., however a penalty of Rs.3,000/- was imposed for procedural lapses and failure to give full particulars of goods under Rule 57T of the Central Excise Rules, 1944.	0.01
4	Deputy Commissioner, Customs and Central Excise, Raipur,	It was held that Modvat credit should be allowed to Hira Industries Ltd., however a penalty of Rs.2,000/- was imposed for failure to give full particulars of goods under Rule 57T of the Central Excise Rules, 1944.	0.02

	Chattisgarh		
5	Deputy Commissioner, Customs and Central Excise, Raipur, Chattisgarh	It was held that Modvat credit should be allowed to Hira Industries Ltd., however a penalty of Rs.4,000/- was imposed under Rule 57G/ 57T of the Central Excise Rules, 1944, for availing of credit on Grinding Media before receiving a dated acknowledgement of their declaration.	0.04
6	Deputy Commissioner, Customs and Central Excise, Raipur, Chattisgarh	It was held that Modvat credit should be allowed to Hira Industries Ltd., however a penalty of Rs.2,000/- was imposed under Rule 173Q of the Central Excise Rules, 1944.	0.02
7	Deputy Commissioner, Customs and Central Excise, Raipur, Chattisgarh	It was held that Modvat credit should be allowed to Hira Industries Ltd., however a penalty of Rs.500/- was imposed under Rule 173Q of the Central Excise Rules, 1944 read with Rule 13 of the Cenvat Credit Rules, 2002.	0.005
8	Deputy Commissioner, Customs and Central Excise, Raipur, Chattisgarh	It was held that Modvat credit should be allowed to Hira Industries Ltd., however a penalty of Rs.4,000/- was imposed under Rule 173Q of the Central Excise Rules, 1944, for the contravention of Rules 57 T(1) and 57 S(5) of the said rules.	0.04
9	Deputy Commissioner, Customs and Central Excise, Raipur, Chattisgarh	It was held that Modvat credit should be allowed to Hira Industries Ltd., however a penalty of Rs.3,500/- was imposed under Rule 173Q of the Central Excise Rules, 1944, for the contravention of Rules 57 T(1) and 57 S(5) of the said rules.	0.035
10	Deputy Commissioner, Customs and Central Excise, Raipur, Chattisgarh	It was held that Modvat credit should be allowed to Hira Industries Ltd., however a penalty of Rs.4,000/- was imposed under Rule 173Q of the Central Excise Rules, 1944.	0.02
11	Commissioner, (Appeals II), Customs and Central Excise, Raipur, Chattisgarh	It was held that Hira Industries failed to adequately intimate the Excise Department about certain goods as required under Rule 57G of the Central Excise Rules, 1944. Accordingly, a penalty was imposed, and reduced in appeal to Rs.1,000/-.	0.01
12	Deputy Commissioner, Customs and Central Excise,	Credit availed of on oxy acetylene related cylinder and valve was disallowed and a penalty was imposed under Rule 173Q for contravention of Rule 57Q of the Central Excise Rules, 1944.	0.01

	Raipur, Chhattisgarh		
13	Deputy Commissioner, Customs and Central Excise, Raipur, Chhattisgarh	Capital Goods Modvat credit availed on CTD bars was disallowed and a penalty was imposed under Rule 173Q of the Central Excise Rules, 1944.	0.035

**6. CASES PERTAINING TO MARUTI CLEAN COAL AND POWER LIMITED
(A “Promoter Group” Company)**

A. Parties Involved:

T.N.Godavarman Thirumalpad Versus Union Of India & Ors. and Deepak Agrawal (“Applicant”)

B. Authority:

Supreme Court of India

C. Particulars:

I.A. No. 857 and 858 of 2003 in Writ Petition No. 202 of 1995

- 1) This is an Intervention Application (“IA”) filed in Writ Petition No. 202 of 1995 in connection with the allotment of alleged forest land admeasuring 37.91 acres in Village Ratiza, Tehsil Hardy Bazar, District Korba, Chhattisgarh (“**Allotted Land**”) in favour of Maruti Clean Coal and Power Limited (“**Maruti**”) (formerly known as Maruti Explochem Private Limited) for the establishment of a coal washery plant.
- 2) The Applicant has sought directions of the Court inter-alia restraining Maruti from felling trees in the Allotted Land and further restraining / prohibiting any commercial / business activity in or over the Allotted Land.
- 3) The IA was referred by the Court to a Central Empowered Committee (“**CEC**”) by its order dated May 7, 2003.
- 4) The CEC filed its First Report before the Court on October 17, 2003 essentially recommending that the Allotted Land ought to be treated as “forest land” under Section 2 of the Forest Conservation Act, 1980, and further that the approval of the Central Government should be obtained for setting up a coal washery plant on the Allotted Land. The CEC further recommended that no further construction ought to be allowed on the Allotted Land pending the approval of Central Government.
- 5) Various Parties to the Writ Petition and the IA, including Maruti, filed their respective objections / comments to the said report including additional facts and documents. The Hon’ble Supreme Court directed the CEC to hear the parties again and to make a detailed report. After considering the additional facts and documents so placed before the CEC, the CEC filed its Second Report before the Court on November 4, 2004 essentially recommending that, the IA and various other connected applications may be disposed off by accepting the contention of the State of Chhattisgarh i.e. that the Allotted Land is not “forest land” within the meaning of Section 2 of the Forest Conservation Act, 1980. The

said report further recorded its findings that the Allotted Land has not been transferred to the management of the Forest Department and that the Allotted Land is not recorded as "forest" either in the revenue records or the Forest Department's records.

- 6) Further to the Second Report of the CEC, certain additional documents were filed by the Applicant before the Court, including, inter-alia, the studies conducted by the Regional Remote Sensing Service Centre, Department of Space, CG, Nagpur. The Court accordingly directed the CEC to examine these documents pursuant to which the CEC filed its Third report before the Court on April 14, 2005, essentially recommending that the conclusions of the Second CEC Report dated November 11, 2004 are reiterated i.e. the allotted land is not forest land.
- 7) The said report further deals with various other Writ Petitions and applications filed before the Court or before the High Court of Chhattisgarh in connection with the allotment of the Allotted Land in favour of Maruti ("**Other Applications**"). The said report takes on record Maruti's submissions that the Other Applications have been filed against Maruti, not in bona fide public interest, but by its competitor M/s Aryan Coal Benefication Pvt. Ltd. with a view to preventing Maruti from establishing a coal washery at the Allotted Land. The said Third Report of the CEC further recommends that a detailed inquiry may be conducted through appropriate agencies to establish whether the IA and the Other Applications have in fact been filed in public interest or otherwise. A list of the Other Applications filed against Maruti is as under:
 - i) Mr. B. L. Wadera – Writ Petition before the High Court of Chattisgarh at Bilaspur.
 - ii) Mr. Sanjay Srivastava (relation of Mr. K.K. Srivastava) – Before the High Court of Chattisgarh at Bilaspur.
 - iii) Mr. Deepak Agrawal – Intervention Application before the Supreme Court.
 - iv) Mr. Surendra Sahu – Petition before the High Court of Chattisgarh at Bilaspur.
 - v) SECL – Application for intervention before the Supreme Court;
 - vi) SECL – Suit in Kathgora Civil Court;
 - vii) SECL- Writ Petition against CEC's report before this Hon'ble Court (dismissed as withdrawn);
 - viii) Samyuki Kendriya Shramik Sangathan - application for intervention before the Supreme Court;
 - ix) Koyla Mazdoor Sabha – application for intervention before the Supreme Court;
 - x) Rashtriya Colliery Mazdoor Congress – application for intervention before the Supreme Court;
 - xi) Koyla Shramik Sangh – application for intervention before the Supreme Court;
 - xii) Bhartiya Koyla Khadan Mazdoor Sangh – application for intervention before the Supreme Court; and
 - xiii) Mr. B. L. Wadera – SLP Against an order passed by the High Court of Chhattisgarh.

- 8) All Other Applications, save the original Writ Petition filed by B.L. Wadhera and Sanjay Srivastava have been transferred to the Supreme Court. In the Writ Petition filed by Mr. B.L. Wadhera, a Special Leave Petition ("**SLP**") has been filed against an interim order, which SLP shall be heard with the IA.
- 9) The Applicant has filed an Affidavit in Reply and an Additional Affidavit in Reply to the Third Report of the CEC ("**Affidavits**").
- 10) The Affidavits have been filed seeking orders from the Court to set aside the Second and the Third Report of the CEC on the grounds of technical inadequacy of the CEC and further on the grounds that a report by the NSRA which has been ignored by the CEC in passing the Third Report ought to be taken by the CEC into consideration. The Affidavits also seek an order from the Court to the effect that the allegedly illegal structures constructed on the Allotted Land by Maruti be demolished.
- 11) The matter is now pending further orders by the Court.
- 12) The Supreme Court has stayed any further construction on the Allotted Land pursuant to the First Report. Maruti has filed an application for vacation of the stay.

D. Current Status:

We have been informed that the Writ Petition and the connected IA's have been fixed for hearing based on the reports filed by the CEC and the pleadings filed by the various Parties on 25th August, 2005.

7 CASES PERTAINING TO ALOK FERRO ALLOYS LTD. (A “Promoter Group” Company)

A. Cases in which the amount involved exceeds Rs. 3,00,000/- (Rupees Three Lacs Only):

Sl. No.	Parties	Authority	Particulars	Status	Amount Involved (Rs . in Lacs [approx.])
1.	Commissioner of Income Tax, Raipur Vs. Alok Ferro Alloys Ltd. (“AFA”)	High Court of Chhattisgarh	AFA has appealed the ITAT decision which held that there was an error on the part of the Assessing Officer in making a prima facie adjustment in respect of an alleged sales tax subsidy as claimed by AFA, and allowed to AFA.	Pending adjudication	NIL since AFA has incurred losses during the Financial Year in question.
2.	Alok Ferro Alloys Ltd. (“AFA”) Versus Income Tax Officer, Raipur	Income Tax Appellate Tribunal, Nagpur	AFA has filed this appeal against an order dated 14 th October 1997 passed by the Commissioner of Income Tax (Appeals), Raipur upholding an order passed by the Income Tax Officer against AFA disallowing AFA's claim for a loss of Rs. 6, 30,000/-. This appeal pertains to the assessment year 1994-95.	Pending adjudication	6.26 (This amount has already been paid under protest)

B. Cases in which the amount involved does not exceed Rs. 3,00,000/- (Rupees Three Lacs Only):

None

8. CASES PERTAINING TO M/S. HIRA CEMENT (an erstwhile proprietary concern of Mr. Suresh Agrawal, now taken over by Shree Hira Exim Limited).

A. **Details of Penalties Imposed In The Past (Central Excise Cases).**

Sr . No.	Forum	Particulars	Penalty Imposed (Rs. In lacs)
1	Commissioner Customs and Central Excise, Raipur, Chattisgarh	It was held that Hira Cement Ltd. and Hira Industries were disentitled to certain exemptions due to the improper use of a common brand name on the packaging of their products, hence a duty demand was confirmed and a penalty of Rs.50,000/- and Rs.25,000/- was imposed on the parties, respectively.	0.50

**9. CASES PERTAINING TO THE PROMOTERS & PROMOTER GROUP
(Cases Filed By the Promoters under the Negotiable Instruments Act, 1881)**

A. Cases Filed By Mr. N.P. Agrawal:

Mr. N.P. Agrawal has filed four cases under the Negotiable Instruments Act, 1881. The aggregate amount involved in these cases is Rs. 19,00,000/- (Rupees Nineteen Lacs Only)

B. Cases Filed By Smt. Madhu Agrawal:

Smt. Madhu Agrawal has filed two cases under the Negotiable Instruments Act, 1881. The aggregate amount involved in these cases is Rs. 7,00,000/- (Rupees Seven Lacs Only)

C. Cases Filed By Smt. Reena Agrawal:

Smt. Reena Agrawal has one case under the Negotiable Instruments Act, 1881. The aggregate amount involved in these cases is Rs. 5,00,000/- (Rupees Five Lacs Only)

D. Cases Filed By Smt. Sarita Agrawal:

Smt. Sarita Agrawal has one case under the Negotiable Instruments Act, 1881. The aggregate amount involved in these cases is Rs. 5,00,000/- (Rupees Five Lacs Only)

10. OTHER MISCELLANEOUS CASES

A. Hira Exim Limited has filed one Criminal Complaint under Section 138 of the Negotiable Instruments Act, 1881. The total amount claimed in this case is Rs.45, 00,000 /- (Rupees Forty Five Lacs Only).

B. No separate civil proceedings have been filed for the recovery of the aforementioned amount.

11. GROUP COMPANY LISTING AGREEMENT COMPLIANCE

Shares of our Group company Hira Ferro Alloys Limited ("HFAL") are listed on Delhi Stock Exchange Association Limited ("DSE") and the Madhya Pradesh Stock Exchange ("MPSE"). HFAL had allotted 7,55,000 equity shares on preferential allotment basis in the year 1994 and 1995 ("1994 Allotment"), and had further allotted 20,00,000 equity shares on preferential allotment basis on 20th March 2005 (collectively referred to as "the New Shares"). The listing applications for the New Shares ("Listing Applications") are still pending with the DSE for non-compliance of several provisions of the listing agreement entered into by HFAL with DSE. HFAL and DSE have exchanged several correspondences in the matter whereby the DSE has sought several clarifications / documents in connection with the Listing Applications. These clarifications include, inter-alia, clarifications on alleged non-compliance of Section 173(2) of the Companies Act, non compliance of provisions of the SEBI Guidelines, non-obtention of the in-principle approval of the MPSE before allotment of equity shares on 20th March 2005, etc. HFAL has furnished several documents to the DSE from time to time in response to these clarifications.

The DSE has further sought the in-principle approval of the Madhya Pradesh Stock Exchange ("MPSE") for listing the New Shares before proceeding with the Listing Applications ("MPSE Approval"). For the purpose granting the MPSE Approval, the MPSE has sought a confirmation from all stock exchanges where the shares of HFAL are listed to

the effect that the shares of HFAL have been continuously listed, and further that there are no pending investor grievance complaints.

The DSE has suspended the trading of shares of HFAL. We have been informed that the said suspension is on account of non-compliance by HFAL of listing formalities in connection with the Listing Applications. We have been further informed that there is no formal show cause notice or suspension order issued by the DSE in this regard. The DSE has informed HFAL that the suspension of trading in its shares would be revoked, and a certificate of continuous listing issued, inter-alia, on HFAL complying with all listing requirements in connection with the 1994 Allotment or on HFAL furnishing a certificate from a regional stock exchange to the effect that HFAL has been regularly complying with all listing requirements with the said exchange and is not under suspension thereat.

GOVERNMENT APPROVALS

The company has received all the necessary consents, licenses, permissions and approvals from the Government/ RBI and various Government Agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business of the company except the pending approvals as mentioned under this heading.

The company can undertake all the present and proposed activities in view of the present approvals and no further approvals are required by the company from any Statutory body to undertake the present and proposed activities.

We have received the following Government and/or Statutory approvals/licenses/ permissions:

Incorporation:

1. Certificate of Incorporation No. 10-13756, dated 21.09.1999 from the Registrar of Companies, Madhya Pradesh;
2. Certificate of Commencement of Business issued by the Registrar of Companies, Madhya Pradesh dated 15.11.1999;
3. Fresh Certificate of Incorporation dated 20.06.2005 consequent to the change of name from M/s. Ispat Godawari Limited to M/s. Godawari Power and Ispat Limited issued by the Registrar of Companies, Madhya Pradesh and Chhattisgarh dated pursuant to Section 23(1) of the Companies Act, 1956;

Central Excise and Service Tax:

1. Central Excise Registration No. AAACI7189KXM001 issued by the Deputy Commissioner of Central Excise, Civil Lines, Raipur.
2. Service Tax Registration No. ST/GTC/IGL/R-ST/RPR/12/2004 dated 30.12.2004 issued by the Superintendent, Central Excise, Service Tax Range, Raipur;
3. Importers and Exporters Code (EC) No. 1101000287 dated 30.04.2001 issued by The Director General of Foreign Trade, Bhopal, M.P.

Commercial/Sales Tax:

1. State Commercial Tax Registration under the Chhattisgarh Vanijya Kar Adiniyam 1994 vide Certificate No.10/03/5927 dated 23.05.2001;
2. Central Sales Tax Registration under the Central Sales Tax Act, 1956 vide Registration Certificate No.10/03/5311-C dated 12.11.1999;
3. Tax Payer Identification No. (TIN) 22451500179 dated 25.09.2003;
4. Certificate of Eligibility for exemption of entry tax issued by Industries Commissioner, Commercial Tax Department, Govt. of CG vide Certificate No. 37/FA/S(2002)/422 dated 18.09.2002;
5. Certificate of Eligibility for availing exemption of payment of Commercial tax issued by Industries Commissioner Chhattisgarh vide Certificate No. 38/FA/2002/423 dated 18.09.2002

Income Tax

1. Permanent Account Number (PAN) has been allotted to our company under section 139A of the Income Tax Act, 1961 bearing number AAACI7189K;
2. Tax Deduction Account No. (TAN) has been allotted to our company under the Income Tax Act, 1961 bearing number JBPI00086C;

SIA Registration

SIA Acknowledgements of our company's entrepreneurial memorandum for the manufacturing of the following items categorized under the National Industrial Classification (NIC) broad description along with their proposed capacities are as follows:

SIA Acknowledgement Number	Date	NIC Item Code	Item Description	Capacity MT/MW
1982/SIA/IMO/1999	11.10.1999	3304 3303 3303 3302 3301	Sponge Iron Char/Dolochar Fly Ash Scrap MS Billets	90000 40000 20000 10000 100000
Amendment No. 1 to 1982/SIA/IMO/1999	22.02.2001	3304 3303 3303 3302 3301	Sponge Iron Char/Dolochar Fly Ash Scrap MS Billets	90000 40000 20000 50000 500000
895/SIA/IMO/2000	07.04.2000	3304 3303 3303 3302	Sponge Iron Char/Dolochar Fly Ash Scrap	90000 40000 20000 10000
Amendment No. 1 to 895/SIA/IMO/2000	22.02.2001	3304 3303 3303 3302	Sponge Iron Char/Dolochar Fly Ash Scrap	525000 200000 100000 50000
1983/SIA/IMO/1999	11.10.1999	4003	Generation and Transmission of Electric Energy (Oil Based Thermal)	12
2533/SIA/IMO/1999	24.12.1999	4002	Generation and Transmission of Electric Energy (Coal Based Thermal)	20
Amendment to 2533/SIA/IMO/1999	26.02.2001	4002	Generation and Transmission of Electric Energy (Coal Based Thermal)	86
3295/SIA/IMO/2003	14.11.2003	4390	Generation and Distribution of Non conventional Energy	70
3296/SIA/IMO/2003	14.11.2003	4001	Generation and Distribution of Hydro Electric Power	60
3297/SIA/IMO/2003	14.11.2003	4390	Generation and Distribution of Bio mass Energy	30
1408/SIA/IMO/2004	23.04.2004	3304	Pig Iron	70000
1411/SIA/IMO/2004	23.04.2004	1310	Sintered Iron Ore Palletizing and Briqueting	1000000
857/SIA/IMO/2004	03.12.2004	3321 3322 3322	Ferro Alloys Non alloys Steel/Semi Rails and Wire Alloy Steel including Beams, Joists and Wires	100000 100000 100000

Industrial Approvals

1. The Company has been granted license to work a factory under the Factories Act, 1948 vide License No.801/14104/RPR/2 m (1) dated 03.09.2003 issued by the Chief Inspector of Factories, Raipur, Chhattisgarh;
2. Registration Certificate No. 7191/RPR/CE/2004 dated 11.08.2004 issued by Raipur Municipal Corporation under Chhattisgarh Shops and Establishment Act, 1958;
3. Registration Code No. 17080 dated 25.06.2001 issued by the Regional Provident Fund commissioner under the Employees Provident Fund and Miscellaneous Provisions Act, 1952;
4. Certificate of Registration No.307/RPR/2000 dated 28.06.2000 issued by the Registering Officer under Section 7(2) of the Contract Labour (Regulation and Abolition) Act, 1970;
5. Certificate for the use of FBC Boiler issued by the Chhattisgarh Boiler Inspection department vide Certificate No. J/40/04 dated 17.06.2004;
6. Certificate for the use of Waste Heat Recovery Boiler issued by the Chhattisgarh Boiler Inspection department vide Certificate No. J/16/04 dated 27.04.2004;
7. Production Certificate No. DTIC/RPR/2001/3259 dated 18.09.2001 issued by District Trade and Industries Centre, Raipur, Chhattisgarh;
8. Permission to establish the Sponge Iron, Power Generation Plant, Induction Furnace, HB Steel Wire Plant and Submerged Arc Furnace issued vide permission number 4900/TS/CECB/2004 dated 29.11.2004 issued by the Chhattisgarh Environment conservation Board under the Water (Prevention and Control of Pollution) Act, 1974, and the Air (Prevention and Control of Pollution) Act, 1981.

Approval pending for Phase – II expansion project:

The following permissions/approvals in respect of phase-II expansion project are yet to be obtained by the Company:

1. Diversion of land, acquired by the Company for implementation of phase –II expansion project, from agriculture to industrial use.
2. Environment clearance from Central government.
3. Permission to set up Sponge Iron, steel Billets and captive power generation facility from Chhattisgarh Environment Conservation Board.
4. Certificate for use of WHRB Boilers.
5. Registration of increase in capacity under Excise duty and commercial tax laws in the existing approvals.
6. Other approvals/permissions such as Air port Authority for stack height of the chimney, town & country planning/local panchayat approval for construction of factory building etc.
7. Any other approval which may be required under any statute for the being in force and applicable to our company during course of implementation of the project.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Fresh Issue of Equity Shares in this Issue by our Company has been authorized by a resolution of our Board of Directors passed at their meeting held on February 25, 2005, subject to the approval of the shareholders through a special resolution pursuant to Section 81(1A) of the Companies Act. The shareholders approved the Fresh Issue of Equity Shares at an EGM of the shareholders of the Company held on March 21, 2005.

Prohibition by SEBI

Our Company, our directors, our promoters, our subsidiary, our group companies, other companies/entities promoted by our promoters and companies/entities with which our Directors are associated are associated with as directors, have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. None of the Directors of our Company have been prohibited from accessing the capital markets or restrained from buying/selling/dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

The company is eligible to make the Issue under clause 2.2.1 of the SEBI Guidelines since, based on the unconsolidated financial statements of the Company under Indian GAAP:

- The company has net tangible assets of at least Rs. 30 Mn in each of the preceding three full years of which not more than 50% is held in monetary assets
- The Company has track record of distributable profits in terms of section 205 of The Companies Act, for at least three out of the immediately preceding five years
- The Company has a net worth of at least Rs. 10 Mn in each of the three preceding full years; and
- The proposed Issue size, including all previous public issues in the same financial year, is not expected to exceed five times the pre-Issue net worth of the Company.
- If the Company has changed its name during the last one year, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name

The net profit, dividend, net worth, net tangible assets derived from auditors report included in this Draft Red Herring Prospectus under the section "Unconsolidated Financial Statements under Indian GAAP" as at and for the last five years ended March 31, 2005 is set forth below:
(Rs. in Mn)

	As on March 31, 2005	As on March 31, 2004	As on March 31, 2003	As on March 31, 2002	As on March 31, 2001
Net Tangible assets	1476.04	846.58	571.85	327.86	170.17
Monetary Assets	10.93	2.60	2.97	7.08	-
Net Profits as restated	241.07	77.67	15.04	0.63	-
Net Worth	637.73	430.4	297.66	206.48	158.11

Further in terms of clause 2.2.2 A of the DIP Guidelines, the prospective allottees shall be more than one thousand (1,000).

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 THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, IL&FS INVESTSMART LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, IL&FS INVESTSMART LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 5, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

“WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATIONS 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 DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

- THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- 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
- 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.

WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL ANY UNDERWRITING COMMITMENTS.

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS 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.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MUMBAI, MAHARASHTRA, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Caution

Our Company, our Directors and the BRLM 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 our instance and anyone placing reliance on any other source of information, including our website, <http://www.gpilindia.com> would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM, us and the Underwriting Agreement to be entered into between the Underwriter and us.

All information shall be made available by the BRLM and us to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUF's companies corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law, and who are authorised under their constitution to hold and invest in shares) and to NRIs, FIIs, Venture Capital Funds registered with SEBI and Foreign Venture Capital Funds registered with SEBI. This Draft Red Herring Prospectus does not, however constitute an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform him or her self 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 Mumbai 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 the Draft Red Herring Prospectus has been filed with SEBI for observation and SEBI has given its observations and the Draft 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 offered or sold, directly or indirectly, and this Draft 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 Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer clause of the National Stock Exchange of India Limited

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter dated [●], 2005, permission to the Company to use the NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to the paid-up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 10 crores and market capitalization shall not be less than Rs. 25 crores at the time of listing). The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring Prospectus 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 Draft Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the Bombay stock Exchange Limited

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated [●], 2005, permission to this Company to use BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. BSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
- warrant that this Company's securities will be listed or will continue to be listed on BSE; 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 to mean that this Draft Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such

subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporate Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

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 and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with The Registrar of Companies, Madhya Pradesh and Chhatisgarh, Sanjay Complex, 3rd Floor, A-Block, Jayendraganj, Gwalior where the Company is registered.

Listings

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of the Equity Shares. NSE will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within 8 days after the Company become liable to repay it, i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be 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, 1956.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization and adoption of the Basis of Allotment for the 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."

Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date without assigning any reason therefore.

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Auditors, Legal Advisor, Tax Auditor, Bankers of the Company, Escrow Collection Banks and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Members, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Karnataka located at Bangalore, 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 this Draft Red Herring Prospectus for registration with the RoC.

M/s O.P. Singhanian & Co., Chartered Accountants, and the statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC, Madhya Pradesh and Chhattisgarh, Gwalior

M/s O.P. Singhanian & Co, Chartered Accountants, 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 Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC, Madhya Pradesh and Chhattisgarh, Gwalior.

Expert Opinion

Except as stated elsewhere in this Draft Red Herring Prospectus, We have not obtained any expert opinions.

Expenses of the Offer

The expenses of the Issue payable by our Company inclusive of brokerage, fees payable to the BRLM, Syndicate Members, other advisors to the Issue, fees of Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrar to the Issue, listing fees and other miscellaneous expenses is estimated to be approximately [•] % of the Issue size.

Details of Fees Payable

Particulars	Rs. In Mn
Lead Management, Underwriting and Selling Commission*	[•]
Fees payable to Registrar, Legal Advisors and Auditors	[•]
Printing, Stationary and Postage	[•]
Advertisement and Marketing	[•]
Other expenses	[•]
TOTAL	[•]

* will be incorporated after finalization of Issue Price.

Fees Payable to the Book Running Lead Manager and Syndicate Member

The total fees payable by us to the Book Running Lead Manager (including underwriting commission and selling commission) will be as per Engagement Letter dated February 25, 2005 a copy of which is available for inspection at our registered office.

Fees Payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue for processing of application, data entry, printing of CAN/ refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with our Company.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided by us 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.

Previous Rights and Public Issues

We have not made any public issue or rights issue of Equity Shares either in India or abroad in the five years preceding the date of this Draft Red Herring Prospectus.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with depository participants within 2 working days of finalization of the basis of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date; and
- 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 prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Issue Program

BID/ISSUE OPENS ON:	•, 2005
BID/ISSUE CLOSES ON:	•, 2005

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 uploaded till such time as may be permitted by the NSE and BSE on the Bid/Issue Closing Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional 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 NSE and BSE, 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.

Issues otherwise than for Cash

We have not issued any Equity Shares for consideration otherwise than for cash, except as detailed in the section titled "Capital Structure - Notes to the Capital Structure - Share Capital History of our Company" on page [•] of this Draft Red Herring Prospectus.

Commission or Brokerage on Previous Issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company's inception.

Companies under the same Management

There are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956 other than subsidiaries of the Company and group companies of the Company as disclosed under para 'Subsidiaries of our Company' and 'Our Promoter and Group Companies'.

Outstanding Debenture and Preference Shares

We have no outstanding debentures or bond issues.

Stock Market Data for Equity Shares

This being an initial public issue 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 to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, depository participant, and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven 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 appointed Mr. Y. C. Rao, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address: Corporate Office, Hira Arcade, 1st Floor, near New Bus Stand, Pandri, Raipur – 492 001, Chhattisgarh. Tel: +91- 771- 5054279. Email: ycrao@godawaripower.com

Investor Grievances – Companies under same Management

Kindly refer to the section titles 'Group Companies' on page [•] of this Draft Red Herring Prospectus.

Change in Statutory Auditors

There have been no changes of the statutory auditors in the last three years.

Capitalisation of Reserves and Profits

We have not capitalized our reserves or profits at any time, except as stated in the section entitled "Capital Structure" on page of this Draft Red Herring Prospectus.

Revaluation of Assets

We have not revalued its assets since its inception.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Draft Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("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 the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity shares of the Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Draft Red Herring Prospectus at an Issue price of Rs. [?] per share. The Price Band is between Rs. [?] and Rs. [?] per share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws. The Floor Price is [?] times of the face value and the Cap Price is [?] times of the face value.

Rights of the Equity Shareholder

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

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

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see the section titled "Main Provisions of Articles of Association" on page [●] of this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares 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 Shares to the successful bidders subject to a minimum Allotment of [?] Equity Shares. For details of allocation and allotment, see "Statutory and Other Information" on page [●] of the Draft Red Herring Prospectus.

Jurisdiction

Exclusive jurisdiction for the purpose of this issue is with competent courts/authorities in High Court of Chattisgarh, Bilaspur, India

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder(s), 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), 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.

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 our 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, our 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, our 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.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue amount including devolvement of the Underwriters, if any, within 60 days from the Bid/Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act.

Restrictions on transfer /transmission of Equity Shares

Except as stated elsewhere in this Draft Red Herring Prospectus, there are no restrictions on transfer/transmission on our Equity Shares.

Subscription by Non-Residents, NRI, FIIs

There is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

As per RBI regulations, Overseas Corporate Bodies cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Application in Issue

Equity shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialized form only.

WITHDRAWAL OF THE ISSUE

We, in consultation with the BRLM, reserve the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefore.

BID/ISSUE PROGRAMME

BID / ISSUE OPENS ON	[?]
BID / ISSUE CLOSES ON	[?]

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 centers 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) and uploaded till such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date.

The Price Band will be decided by the Company in consultation with the BRLM. The announcement on the Price Band shall also be made available on the websites of the BRLM, and the terminals of the syndicate.

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 Band can move up or down to the extent of 20%.

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

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be available for allocation on a discretionary basis to QIBs. Further, not less than 35% shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% 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. We, in consultation with the BRLMs, reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason thereof from QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders and Bids under Employee Reservation Portion, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized form. The Equity Shares, on allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Draft 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 Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Draft Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public or NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis	Blue
Employees	Pink

Who can Bid

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;

3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and SEBI guidelines and regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. State Industrial Development Corporations;
8. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and
9. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
10. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares.
11. Insurance companies registered with the Insurance Regulatory and Development Authority;
12. Provident funds with minimum corpus of Rs. 250 Mn and who are authorized under their constitution to hold and invest in Equity Shares.
13. As permitted by applicable laws, Pension funds with minimum corpus of Rs. 250 Mn and who are authorized under their constitution to hold and invest in Equity Shares;
14. Multilateral and bilateral development financial institutions;

Note: The BRLM, Syndicate Members and any associate of the BRLM and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs") may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

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 the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds
- No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights

As per current regulations, the following restrictions are applicable for investment by FIIs:

- No single FII can hold more than 10% of the post-issue paid-up capital of our Company. In respect of an FII investing in the Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual

As of now, 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%.

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 Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of our Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100 % of our Company's paid-up equity capital.

The above information is given for the benefit of the Bidders. We and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations.

Maximum and Minimum Bid Size

- a. **For Retail Individual Bidders:** The Bid must be for a minimum of [?] Equity Shares and in multiples of [?] Equity Shares thereafter, subject to maximum Bid amount of Rs.100,000. In case the maximum Bid amount is more than Rs.100,000/- then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- b. **For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares and in multiples of [?] Equity Shares such that the Bid Amount exceeds Rs. 100,000. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

- c. **For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of • Equity Shares and in multiples of • Equity Shares thereafter. The maximum Bid in this portion cannot exceed Rs. • Mn. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at "Cut-off".

Information for the Bidders:

- a. Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/issue Opening Date.
- b. 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 our corporate office or from the BRLM or 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 a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.
- e. The Bidding Period shall be a minimum of three working days and not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.
- f. Investors who are interested in subscribing to our Equity Shares should approach any of the members of the syndicate or their authorized agent(s) to register their Bid.

Method and Process of Bidding

- a. Our Company and the BRLM 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 one English national daily, one Hindi national daily. This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs and their bidding centers and shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- b. Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- c. 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 is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page [•] of this Draft Red Herring Prospectus.
- d. The BRLM and Syndicate Members 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. It is the responsibility of the Bidder to obtain the TRS from the Syndicate Member.
- e. 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.
- f. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment” on page [•] of the Draft Red Herring Prospectus.

Bids at Different Price Levels

- a. The Price Band has been fixed at Rs. [?] to Rs. [?] per Equity Share of Rs.10 each, Rs. [?] being the Floor Price and Rs. [?] being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1.
- b. In accordance with the SEBI Guidelines, we, in consultation with the BRLM reserve the right to revise the Price Band during the Bidding period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to the compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid/Issue Opening Date in [?], an English language newspaper with wide circulation , [?], a Hindi language newspaper with wide circulation.
- c. We, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
- d. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Employees applying for maximum Bid in any of the Bidding options not exceeding up to Rs. 100,000 may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- e. Retail Individual Bidders or Employees, who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders or Employees bidding at Cut-Off shall submit the Bid cum Application Form along with the cheque/demand draft for the Bid amount based on the cap of the Price Band with the Syndicate members. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders or Employees, 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 or Employees, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account.
- f. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [?] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs.5,000 to Rs. 7,000.
- g. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders or Employees who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off
- h. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders or Employees who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account

Application in the Issue

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialized form only.

Escrow Mechanism

Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor 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. The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLMs and Syndicate Members to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

In case of Non-institutional Bidders Retail Individual Bidders and Employees, each Bidder shall, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favor of the Escrow Account of the Escrow Collection Bank(s) (For further details, see "Issue Procedure - Payment Instructions" on page 6 of this Draft 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 and stock invest 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 the monies for the benefit of the Bidders until such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

In case of QIBs, the members of the Syndicate may, at their discretion, waive such payment at the time of the submission of the Bid cum Application Form. Where such payment at the time of submission of the Bid cum Application Form is waived at the discretion of the members of the Syndicate, the Issue Price shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from 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 application of the Bidder is liable to be rejected. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

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 the 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 NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.
- b. The NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorized agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building in a timely manner. On the Bid Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- c. NSE and BSE will aggregate demand and price for bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be accessed on BSE's website at "www.bseindia.com" or on NSE's website at "www.nseindia.com"
- 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
 - Investor Category such as Individual, Employee, Corporate, NRI, FII or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form
 - Depository Participant Identification No. and Client Identification No. 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 request and 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 the Company.
- f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g. Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders and bids under the Employees Reservation Portion. Bids would not be rejected except on the technical grounds listed on Page [●] in this Draft Red Herring Prospectus.
- h. It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our promoters, our management or any scheme or project of our Company.
- i. It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the equity shares will be listed or will continue to be listed on the NSE and BSE.

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 NSE or BSE mainframe on a regular basis.
- b. The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- c. During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- d. Any revision in the Price Band will be widely disseminated by informing the Stock Exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and also indicating the change on the relevant websites and the terminals of the Syndicate members.
- e. Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- f. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **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 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 the Draft Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement 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. In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM based on physical records of Bid cum Application Forms shall be final and binding to all concerned.

Price Discovery and Allocation

- a. After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- b. We, in consultation with the BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based *inter-alia* on the quality of the Bidder determined broadly by the size, price and time of the Bid.
- c. The allocation for QIBs for up to 50% of the Net Issue to the Public Size would be discretionary. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 15% and 35% of the Net Issue to the Public Size, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- d. Under subscription, if any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company and BRLM. Any under subscription in Equity Shares reserved for allocation to Employees would be treated as part of the Net Offer

to the Public and allocated in accordance with the basis of allotment described in the section titled "Basis of Allotment" on page [●] of this Draft Red Herring Prospectus.

- e. Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions 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 BRLM, in consultation with us, shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- g. **We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment without assigning any reasons whatsoever.**
- h. In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.

Signing of Underwriting Agreement and RoC Filing

- a. We, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- b. After signing the Underwriting Agreement, we 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.

Advertisement regarding Price band and Red Herring Prospectus

We will issue a statutory advertisement after the filing of the Prospectus with the RoC in two widely circulated newspapers (one each in English and Hindi). This advertisement, in addition to the information (in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines), that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note (CAN)

After the determination of Issue Price, the following steps would be taken

- a. The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
- b. The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed 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 into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- c. Bidders who have been allotted Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

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 Issue

Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository accounts of the allotted Equity Shares to the allottees within two working days of the date of Allotment.

- b. As per the SEBI Guidelines, Equity Shares will be issued and allotted only in the dematerialized form to the allottees. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
- c. 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. We would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case we fail 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.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be credited to their Depository Account to them pursuant to Allotment in this Issue.

GENERAL INSTRUCTIONS

Do's:

- a. Check if you are eligible to apply;
- b. Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c. Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;
- d. Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a Syndicate Member;
- e. Ensure that you have been given a TRS for all your Bid options;
- f. Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- g. Ensure that the Bid is within Price Band; and
- h. If your Bid is for Rs. 50,000 or more ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached copy of your PAN card with the Bid cum Application Form. In case the PAN has not been allotted, mention "Not Allotted" in the appropriate place. (See section titled "Issue Procedure- Pan" on page [•] of this Draft Red Herring Prospectus
- i. 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, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum- Application Form.

Don'ts:

- a. Do not Bid for lower than the minimum Bid size;
- b. Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
- c. Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d. Do not pay the Bid amount in cash; by money order or by postal order;
- e. Do not send Bid-cum-Application Forms by post; instead submit the same to Syndicate Member only;
- f. Do not Bid at cut off price (for QIBs and non-institutional bidders and Employees for whom the Bid Price exceeds Rs 100,000);
- g. Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held

under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Members.

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 and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis and pink colour for Employees).
- 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. The Bids from the Retail Individual Bidders must be for a minimum of [?] Equity Shares and in multiples of [?] thereafter subject to a maximum Bid amount of Rs.100,000.
- d. For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount exceeding Rs.100,000 and in multiples of [?] Equity Shares. All Individual Bidders whose maximum bid amount exceeds Rs.100,000 would be considered under this category. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- e. For Employees, the Bid must be for a minimum of • Equity Shares and shall be in multiples of • Equity Shares thereafter. The maximum Bid Price in this portion cannot exceed Rs. • Mn
- 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 in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Employees

1. Bids by Employees shall be made only in the prescribed Bid cum Application Form or Revision Form, (i.e., pink colour form).
2. Employees should mention their Employee number at the relevant place in the Bid cum Application Form.
3. The sole/first Bidder should be an Employee. 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 in the same sequence in which they appear in the Bid cum Application Form.
4. Only Employees on the rolls of the Company as on the cut-off date i.e., August 31, 2005 would be eligible to apply in this Issue under the Employee Reservation portion on a competitive basis.
5. Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under this category.

6. The maximum Bid in this category should not exceed • Equity Shares.
7. If the aggregate demand in this category is less than or equal to 400,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Any under-subscription in Equity Shares reserved for Employees would be treated as part of the Net Offer to the Public and allotment shall be in accordance with the basis of allotment described in the section titled “Basis of Allotment” on page [•] of this Draft Red Herring Prospectus.
8. If the aggregate demand in this category is greater than 149,600 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of [•] Equity Shares. For the method of proportionate basis of allotment, refer to section titled “Basis of Allotment” on page [•] of this Draft Red Herring Prospectus.
9. Bidding at Cut-off is allowed only for Employees whose Bid Price is less than or equal to Rs 100,000.

Bidder’s Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder’s sole risk and neither the BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

Bidder’s Depository Account Details and Bidder’s Bank 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, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (“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/ CANs/Allocation Advice and printing of bank 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 and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM 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 that match 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 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 and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to 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 thereof.

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 thereof.

In case of Bids made by provident funds with minimum corpus of Rs.250 Mn and pension funds with minimum corpus of Rs.250 Mn, 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 thereof

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis

- Individual NRI bidders can obtain the Bid cum Application Forms from our Company's Corporate Office at G-9, Hira Arcade, Near New Bus Stand, Pandri, Raipur - 492 001, Chhattisgarh, India, or the Registrars to the Issue or members of the syndicate.
- NRI bidders may please note that only such bids 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.

Bids by Eligible Non-Residents, NRIs and FIIs 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 color), 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. **By NRIs** - NRIs for a Bid Amount of upto Rs. 100,000 would be considered under the Retail Portion for the purpose of allocation and Bids for a Bid Amount of more than Rs.100,000 would be considered under Non-Institutional Portion for the purpose of allocation; by other eligible Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of [?] thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure – maximum and Minimum Bid Size" on page [?] of this Draft Red Herring Prospectus.
- d. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- e. 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 payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Payment Instructions and Payment into the Escrow Account

We, the BRLM and the Syndicate Members shall open an Escrow Account 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:

- a. The Bidders for whom the applicable margin is equal to 100% shall, along with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.
- b. 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 BRLM.

- c. The payment instruments for payment into the Escrow Account should be drawn in favor of:
 - (i) In case of Resident Bidders: **"Escrow Account- GPIL Public Issue"**
 - (ii) In case of Non Resident Bidders: **"Escrow Account- GPIL Public Issue- NR"**
 - (iii) In case of Employees : **"Escrow Account- GPIL Public Issue- Employees"**
- d. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- e. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- f. 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 Escrow Account.
- g. 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/ stock invest/money orders/ postal orders will not be accepted.
- h. The monies deposited in the Escrow Account will be held for the benefit of the Bidders until the Designated Date.
- i. 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 Issue Account with the Bankers to the Issue.
- j. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payment by Stock invest

In terms of 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 stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn with immediate effect. 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. 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.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center 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 favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In 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.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

Bids made by Employees both under Employee Reservation Portion as well as in the Net Offer to the Public shall not be treated as multiple Bids. Our Company reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PAN or GIR Number

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 IT Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that 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 Bidders have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a 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 61 have been amended vide a notification issued on December 31, 2004 by the Central Board of Direct Taxes, Department of Revenue, MoF. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.

Right to Reject Bids

We and the BRLM reserve the right to reject any Bid without assigning any reason therefor in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders and Employees, we have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

1. Amount paid doesn't tally with the highest number of Equity Shares bid for;
2. Age of First Bidder not given;
3. 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;
4. NRIs, except eligible NRIs and Non-Residents;
5. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors and insane Persons;
6. PAN not stated if Bid is for Rs. 50,000 or more and GIR number given instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at cut-off price by Non-Institutional and QIB Bidders;
11. Bids for number of Equity Shares which are not in multiples of [?];
12. Category not ticked;
13. Multiple bids as defined in this Draft Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/ money order/postal order/cash;
16. Signature of sole and / or joint bidders missing;
17. Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Members;
18. Bid-cum-Application Form does not have Bidder's depository account details;
19. In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
20. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid-cum-Application Form;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled [•]at page [•]of this Draft Red Herring Prospectus;
22. Bids by OCBs;
23. Bid by U.S persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933; and
24. Bids under Employee Reservation Portion for more than • Equity Shares.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized 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 us, the respective Depositories and the Registrar to the Issue:

- a) an agreement dated [?], 2005 with NSDL, us and Registrar to the Issue;
- b) an agreement dated [?], 2005 with CDSL, us and Registrar to the Issue.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification Number) appearing in the Bid-cum-Application Form or Revision Form.
- c. Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- 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. Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f. If incomplete or incorrect details are given under the heading 'Bidders Account Depository Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- 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. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i. The trading of the Equity Shares of the Company would be in dematerialized form only for all investors.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date of Bid-cum-Application Form, name and address of member of Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

PRE-ISSUE AND POST ISSUE RELATED PROBLEMS

We have appointed Mr. Y. C. Rao, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

Name : Mr. Y C Rao

Add : G-9, Hira Arcade, Near New Bus Stand, Pandri, Raipur - 492 001, Chhattisgarh, India.

Phone : +91-771-5054279

Fax : +91-771-5057601

E-mail : ycrao@godawaripower.com

Disposal of Applications and Applications Money

We shall ensure dispatch of allotment advice or refund orders and give benefit to the Beneficiary Account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalization of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of allotment. In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

- allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- dispatch of refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and
- we shall pay interest at the rate of 15% per annum (for any delay beyond the 15 days time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where bids are received, if any, for encashing such cheques, pay orders or demand drafts at other centers, will be payable by the Bidders.

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] 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 [•] Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. For the method of proportionate basis of allotment, refer below.

B. For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all

successful Non Institutional Bidders will be made at the Issue Price.

- The Issue size less allotment to QIBs and Retail Individual Bidders shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] 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 [•] Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size less allotment to Non Institutional Portion and retail Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allotment would be decided by the Company in consultation with the BRLM and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- Except for any shares allotted to QIB Bidders due to undersubscription in the Retail Portion and/or Non Institutional Portion, the aggregate allotment to QIB Bidders shall not be more than [•] Equity Shares.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalized by us in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allocation shall be made in multiples of [marketable lot], on a proportionate basis as explained below subject to minimum allocation being equal to the [minimum application size]:

- a. Bidders will be categorized according to the number of Equity Shares applied for.
- b. The total number of Equity Shares to be allocated to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c. Number of Equity Shares to be allocated to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio subject to allocation being equal to the minimum application size.

- d. In all Bids where the proportionate allocation is less than [•] Equity Shares per Bidder, the allotment shall be made as follows:
- Each successful Bidder shall be allotted a minimum of [•] Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- e. If the proportionate allotment to a Bidder is a number that is more than [minimum allotment lot] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- f. If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Undertaking by the Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- 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 finalization of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- refund order or allotment advice to NRIs or FIIs or multilateral or bilateral development financial institution, foreign venture capital investors registered with SEBI shall be dispatched within the specified time.

Utilization of Issue proceeds

Our Board of Directors of the Company certifies that:

- a. all monies received out of the Issue shall be transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- b. details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such unutilized monies have been invested; and
- c. Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.
- d. we shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

MAIN PROVISION OF THE ARTICLES OF ASSOCIATION

1. SHARE CAPITAL

Article 3 provides as follows:

The authorised Share Capital of the Company shall be such amount as may from time to time be authorised by the memorandum.

The company shall have the power to subdivide, consolidate, reduce and increase the capital from time to time issue any shares of the original capital with and subject to any preferential, deferred, qualified or special right privileges or conditions as may be thought fit, and upon the subdivision of shares to appropriation the right to participate in profits, any manner as between the sharers, resulting from the subdivision.

Subject to the provisions of Section 77A, 77AA and 77B and other applicable provisions of the Companies Act, 1956 the company can buy back its shares, and other securities.

2. REDEEMABLE PREFERENCE SHARES

Article 4 provides as follows:

The company shall have power to issue Preference Shares carrying right to redemption out of profits which would otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purpose of such redemption, or liable to be redeemed at the option of the company, and the board may subject to the provisions of Section 80 of the Act, exercise such power in such manner as it think fit.

3. FURTHER ISSUE OF SHARES

Article 5 provides as follows:

- (a) Where at the 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 either out of the unissued capital or out of the increased share capital then:
 - (i) Such further shares shall be offered to the persons who are at the date of the offer, are holders of the equity shares of the company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
 - (ii) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
 - (iii) 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) hereof 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.
 - (iv) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may

dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

- (b) Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub clause (1) hereof) in any manner whatsoever.
 - (i) If a special resolution to that effect is passed by the company in General Meeting, or
 - (ii) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the 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.
- (c) Noting in sub-clause (c) of (1) hereof shall be deemed;
 - (i) To extend the time within which the offer should be accepted;
 - or
 - (ii) To authorize any person to exercise the right of renunciation for second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (d) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company:
 - (i) To convert such debentures or loan 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 Rules, if any, made by that government in this behalf; and
 - (b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.
- e) Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at an 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 of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

4. LIMITATION OF TIME FOR ISSUE OF CERTIFICATES

Article 11 provides as follows:

Every member shall be entitled, without payment, to one or more certificate in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the directors may from time to time determine) to several certificates, each for any or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of the shares in respect of which it is issued and amount paid-up thereon and shall in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder.

5. ISSUE OF NEW CERTIFICATE IN PLACE OF ONE DEFACED, LOST OR DESTROYED

Articles 12 provides as follows:

- (1) If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any Certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Articles shall mutatis mutandis apply to debenture of the Company.

- (2) No fees shall be charged for subdivision and consolidation of share and debenture certificate and for sub-division of letters of allotment and split, consolidations, renewal and pucca transfer receipt into denominations

corresponding to the market units of trading, for sub-division of renounceable letters of right; for issue of new certificate in replacement of those which are old, decrepit or worn out, or where the cages on the reverse for recording transfer have been fully utilized. Provided that the company may charge such fees as may be agreed by it with the stock Exchange with which its shares may be enlisted for the time being for issue of new certificates in replacement of those that are torn, defaced, lost or destroyed, and for sub-division and consolidation of share and debenture certificates and for sub-division of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations other than those fixed for the market units of trading.

TRANSFER AND TRANSMISSION OF SHARES

6. EXECUTION OF TRANSFER, ETC.

Article 34 provides as follows:

Subject to the provision of the Act, no transfer of shares shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor or transferees has been delivered to the company together with the certificate or certificates of the shares, or if no such certificate is in existence along with the letter of allotment of shares. The instalment of transfer of any shares shall be signed both by or on behalf of transferees and the transferor shall be deemed to remain the holder of such share until none of the transferee is entered in the Register in respect thereof.

7. APPLICATION FOR TRANSFER

Article 35 provides as follows:

Application for registration of the transfer of a share may be made either by the transferor or the transferee provided that, where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee in the manners prescribed by the Act and subject to the provisions of Articles 8, 37 and 38 hereof, the company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application or registration was made by the transferee.

8. REGISTER OF TRANSFER

Article 37 provides as follows:

The Company shall keep a "Register of Transfer" and therein shall be fairly and distinctly entered particulars of every transfer of any Shares.

9. WHEN INSTRUMENT OF TRANSFER TO BE RETAINED

Article 40 provides as follows:

All instruments of transfer duly approved shall be retained by the Company and in case of refusal, instrument of transfer be returned to the person who lodge the transfer deeds.

10. POWER TO CLOSE TRANSFER BOOKS AND REGISTER.

Article 42 provides as follows:

On giving seven day's notice by advertisement in a newspaper circulating in the District in which the office of the company is situated the Register of Members may be closed during such time as the Directors think fit not exceeding in the whole forty five days in each year but not exceeding thirty days at a time.

SHARE WARRANTS

11. POWER TO ISSUE SHARE WARRANTS

Article 47 provides as follows :

Subject to the provisions of Section 114 and 115 of the Act and subject to any directions which may be given by the company in General Meeting, the Board may issue share-warrants in such manner and on such, terms and conditions as the Board may deem fit. In case of such issue Regulations 40 to 43 of table "A" in Schedule 1 to the Act, shall apply.

ALTERATION OF CAPITAL

12. POWER TO SUB DIVIDE ANY CONSOLIDATE

Article 49 provides as follows:

The Company may by ordinary resolution from time to time alter condition of the memorandum of Association as follows:

- (a) Increase the Share Capital by such amount to be divided into shares of such amount as may be specified in the resolution;
- (b) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- (c) Sub-divide its existing shares or any of them into shares of small amount than is fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount if any unpaid on each reduced share shall be the same it was in the share form which the reduced share is derived, and.
- (d) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the share so cancelled.

13. POWER TO MODIFY RIGHTS

Article 51 provides as follows :

If at any time the share capital is divided into different classes of shares the rights attached to any class (unless otherwise provided by the terms of issue of the shares of the class may, whether or not the Company is being wound up, be carried with consent in writing of the holders of three fourths of the issued shares of that class, or with the sanction of a Special Resolution passed at a separate Meeting of the holders of the shares of that class. To every such Separate Meeting the provisions of these Article, relating to general meeting shall apply, but so that the necessary quorum shall be two person at least holding or representing by proxy one tenth of the issued shares of the class but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those members who are present shall be quorum and that any holder of shares of the class present in person or by proxy may demand a poll and, on a poll, shall

have one vote for each share of the class of which he is the holder. The company shall comply with the provisions of Section 192 of the Act as to forwarding a copy of any such agreement or resolution to the Registrar.

14. **POWER TO BORROW**

Article 52 provides as follows :

The Board may, from time, at its discretion; subject to the provisions of Section 292 and 293 of the Act, raise or borrow, either from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purposes of the Company.

15. **RESERVES**

Article 57 provides as follows :

Subject to the provisions of the Act, the Board shall in accordance with Section 205 (2A) of the Act, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company as the Board may from time to time think prudent not to divide without setting them aside as a reserve.

16. **CAPITALISATION**

Article 58 provides as follows :

Any General Meeting may resolve that the whole or any part of the undivided profits of the Company (which expression shall include any premiums received on the issue of shares and any profits or other sums which have been set aside as a reserve or reserves or have been carried forward without being divided be capitalized and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized amount be applied on behalf of such members in paying up in full any unissued shares debentures, debenture-stock of the Company which shall be distributed accordingly or towards payment of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such member in full satisfaction of their interest in the said capitalised amount, provided that any sum standing to the credit of a share premium account or a capital redemption reserve account may, for the purposes of this Article only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

GENERAL MEETINGS

17. **EXTRA ORDINARY GENERAL MEETING**

Article 60 provides as follows :

The Directors may, whenever they think fit, call an extraordinary general meeting provided however if at any time there are not in India Directors capable of acting who are sufficient in number to a quorum any Directors present in India may call an extra ordinary general meeting in the same manner as possible as that in which such a meeting may be called by the Board.

18. **CALLING OF EXTRA ORDINARY GENERAL MEETING ON REQUISITION**

Article 61 provides as follows:

The Board of Directors of the Company shall on the requisition of such members of the Company as is specified in sub-section (4) of Section 169 of the Act forthwith proceed to call on extraordinary general meeting of the Company and in respect of any such requisition and of any meeting to be called pursuant thereto, all the other provisions of section 169 of the Act and of any statutory modification thereof for time being shall apply.

19. **SUFFICIENCY OF ORDINARY RESOLUTIONS**

Article 64 provides as follows:

Any act or resolution which, under the provisions of this article or of the Act is permitted shall be sufficiently so done or passed if effected by an ordinary resolution unless either the Act or the articles specifically require such act to be done or resolution passed by special resolution.

VOTE OF MEMBERS

20. **VOTES OF MEMBERS**

Article 69 provides as follows:

- (1) On a show of hands every member present in person and being a holder of Equity shares shall have one vote and every person present either as a proxy on behalf of a holder of Equity Shares or as a duly authorized representative of a body corporate being a holder of Equity Shares, if he is not entitled to vote in his own rights, shall have one vote.
- (2) On a poll the voting rights of a holder of Equity shares shall be as specified in Section 87 of the Act.
- (3) The voting rights of the holders of the Preference Shares including the Redeemable Cumulative Preference Shares shall be in accordance with the provisions of section 87 of the Act.
- (4) No company or body corporate shall vote by proxy so long as resolution of its Board of Directors under Section 187 of the Act is in force and the General Meeting at which the vote by proxy is tendered.

21. **JOINT HOLDERS**

Article 71 provides as follows:

Where there are joint holders of any of such persons may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting either personally or by proxy then that one of the said persons so present whose name stands prior in order in the said register in respect of such share shall alone be entitled to vote in respect thereof, Several executors or administrators of a deceased member in whose name any share stands shall for the purpose of this Article be deemed joint-holders thereof.

DIRECTORS GENERAL PROVISIONS

22. NUMBER OF DIRECTORS

Article 78 provides as follows:

The number of Directors shall not be less than three and not more than twelve.

APPOINTMENT OF DIRECTORS

23. APPOINTMENT OF DIRECTORS

Article 85 provides as follows:

The company in General Meeting, may subject to the provisions of these Articles and the Act, at any time elect any person to be a Director and may from time to time increase or reduce the number of directors and may also determine in what rotation such increased or reduced number is to go out of office.

PROCEEDING OF DIRECTORS

24. MEETING OF DIRECTORS

Article 92 provides as follows:

The Directors may meet together for the dispatch of business, adjourned and otherwise regulate their meetings and proceedings as they think fit. Notice in writing of every meeting of the Directors shall ordinarily be given by a Director or such other officer of the company duly authorized in this behalf to every Director for the time being in India and to his usual address in India.

25. QUORUM

Article 93 provides as follows:

The quorum for a meeting of the Directors shall be determined from time to time in accordance with the provisions of Section 287 of the Act. If a quorum shall not be present within fifteen minutes from the time appointed for holding a meeting of the Directors, it shall be adjourned until such date and time as the Directors shall appoint.

26. VOTING AT MEETING

Article 95 provides as follows:

Subject to the provisions of Section 316, 372(5) and 386 of the Act question arising at any meeting shall be decided by a majority of votes, each directors having one vote and in case of an equality of votes the Chairman shall have a second or casting vote.

27. CHAIRMAN OF MEETING

Article 96 provides as follows:

The Chairman of the Board of Directors shall be the Chairman of the meeting of Directors. Provided that if the Chairman of the Board of Directors is not present within

five minutes after the appointed time for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting.

POWER OF DIRECTORS

28. **General powers of the Company vested in the Directors**

Article 101 provides as follows:

Subject to the provisions of the Act, the control of the Company shall be vested in the directors who shall be entitled to exercise all such powers and do all such acts things as may be exercised or done by the Company and are not hereby law expressly required or indirectly to be exercised or done by the company in General Meeting but subject nevertheless to the provisions of any law and of these presents from time to time made by the Company in General Meeting; provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

29. **POWERS TO DELEGATE**

Article 102 provides as follows:

Without prejudice to the general powers conferred by the preceding article the Directors may from time to time and at any time subject to the restrictions contained in the Act, delegate to managers, secretaries, officers, assistants and other employees or other person (including any firm or body corporate) any of the powers authorized and discretions for the time being vested in the Directors.

30. **POWER TO AUTHORIZE SUB-DELEGATION**

Article 103 provides as follows:

The Directors may authorize any such delegate or attorney as aforesaid to sub-delegate all or any of the powers, authorized and discretion for the time being vested in them.

31. **MANAGEMENT ABROAD**

Article 105 provides as follows:

The Directors may make such arrangement as may be thought fit of the management of the Company's affairs abroad, and may for this purpose (without prejudice to the generality of the powers) appoint local bodies and agents and fix their remuneration and delegate to them such powers as may be deemed requisite or expedient. The foreign seal shall be affixed by the authority and in the presence of and instruments sealed therein shall be signed by such persons as the directors shall from time to time by writing under the common seal appoint. The Company may also exercise the powers of keeping Foreign Registers. Such regulations not being inconsistent with the provisions of Section 157 and 158 of the Act, the board may from time to time make such provisions as it may think fit relating thereto and may comply with the requirements of any local law.

DIVIDENDS

32. HOW PROFITS SHALL BE DIVISIBLE

Article 114 provides as follows:

Subject to Rights of members entitled to shares (if any) with preferential or special rights attached to them, the profits of the Company from time to time determined to be distributed as dividend respect of any year or other period shall be applied for payment of dividend on the shares in proportion to the amount of capital paid up on the Shares provided that unless the Board otherwise determine all dividends shall be apportioned and paid proportionately the amount paid or credited as paid up on shares during any portion of the period in respect of which dividend is paid. Provided always that subject as aforesaid any capital paid upon a share during the respect of which a dividend is declared shall (unless the Board otherwise determines or the terms of issue otherwise provide, as the case may be), only entitled the holder of such share to an appointed amount of such dividend as from the date of payment but so that where capital is paid up in advance of calls such capital shall not confer a right to participate in profits.

33. DECLARATION OF DIVIDENDS

Article 115 provides as follows:

The company in General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may subject to the provisions of Section 207 of the Act fix the time for payment.

34. RESTRICTION ON AMOUNT OF DIVIDENDS

Article 116 provides as follows:

No larger dividend shall be declared than is recommended by the director's, but the Company in general meeting may declare a smaller dividend.

35. DIVIDEND OUT OF PROFITS

Article 117 provides as follows:

No dividend shall be payable except out of the profits of the Company of the year or any other undistributed profits and no dividend shall carry interest as against the Company.

36. INTERIM DIVIDENDS

Article 119 provides as follows:

The Directors may from time to time pay the members such interim dividends as in their judgment the position of the company justifies.

37. DEBTS MAY BE DEDUCTED

Article 120 provides as follows:

The Directors may retain any dividends on which the Company has lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists subject to Section 205A of the Act.

38. DIVIDEND AND CALL TOGETHER

Article 121 provides as follows:

Any General meeting declaring a dividend may make a call on the members of such amount as the Meeting fixed but so that the call on each members shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the company and the member to set off against of the call.

39. INDEMNITY

Article 137 provides as follows

Subject to the provisions of Section 201 of the Act, every Director, Manager, Secretary and other officer or employee of the Company shall be indemnified against and it shall be the duty of the Directors to pay out of the funds of the company all costs, losses and expenses (including travelling expenses) which any such Director, Manager or Secretary or other officer or employee may incur or become liable to by reason of any contract entered into or any way in the discharge of his or their duties and in particular, and so as not limit the generality of the foregoing provisions, against all liabilities incurred by them as such Director, Manager, Secretary, Officers or employed in defending any proceeding whether civil or Criminal in which judgment is given in his or their favour or he is or they are acquitted, or in connection with any application under Section 633 of the Act in which relief granted by the Court and the amount for which such indemnity is provided shall immediately attach as lien on the property of the Company and has priority as between the members over all other claims.

40. INDIVIDUAL RESPONSIBILITY OF DIRECTORS

Article 138 provides as follows:

Subject to the provisions of the Act and so far as such provisions permit, no Director, Auditor or other Officer of the Company shall be liable for acts, receipts, neglects or defaults of any other Director or Officer, or for joining in any receipt or act for conformity, or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property required by order of the Director for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss occasioned by any error of judgment, omission, default, or oversight on his part, or for any loss, damage, or misfortune, whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same happens through his own dishonesty.

41. DEMATERIALIZATION OF SECURITIES, DEFINITIONS

Article 139 provides as follows:

- A. For the purpose of this article:-
'Beneficial Owner' means a person or persons whose name is recorded as such with a depository.
'SEBI' means the Securities and Exchange Board of India.
'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992; and

'Security' means such security as may be specified by SEBI from time to time.

- B. Notwithstanding anything contained in these articles, the company shall be entitled to dematerialize its securities to offer securities in a dematerialized form pursuant to the Depositories Act, 1996.
- C. Every person subscribing to securities offered by the company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository if permitted by the applicable law in respect of any security in the manner provided by the Depositories Act, and the company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.
If a person opts to hold his security with a depository, the company shall intimate such depository the details of allotment of the security and/or transfer of securities in his name and on receipt of the information, the depository shall enter in its record the name of the allottee and/or transferee as the beneficial owner of the securities.
- D. All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C, and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.
- E. Nothing contained in the Act or these articles regarding the necessity of having distinctive numbers for securities issued by the company shall apply to securities held with a depository.
- F. Notwithstanding anything to the contrary contained in the Act or these articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.
- G. Notwithstanding anything to the contrary contained in the Act or these articles, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or discs.
- H. The transfer of shares, debentures or other marketable securities of the company in respect of which no certificate has been issued or in cases where such shares, Debentures or other marketable Securities are held in an electronic and fungible form, shall be governed by the provisions of the Depositories Act, 1996.
- I. Notwithstanding anything contained in the Act of these articles, where securities dealt in a depository, the company shall intimate the details thereof to the depository immediately on allotment and/or registration of transfer of such securities.
- J. The register and index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the register and index of members and security holders for the purposes of these articles.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following (contacts not being entered into in the ordinary course of business carries on by the Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies, Chattisgarh and Madhya Pradesh at Gwalior for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company from 10.00 AM to 4.00 PM on working days from this Red Herring Prospectus until the Bid/Issue closing date.

Material Contracts

1. Letter of appointment dated February 25, 2005 to IL&FS Investsmart from us appointing them as BRLM to the Issue
2. Memorandum of Understanding dated September 5, 2005 amongst us and the BRLM
3. Memorandum of Understanding dated April 12, 2005 executed by us with the Registrar to the Issue.

Material Documents

1. Our Memorandum and Articles of Association.
2. Our Certification of incorporation and Certificate for commencement of business.
3. In-principle approval letter from Canara Bank no. MS/IGL/85/05 dated February 02, 2005.
4. In-principle approval letter from Syndicate Bank no. 120/7855/IGL/2005 dated April 09, 2005.
5. In-principle approval letter from Bank of India no. RPR/CR/PMM dated July 30, 2005.
6. Consent Canara Bank for using their appraisal report for the cost of project.
7. Consent by Mr. U Bandyopadhyay for using his Techno – Economic Viability Study Report.
8. Memorandum of Understanding dated August 16, 2004 with Chhattisgarh State Industrial Development Corporation Ltd.
9. Memorandum of Understanding dated April 11, 2005 with Shell Trading International Limited to Sale and Purchase of Certified Emission Reductions.
10. Memorandum of Understanding with Jagdamba Ferro Alloys Limited and Sagar Energy & Steels Limited for participation in equity GPIL.
11. Shareholders resolutions dated March 21, 2005 in relation to this issue and other related matters.
12. Resolution of the Board of Directors of our company dated March 22, 2005 regarding formation and revision of Audit, Remuneration and other Committees.
13. Resolutions of the general body for appointment and remuneration of our managing Director and other whole-time Directors.
14. Report of the Statutory auditors being O P Singhania & Co., Chartered Accountants dated July 26, 2005 prepared as per Indian GAAP and mentioned in the Draft Red Herring Prospectus
15. Copies of the financial statements of the Company for the period ended March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 and March 31, 2001.
16. Consent of Auditors being O P Singhania & Co., Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in the Draft Red Herring Prospectus
17. General Powers of Attorney executed by the Directors in favour of person(s) for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.
18. Consents of Auditors, bankers to the company, BRLM, Syndicate Member, Registrar to the issue, Escrow Collection Bank(s), Bankers to the issue, Domestic Legal Counsel to the issue, Financial Advisors to our Company, Underwriters, directors of our Company, Company Secretary and Compliance officer, as referred to in their respective capacities

19. Initial listing applications dated [•] and [•] filed with NSE and BSE respectively
20. In- principle approval dated [•] and [•] from NSE and BSE
21. Tripartite Agreement between NSDL, the company and the Registrars to the issue dated [•].
22. Tripartite Agreement between CDSL, the Company and the Registrar to the issue dated [•].
23. Due Diligence certificate dated September 5, 2005 to SEBI from IL&FS Investsmart Limited

Any of the contracts or documents mentioned in this Draft 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, with out reference to the shareholders subject to compliance of the provisions contained on the Companies Act and relevant Statutes.

DECLARATION

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, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 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 statements in this Draft Red Herring Prospectus are true and fair.

SIGNED BY ALL THE DIRECTORS

Mr. B. L. Agrawal, Chairman & Managing Director

Mr. Dinesh Agrawal, Executive Director

Mr. Dinesh Gandhi , Executive Director - Finance

Mr. B. P. Singh, Executive Director

Mr. Neeraj Gupta, Director

Mr. Kapil Agrawal, Director

Mr. Divesh Nath, Director

Mr. Umesh Agrawal, Director

SIGNED BY

Mr. S. K. Bothra
Vice President Finance

Mr. Y.C. Rao
Company Secretary and Compliance officer
Place: Raipur
Date: August 28, 2005