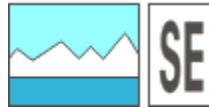


DRAFT RED HERRING PROSPECTUS

Please read Section 60B of the Companies Act, 1956 dated [•], 2005
(The Draft Red Herring Prospectus will be updated upon RoC filing and will become Prospectus on the date of filing with the RoC)
100% Book Building Issue

**SADBHAV ENGINEERING LIMITED**

(The Company was originally incorporated on October 3, 1988 as Sadbhav Engineering Private Limited in the State of Gujarat. The Company became Deemed Public Company by virtue of Section 43A(1A) of the Companies Act, 1956, with effect from September 18, 1992. The Company was converted into a Public Limited Company in the name and style of "Sadbhav Engineering Limited" and a fresh Certificate of Incorporation was obtained on May 17, 2001)

Registered Office: (Registration No.04-11322) Sadbhav House, Opposite Law Garden Police Chowki, Ellisbridge, Ahmedabad 380 006

(The Registered Office of the Company was situated originally at 707, 7th Floor, Shilp Building, Near Municipal Market, C G Road, Navrangpura, Ahmedabad 380 009 and subsequently shifted to the present location with effect from January 3, 2004)

Tel.: +91-79-26463384, Fax: +91-79-26400210 Website: www.sadbhaventg.com Email: sadbhavad1@sancharnet.in

Compliance Officer: Mr.Nilesh Gohil, (Company Secretary) e-mail: sadbhavad1@sancharnet.in.

Public Issue of 29,00,000 Equity Shares of Rs. 10/- each issued for cash at a price of Rs. [•] per share aggregating Rs. [•] lakhs by Sadbhav Engineering Limited ("the company" or "Issuer") (hereinafter referred to as the "Issue"). The Issue comprises of reservation of 1,00,000 Equity Shares aggregating Rs. [•] for permanent employees on a competitive basis and the "net issue to public" of 28,00,000 Equity Shares aggregating Rs.[•]. The Issue would constitute 26.61% of the fully diluted post issue paid up capital of the company.

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 Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Managers ("BRLMs") and at the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs) (including 5% of the QIB portion specifically reserved for Mutual Funds). Further, atleast 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and atleast 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.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first public issue of the Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the equity shares is Rs. 10/- and the issue price is [•] times of the face value. The Floor Price is [•] times and the Cap Price is [•] times of the face value.

The Issue Price (as determined by the Company in consultation with the Book Running Lead Managers ("BRLMs") 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 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 RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk 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 statement of Risk Factors on Page No. ____ to ____ of this Draft Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for, and confirms 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 the 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 document 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 offered through this Draft Red Herring Prospectus are proposed to be listed on, Bombay Stock Exchange Limited (BSE) the Designated Stock Exchange and the National Stock Exchange of India Limited (NSE). We have received in-principle approvals of the Stock Exchanges for the listing of our Equity Shares pursuant to letter no. [•] dated [•] and letter no. [•] dated [•] respectively.

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE
 KARVY INVESTOR SERVICES LIMITED "Karvy House", 46, Avenue 4, Street No. 1 Banjara Hills, Hyderabad – 500 034 Tel: 91 40 23312454, 23320251, 23320751 Fax: 91 40 23374714 e-mail: mbd@karvy.com Website: www.karvy.com	 INGA ADVISORS PRIVATE LIMITED A-404, Neelam Centre, Hind Cycle Road, Worli, Mumbai – 400 030 Tel: 91 022 24982936, 24982919, 24982954 Fax: 91 022 24982956 email: bombay@ingaadvisors.com Website: www.ingaadvisors.com	 INTIME SPECTRUM REGISTRY LIMITED C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup West Mumbai – 400 078. Tel: 91 22 5555 5454 Fax: 91 22 5555 5353 e-mail: isrl@vsnl.com Website: www.intimespectrum.com

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DEFINITIONS AND ABBREVIATIONS

Conventional/ General Terms

Term	Description
Articles/Articles of Association/ AoA	Articles of Association of Sadbhav Engineering Limited
Companies Act / Act	The Companies Act, 1956 as amended from time to time
Depository	A company formed and registered under the Companies Act, 1956 (1 of 1956), and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A person registered as such under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed hereunder
FII	Foreign Institutional Investor [as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000] registered with SEBI
Financial Year/Fiscal/FY	Period of twelve months ended March 31 of that particular year unless otherwise specified in the context thereof
Government /GoI	The Government of India
Indian GAAP	Generally Accepted Accounting Principles in India
I.T. Act	The Income-Tax Act, 1961, as amended from time to time
Memorandum / Memorandum of Association/ MoA	Memorandum of Association of Sadbhav Engineering Limited
NRI / Non-Resident Indian	A person resident outside India who is a citizen of India or is person of Indian origin (as defined in Foreign Exchange Management (Deposit) Regulations, 2000)
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India, constituted under the SEBI Act, 1992
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, as amended, including instructions and clarifications issued by SEBI from time to time



Offering related Terms

Allotment	Allotment of Equity Shares of the Company pursuant to the Public Issue to the successful Bidders.
Allottee	The successful Bidder to whom the Equity Shares are being issued.
Bankers to the Issue	The Bankers with whom the escrow account for the Issue shall be opened
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto.
Bid Price/ 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 Opening Date/ Issue Opening Date	The date on which the Syndicate Members shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Gujarati regional newspaper
Bid Closing Date / Issue Closing Date	The date after which the Syndicate Members will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Gujarati regional newspaper
Bid cum Application Form	The form in response to the terms of which the Bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for allotment of the Equity Shares in terms of the draft Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the draft Red Herring Prospectus
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
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which, this Issue is being made
BRLMs	Book Running Lead Managers to the Issue, in this case being Karvy Investor Services Limited, Inga Advisors Private Limited and Edelweiss Capital 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 in the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no bids will be accepted
Cut-off price	Cut-off price refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Designated Stock Exchange	Bombay Stock Exchange Limited
Designated Date	The date on which the funds are transferred from the Escrow Account of the Company 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
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, 1956, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue.
Employee Reservation Portion	The portion of the Issue being 1,00,000 Equity Shares of Rs.10/- each available for allocation for Permanent Employees
Equity Shares	Equity Shares of the Company of the face value Rs. 10 each, unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount and the account from which refunds (if any) of the amount collected to the Bidders
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s), the Syndicate Members and the BRLMs for collection of the Bid Amounts and remittance of 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 will be opened.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Fresh Issue / Issue / Public Issue	Public issue of 29,00,000 new Equity Shares of Rs. 10/- each for cash at the Issue Price of Rs. [●] aggregating to Rs. [●] lakhs by the Company in terms of this draft Red Herring Prospectus
Issue Account / Public Account	Account opened with the Banker to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date
Issuer	Sadbhav Engineering Limited
Issue Size	29,00,000 Equity Shares of the Company
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus, as determined by the Company in consultation with the BRLMs, on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Members of the Syndicate	The BRLMs and the Syndicate Members
Mutual Fund	Means a mutual fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more scheme for investing in securities, including, money making instrument and registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders or employees and who have bid for an amount exceeding Rs. 1,00,000
Non-Institutional Portion	The portion of the Issue being a minimum of 4,20,000 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders
Pay-in-date	Bid/Issue closing date or the last date specified in the CAN sent to the Bidders
Pay-in-Period	- With respect to Bidders whose Margin Amount is 100% of the Bid Amount, as the case may be, the period commencing on the Bid/Issue Opening Date and extending until the Bid Closing Date - With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in-Date
Price Band	The Price band of a minimum price (Floor Price) of Rs. [●] and the maximum price (Cap Price) of Rs. [●] and includes revision thereof
Pricing Date	The date on which the Company in consultation with the BRLMs finalises the Issue Price
Prospectus	The Prospectus 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	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Promoters	Mr. Vishnubhai M Patel and Ms. Shantaben Vishnubhai Patel
QIB Portion	The portion of the Net Issue being not more than 14,00,000 Equity Shares of Rs. 10/-each at the Issue Price, available for allocation on a proportionate basis to QIBs of which 5% shall be proportionately allocated to Mutual Funds registered with SEBI
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Foreign Institutional Investors registered with SEBI, Multilateral And Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial



	Development Corporations, Insurance Companies registered with the Insurance Regulatory And Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 25 crores and Pension Funds with a minimum corpus of Rs. 25 crores
Red Herring Prospectus	Means the Document issued in accordance with the SEBI Guidelines and which is not a Prospectus in accordance with Section 60B of the Companies Act, 1956, 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 ROC atleast three days before the Bid/Issue Opening Date. It will become a Prospectus after filing with ROC after the pricing.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have bid for an amount less than or equal to Rs. 1,00,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being a minimum of 9,80,000.Equity Shares of Rs.10 each available for allocation to Retail Individual Bidder(s)
Registrar /Registrar to the Issue	Intime Spectrum Registry Limited
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).
Syndicate	The Syndicate Members collectively
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and Syndicate Members
Underwriting Agreement	The Agreement among the BRLMs, the Syndicate Members and the Company to be entered into on or after the Pricing Date



Company/Industry related Terms

ALC	Assistant Labour Commissioner
Auditors	The Statutory Auditors of the Company, Rajesh B. Shah & Co., Chartered Accountants
Board/ Board of Directors	Board of Directors of Sadbhav Engineering Limited
Committee	Committee of the Board of Directors of Sadbhav Engineering Limited authorised to take decisions on matters related to or incidental to this Issue
The Company / SEL / Sadbhav / We / Us / Our Company/ The Issuer	Sadbhav Engineering Limited, incorporated as Sadbhav Engineering Private Limited on October 3, 1988 under the Companies Act, 1956, subsequently became a Deemed Public Limited Company and its name was changed to Sadbhav Engineering Limited under section 43A (1A) of Companies Act, 1956, with effect from September 18, 1992. The Company was converted to public limited company in the name and style "Sadbhav Engineering Limited and fresh Certificate of Incorporation was obtained on May 17, 2001.
Concessionaire	Gammon India Limited, B.E Billimoria & Co. Limited and the Company collectively
Concessionaire Agreement	Agreement entered into between NHAI and the Concessionaire which defines the concession period, Obligations of the Concessionaire, Obligations of NHAI, Rights of Concessionaire and the Project Revenue
EMD	Earnest Money Deposit
Equity Shares	Equity Shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
Face Value	Value of paid up equity capital per Equity Share, in this case being Rs. 10/- each
JV	Joint Venture
LOA	Letter of Acceptance
MoU	Memorandum of Understanding
NHAI	National Highways Authority of India
PG	Performance Guarantee
RA Bill	Running Account Bill
Registered Office /Registered Office of the Company	Sadbhav House, Opposite Law Garden Police Chowki, Ellisbridge, Ahmedabad - 380 006.
ROC	Registrar of Companies, Gujarat Dadra & Nagar Haveli situated at ROC Bhavan, Opposite Rupal Park Society, Near Ankur Bus Stand, Naranpura, Ahmedabad - 380 013.



Abbreviations

Abbreviation	Full Form
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
A/c	Account
BOQ	Bill of Quantities
BOT	Build Operate Transfer
BOOT	Build Own Operate Transfer
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CCA	Culturable Command Area
CDSL	Central Depository Services (India) Limited
CFO	Chief Financial Officer
DGMS	Director General of Mines and Safety
EBITDA	Earning Before Interest Tax Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share i.e. profit after tax divided by outstanding number of Equity Shares at the year end
FEMA	Foreign Exchange Management Act, 1999
FII(s)	Foreign Institutional Investors registered with SEBI
FIPB	Foreign Investment Promotion Board
FDI	Foreign Direct Investment
FRL	Full Reservoir Level
GHCL	Gujarat Heavy Chemicals Limited
GIPCL	Gujarat Industries Power Company Ltd
GMDC	Gujarat Mineral Development Corporation
GQ	Golden Quadrilateral
HUF	Hindu Undivided Family
IPO	Initial Public Offering
Karvy	Karvy Investor Services Limited
KVA	Kilo Volt Ampere
km	Kilometers
L&T	Larsen & Toubro Limited
TMC	Thousand Million Cubic Meter
MoRTH	Ministry of Road, Transport and Highways
N.A.	Not Applicable
NRRDA	The National Rural Roads Development Agency
NAV	Net Asset Value
NHAI	National Highways Authority of India
NHDP	National Highways Development Project
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI(s)	Non-Resident Indian(s)



NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
NSEW	North South East West
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PMGSY	The Pradhan Mantri Gram Sadak Yojana
PPP	Public Private Partnerships
QIB	Qualified Institutional Buyer
RBI	The Reserve Bank of India
ROC	Registrar of Companies
RONW	Return on Net Worth
Rs. / Rupees / INR	Indian Rupees
Sec.	Section
SPV	Special Purpose Vehicle
SSNNL	Sardar Sarovar Narmada Nigam Limited
TRS	Transaction Registration Slip
UIN	Unique Identification Number
UK	United Kingdom
US	United States of America
USD or \$ or US \$	United States Dollar
Uts	Union Territories



FORWARD LOOKING STATEMENT AND MARKET DATA

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

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with the expectations of the Company with respect to, but not limited to, their ability to successfully implement their strategy, their growth and expansion, technological changes, their exposure to market risks, general economic and political conditions in India which have an impact on the business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

For further discussion of factors that could cause the actual results to differ, see the section entitled “Risk Factors” beginning on page [•] of the 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 the Company nor the members 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, the Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Unless stated otherwise, the financial data in the Draft Red Herring Prospectus is derived from our audited restated financial statements prepared in accordance with the Indian GAAP included elsewhere in the Draft Red Herring Prospectus. Unless stated otherwise, references to consolidated financial information is to the consolidated financial information under Indian GAAP. At present our financial year commences on April 1 and ends on March 31. In the Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

Use of Market Data

Unless stated otherwise, macroeconomic and industry data used throughout this Draft Red Herring Prospectus has been obtained from publications prepared by Government sources, industry sources and data generally available in the public domain. Such publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified.



RISK FACTORS

An investment in equity shares involves a high degree of risk. Investors should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks described below before making investment in the Equity Shares of the Company. If any of the following risks actually occur, the business, financial condition and results of operations of the Company could suffer, the trading price of the Equity Shares could decline and the investor may lose all or part of their investment.

Unless specified or qualified in the relevant risk factors, the Company is not in a position to quantify the financial or other implications of any risks mentioned. The risks have been determined on the basis of their materiality, the following factors have been considered for determining the materiality.

- a) Some events may not be material individually but may be found material collectively.*
- b) Some events may have material impact qualitatively instead of quantitatively.*
- c) Some events may not be material at present but may have material impacts in future.*

Internal Risk Factors

1. Our contracts are awarded following competitive bidding processes, which may require us to lower our quotes thereby impacting the profit margins.

Management Perception: We normally fix a basic margin for each bid depending on our analysis of the raw material costs, construction expenses, labour, location of the site and the competitors involved. We do not quote below our pre-decided margin.

2. Of the present total contracts 67% of the contracts are awarded to us by the Central and State Government and their agencies.

Management Perception: All large road and canal projects are either government or quasi government projects. We have been executing Government contracts since incorporation and are therefore well versed with the modalities and functioning of the Government departments.

3. Our dependence is more on road projects which generate approximately 75 % of our revenues.

Management Perception: We are into business of construction of canals, syphons, roads, highways and mining operations. We have the necessary expertise in all these areas. During the last three years, a limited number of fresh tenders were floated for canal projects by SSNNL. Currently the growth in the infrastructure industry is primarily due to the burgeoning number of projects in the road sector. The Government expenditure on road development has increased as roads have been identified as a key sector where the Government intends to invest substantially. As such the Company's focus has been more on the road projects.

4. The Vadape Gonde 4 lane BOT project is our first BOT project to be awarded. We have not executed any BOT project in the past.

Management Perception: We have more than nine years of experience in road projects and have successfully completed large projects independently and also through joint ventures. The Vadape Gonde 4 lane BOT project awarded by NHAI shall be executed by Mumbai Nasik Expressway Limited, a Special Purpose Vehicle formed by Gammon India Limited, B.E. Billimoria & Co. Limited and our Company. Gammon India Limited and B.E. Billimoria & Co. Limited are large established players in the industry, having wide experience and expertise in the field of construction. Gammon India Ltd. has executed four BOT projects till date and thus we will have the advantage of their experience in executing the said BOT project.

5. We are smaller in size compared to the industry leaders in road projects which can act as a deterrent in being awarded large projects.

Management Perception:



We have successfully completed road projects with size ranging from Rs. 1100 lakhs to Rs. 12500 lakhs independently and through joint ventures. Presently projects under execution have been awarded to us individually as well as to joint ventures with HCC, Jilin Provincial Communications Construction Group, PBA Infrastructure Limited, etc. This shows size is not a deterrent. For project owners size of the contractor is not the crucial criteria. They look into the experience of the contractors in executing similar projects and their financial capabilities. We have a proven track record of quality work which has enabled us to bag repeat orders from NHAI. The bid capacity plays an important role in NHAI projects. Presently, our bid capacity is Rs. 702.45 crores for NHAI projects. A consortium of Gammon India Limited, B.E. Billimoria & Co. Limited and ourselves has been awarded the Vadape-Gonde four lane BOT project. Construction work of value Rs. 48600 lakh of construction will be executed by Sadbhav Engineering Limited.

6. The successful completion of projects will also depend on our joint venture partners and is therefore contingent on their performance

Management Perception: Our joint venture partners are industry leaders whose track record is of a high order for completing projects on time. Before entering into any joint venture agreement we thoroughly analyze the prospective venture partners' past performances and credentials.

7. The projects are high value contracts. Some of these entail a penalty for delay in completion of the project on time. In case we are unable to meet the performance criteria we shall be liable to pay penalties which may adversely impact our profitability.

Management Perception

We plan elaborately to execute all our projects before the scheduled time. We have a proven track record of completing work within the stipulated time; for eg. on one of our road projects we have also received a cash bonus of Rs.1.60 crores from NHAI for early completion of NH-79 project.

8. Some of our projects are not insured.

Management Perception: All projects are insured except the SSNNL projects at the Radhanpur area. As per the terms of the contract with SSNNL, Contractor's All Risk Policy is not compulsory. Secondly, in the past 25 years, this area has received very meagre rainfall and is not prone to floods.

9. There is a risk of escalation of cost of raw materials in BOT projects.

Management Perception: In BOT projects estimates of increase in raw material costs are made at the time of bidding for the project. Due to this, some risk is involved in the BOT projects as there is no provision for cost escalation. However, as we have considerable experience in this industry, we are able to plan effectively and keep the associated risks to a minimum.

10. Our contracts are chiefly dependant on timely supply of the requisite raw materials. Shortage in supply of raw materials can delay projects.

Management Perception: We enter into long term arrangements with suppliers for every project for requisite raw materials for the tenure of the project. This ensures continuous flow of raw material supplies as required by us for the project.

11. The projects sub-contracted by us could get delayed on account of the sub-contractors' performance, resulting in delayed payments.

Management Perception

Most of the critical work is done by us and only very minimal portion of the work is sub-contracted. Before awarding the sub contract we thoroughly analyze the prospective contractors' credentials and his track record with us. Our overall experience on this count has been satisfactory.

12. Non-maintenance / break-down of equipments can delay the execution of our projects.

Management Perception: We have our own workshop at Ognaj, Ahmedabad, where the machines are regularly overhauled and repaired by skilled personnel thereby minimising the chances of any break down. At each project site, mechanical divisions are set, wherein the regular maintenance and interim repairs is taken up.



13. Mishandling of machines and equipments can result in accidents which may result in a liability for us.

Management Perception

We have a full-fledged team of technical experts at our workshop, who are responsible for the repairs and maintenance of the equipment. Most of the employees and experts at the work shop and project site are well experienced. We have a training program for handling the sophisticated equipment and machinery used in our project sites. These measures minimises chances of mishaps occurring at any project site.

14. Our business needs substantial working capital and financing in the form of debt and /or equity to meet our requirements.

Management Perception

Like any other business we use a mix of debt and equity to finance our fund requirements. Over the years we have built a healthy relationship with our lenders and we do not envisage any difficulty in obtaining debt for our business needs.

15. Small regional players compete with us in the irrigation and mining excavation projects. Lowering prices to obtain such contracts can adversely affect our profitability.

Management Perception

We are a major player in the state of Gujarat for canal works and excavation projects. We own modern, specialized and critical equipment for executing these projects. Small regional players will find it difficult to match our credentials especially in terms of speedy execution and completion of projects.

16. Our operations may suffer a temporary setback if any of our key managerial personnel were to leave.

Management Perception

We have skilled and experienced personnel who have expertise in their chosen fields. We are a broad based organization and have strong systems in place to ensure minimal dependence on any single individual. Successful completion of projects is ensured by proper planning, delegation and teamwork.

17. Employee health, safety and regulatory measures are very important in our industry, any negligence can affect our performance.

Management Perception: We take the required precautionary measures for our employees welfare. In case of mining projects we are required to provide a proper medical certification under the Medical Certificate Form 'O' as prescribed by DGMS. Employees are sufficiently covered by Workman Compensation Insurance. The Company also provides its employees safety equipments like helmets, boots etc. to ensure their safety while working at project sites.

18. The fund requirement and plans are our estimates and the same has not been appraised by a bank or financial institution. The deployment of funds in the project is entirely at our discretion and therefore, no independent body will monitor the use of the proceeds from the issue.

Management Perception

One of the main objects of the issue is investment in the SPV which has been formed to execute the BOT project. The second object is to fund the margin money for purchase of equipments to execute the said project. The funds procured in the present Issue will be deployed towards this project. We enjoy a fund based limit of Rs.10,450 Lakhs and a non fund based limit of Rs. 25,600 Lakhs from various banks. As such, our overall performance and use of funds is under constant monitoring. The Audit Committee is closely involved in monitoring the deployment of funds in our company and the same shall extend to the proceeds of the Issue. We have also set up a monitoring committee to monitor the utilisation of the proceeds of the Issue.



19. We will be making an equity investment of Rs. 3500 lakhs in the Mumbai Nasik Expressway Limited, the SPV incorporated for executing the Vadape Gonde four lane BOT Project; the BOT project is not appraised). The project is required to attain Financial Closure within a period of six months from the date of signing of the Concessionaire Agreement.

Management Perception Mumbai Nasik Expressway Limited has already started discussions with various lenders for successful financial closure. The discussions are at various stages and we do not envisage any difficulty in attaining Financial Closure for this project.

20. The investment in Mumbai Nasik Expressway Limited, the SPV for executing the Vadape-Gonde four lane BOT project will not yield immediate returns to Mumbai Nasik Expressway Limited, the SPV and return our Company.

Management Perception Returns from the investment will be in the form of dividends for our Company. The toll revenue flow for Mumbai Nasik Expressway Limited, the SPV will commence from the beginning of fourth year i.e. on completion of the construction period as per the tender document.

21. The Vadape-Gonde four lane BOT project is a toll based project; the success of the project depends upon the traffic and toll collections. Toll based projects have not been successful in India.

Management Perception A feasibility study on the traffic scenario has been conducted. The project road connects Mumbai and Agra through Nashik, Dhule, Indore and Gwalior. It carries sizable amount of inter-state and intra-state traffic. The road will definitely have an increased flow of traffic which will directly increase the toll revenue.

22. Our BOT project is funded by the present IPO and any delay in the same will adversely affect the project.

Management Perception In case of delay in the present IPO we shall fund the BOT project partly through the internal accruals and balance through debt funds. As mentioned earlier, we have the credibility and strengths to raise resources at short notice to ensure that project requirements are met without delay.

23. The covenants in borrowings from banks and financial institutions, among other things, require us to obtain the approval of these banks/institutions for matters such as issuing new securities (debt or equity), change in management, effecting mergers, consolidations, declaring dividends, undertaking material diversification in the business or creating subsidiaries or making certain investments. We cannot assure you that our lenders will provide us with these approvals in the future.

Management Perception: We have obtained a No Objection Certificates from our Bankers i.e. Karur Vysya Bank, ICICI Bank, Oriental Bank of Commerce, IDBI Bank and Indian Overseas Bank vide their letters dated August 12, 2005, August 13, 2005, August 13, 2005, August 17, 2005 and August 13, 2005 respectively for our proposed public issue. Considering our past record with the bankers, we believe that approvals wherever required for our proposed corporate action programmes, will not be unfairly denied.

24. The Company has not provided for the Contingent liabilities which are as follows:

		As at March 31, 2005	As at March 31, 2004
		Rs. Lakhs	
A	Disputed Sales Tax Matters	12.55	4.56
B	Disputed Income Tax Matters	58.96	--
C	Disputed Wealth Tax Matters	0.45	--
D	Disputed Custom Duty Matters	170.50	131.42
E	Outstanding Capital Contracts	625.06	282.61
F	Guarantees, Bills Discounted and Letter of Credits issued by Banks	12481.93	15716.87



25. The Company has an outstanding amount of Rs. 1840.77 Lakhs as debtors exceeding more than six months for the year ending 31st March 2005. The Company has not made any provisions for the same. In case of non-recovery the profitability of the Company will get affected.

Management Perception: Out the total amount outstanding for more than six months, Rs. 1446.34 lakhs as on March 31, 2005, is outstanding from GIPCL, for which Company has filed suit against GIPCL in Gujarat High Court. For further details please refer "Outstanding Litigations".

26. The other ventures of the promoter are Sadbhav Finstock Private Limited and Sadbhav Quarry Works Private Limited. In the last three years, Sadbhav Finstock Private Limited had a loss of Rs. 0.05 lakhs only in the year 2002-03 and Sadbhav Quarry Works Private Limited had a loss of Rs. 10.67 lakhs only in the year 2004-05.

27. The Concessionaire Agreement for the Vadape-Gonde Four Lane BOT project is yet to be entered into by NHAI with Mumbai Nasik Expressway Limited, the SPV.

Management Perception: The NHAI has awarded the Vadape-Gonde Four Lane BOT project vide their Letter of Acceptance dated June 16, 2005 to the consortium of Gammon India Limited, B.E. Billimoria & Co. Limited and our Company. Based on this Mumbai Nasik Expressway Limited, a SPV for the execution of the BOT project has been formed. The SPV has sub-contracted the BOT contract to Gammon India Limited which in turn has part sub-contracted the execution of Rs. 48600 lakhs worth of work to us. Towards this Gammon India Limited has already given us their Letter of Intent dated September 15, 2005.

28. The estimated cost of equipments required for the BOT project is Rs. 4000 lakhs. Out of this, order for only three machinery of value Rs. 1411 lakhs has been placed.

Management Perception: The orders for the balance machinery will be placed as and when required depending upon the progress of the BOT project.

29. We are involved in a number of legal proceedings, if determined against us, could impact our income and financial condition.

Management Perception:

We have filed litigations against certain clients for recovery of monies expended by us for various construction projects. Most of these disputes have arisen due to non approval of bills submitted to the client and the same have been filed in Courts, statutory tribunals and arbitrations.

There are certain Direct Tax proceedings filed by and against the Company before various revenue authorities such as Income Tax, Wealth Tax to the tune of Rs. 89.10 Lakhs. There are also certain Indirect Tax proceedings filed by and against the Company before Customs, Sales Tax to the tune of Rs. 183.05 Lakhs.

Some of our labourers have also filed some complaints in Labour Courts. Some of the workmen who suffered injuries due accidents on the site have filed their claims under the Workman's Compensation Act. As the Company has taken insurance covers for such claims, there shall be no liability arising against the Company.

There is a criminal complaint filed by the Labour Enforcement Commissioner, Central, Gandhidham, Kuchh, (LEO) against our Managing Director Mr. Vishnubhai M. Patel under Section 24 of the Contract Labour (Regulation & Abolition) Act, 1970 for non-submission of half yearly returns for the period ended June 30, 2001 as required under Rule 82 (1) of the Contract Labour (Regulation & Abolition) Central Rules, 1971.



For further details on the cases mentioned above and other litigations, see section titled "Outstanding Litigations and Material Developments" on page [^^] of the Draft Red Herring Prospectus.

External Risk Factors

1. A slowdown in economic growth in India could cause our business to suffer as our performance is highly dependent on the growth of business and economy in the country.
2. Our business is dependant on the implementation of the Central and State budget allocations to the infrastructure sector. The policies and political situation in the country will have an impact on our performance.
3. Political, social and economic unrest in the country can adversely affect our business. Terrorist attacks, regional conflicts and any other civil disturbances can adversely affect financial markets and our business.
4. Adverse weather conditions can delay the implementation of our projects.
5. The rapid changes in technology may render our existing machinery and equipment obsolete thereby requiring substantial capital investment for the new machinery.
6. Our requirement for equipment and machinery is based on estimates and projections of the opportunities in our line of business. Any change in the market conditions can have an unfavourable impact on our profits.
7. We depend on banks and financial institutions and other sources for meeting our long and medium term financial requirements. Any delay in the disbursements of funds from these bodies can impact our completing the project and which could adversely impact profitability.
8. The issue price of our equity shares may not be an indication of the post-issue market price of our shares and the price of our equity share may be highly volatile.

Notes to the Risk Factors

1. The net worth of the Company was Rs. 6030.88 lakhs as at March 31, 2005 as per the audited restated financial statements.
2. Public Issue of 29,00,000 Equity Shares of Rs. 10/- each issued for cash at a price of Rs. [•] per share aggregating Rs. [•] lakhs by the Company The Issue comprises of reservation of 1,00,000 Equity Shares aggregating Rs. [•] for permanent employees on a competitive basis and the "net issue to public" of 28,00,000 Equity Shares aggregating Rs.[•] . The Issue would constitute 26.61% of the fully diluted post issue paid up capital of the Company
3. The average cost of acquisition of Equity Shares of face value of Rs.10/- by the Promoter are as given below

Name of Promoters	Average Cost of Acquisition (in Rs.)
Mr. Vishnubhai M Patel	15.09
Mrs. Shantaben Patel	1.48

4. The book value per Equity Share of Rs. 10/- each of the Company is Rs. 75.39/- as at March 31, 2005, as per the audited restated financial statements.
5. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page no._____ before making an investment in this Issue.



6. The Promoter Group/ Directors of the Company have not purchased and or sold / financed any shares of the Company during the past six months other than as disclosed in the notes to the Capital Structure on page [•].
7. Investors may note that in case of oversubscription, allotment to Employees, QIBs, Retail Investors and Non Institutional Investors shall be on proportionate basis and will be finalized in consultation with the Designated Stock Exchange. If the Issue is oversubscribed, the Designated Stock Exchange along with the concerned Post Issue Book Running Lead Manager and Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.
8. The Issue is being made under clause 2.2.1 of SEBI (DIP) GUIDELINES, 2000 through a 100% Book Building Process wherein upto 50% of the Issue Size will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs") (including 5% of the QIB portion specifically reserved for Mutual Funds). Further, not less than 15% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price. The total size of the issue is 29,00,000 shares, out of which 1,00,000 shares have been reserved for permanent employees of our Company. The balance 28,00,000 shares are proposed to be allotted according to the above guidelines.
9. Investors may contact the Book Running Lead Managers or the Compliance Officer for any complaint / clarification / information pertaining to the Issue, who will be obliged to attend to the same.
10. The Book Running Lead Managers and the Company shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
11. Other than as disclosed either in related party transaction or otherwise, the promoters/directors/key management personnel of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits arising out of the shareholding in the company or out of any business relation with any of the ventures in which they are interested. For interests of promoters and directors, please refer Page [•] and Page [•] of the Draft Red Herring Prospectus
12. Related party transactions are given as Notes to Account in Auditors Report on page no. ____ of this Draft Red Herring Prospectus.



INTRODUCTION

SUMMARY

Industry Overview

Construction activity is an integral part of a country's infrastructure and industrial development. Currently, the Indian Construction Industry is valued at Rs. 2,40,000 crores and is growing at 7% to 8% per annum. According to a global economic survey, India ranked the sixth-fastest growing country in terms of construction.

(Source: Annual Report 2004-05, Ministry of Commerce)

The Government is concentrating on infrastructure development of the country and is therefore giving great impetus to major projects in the road, irrigation and mining sectors. The evidence of this growth is visible all over the country in the form of new highways, dams, bridges, power plants and pipelines. The Tenth Five Year Plan further outlines huge investment in infrastructure projects.

There is good opportunity in the road sector due to the initiatives of the Government through NHAI and Bharat Nirman Programs. The proposed river linking scheme coupled with the Bharat Nirman Program will also give a boost to the canal and irrigation sector. The State Governments are now initiating various schemes and programs for exploiting the mineral resources in the country. All these projects, if implemented, will lead to good long term prospects for the infrastructure and construction industry.

Business Overview

Sadbhav Engineering Limited was incorporated on October 3, 1988 as a private company. It took over the running business of M/s. Bhavna Construction Co., w.e.f October 1, 1989. M/s. Bhavna Construction Co. was a partnership firm, engaged in construction business since 1968. Mr. Vishnubhai M Patel, our Promoter has more than 37 years of experience in the construction industry. He was involved in his family business, M/s. Bhavna Construction Co.

Some of the projects successfully executed under the guidance of Mr. Vishnubhai M Patel are the Deo Irrigation Project, Land development for Heavy Engineering Complex for L&T, Filling work of the Nhava Sheva Port Trust, Site leveling work of Rourkela Steel Plant of SAIL, etc. The said projects were carried out by M/s. Bhavna Construction Co. We took over the running business of M/s. Bhavna Construction Co. and some of the projects of the partnership firm were executed by our Company.

Our main focus areas are:

- **Irrigation** – Constructing earthen dams, canals, syphons, remodelling and improving canals
- **Roads & Highways** – Rehabilitating, upgrading, widening and strengthening of roads and highways
- **Mining Operations** – Excavating of overburden and mining of minerals

In 1989-90 the year of incorporation our contract receipts was Rs. 327.69 lakhs and the net profit for the year stood at Rs. 0.75 lakhs. Within a span of 10 years i.e. in the year 1999-00, our contract receipts increased to Rs. 12535.79 lakhs. During this decade our Company executed various canal and road projects from Sardar Sarovar Narmada Nigam Ltd. and NHAI. We have also carried out excavation of overburden and lignite for GIPCL, GMDC, GHCL, etc. As on March 31, 2005 our contract receipts stands at Rs. 20537.56 lakhs. In a span of 17 years we have executed a total of 29 projects in irrigation, roads and highways and mining operations. Projects have been executed independently as well as through Joint Ventures with other companies. We executed the project of widening to 4/6 lanes and strengthening of existing 2 lane carriageway of NH-5 in the State of Orissa- Package OR II- Chandikhole-Bhadrak for the section Km.61.00 to 98.00 for L&T by way of sub-contract in the capacity of nominated sub-contractor.



Some of our achievements in the past 17 years are:

- The widening and strengthening of NH-8A was completed 11 months ahead of stipulated completion date
- Have done excavation work in mines to a depth upto 110 meters
- Till date, we have executed 57 km of work of 458 km long main canal system Sardar Sarovar, one of the worlds largest canal's
- In January 2001, we achieved the peak progress of excavation of overburden of 17,11,000 cubic meters at the excavation work carried out for GIPCL.
- We won a bonus of Rs. 1.60 crores from the client for completion of the NH8, NH-79 and NH-76 project of NHAI before the scheduled time
- Received Letter of Appreciation from Mr. Guang Z Chen, Sector Manager, Transport, South Asian Region, World Bank for the quality of work done on Hattigudur-Bidar, Package U3 road project

The present bid capacity for NHAI projects is Rs. 702.45 crores and for SSNNL projects it is Rs.1808.40 crore.

A consortium of Gammon India Limited, B.E. Billimoria & Co. Limited and our Company has been awarded the Vadape-Gonde 4 Lane BOT project. A Special Purpose Vehicle in the name and style of Mumbai Nasik Expressway Ltd. has been incorporated for the execution of the BOT project. The SPV has subcontracted the work to Gammon India Ltd. The execution of the project to the extent of Rs. 48600 lakhs has been part subcontracted to us by Gammon India Limited vide Letter of Intent dated September 15, 2005.

Presently we have 9 projects being executed of which 4 are in roads, 1 in irrigation and 4 in mining operations. The work on hand as on September 1, 2005 is Rs. 112320.67 lakhs



THE ISSUE

Equity shares offered:	
Fresh Issue by the Company	29,00,000 Equity Shares of face value Rs.10/- each
Of which:	
Reserved for Employees on a competitive basis	1,00,000 Equity Shares of face value Rs.10/- each
Therefore the	
Net issue to Public	28,00,000 Equity Shares of face value Rs.10/- each
Of which:	
A) Qualified Institutional Buyers portion	Upto 14,00,000 Equity Shares of face value of Rs.10/- each (allocation on a proportionate basis)
Of which:	
Reservation for Mutual Funds	Upto 70,000 Equity Shares of face value of Rs. 10/- each. (allocation on a proportionate basis)
Balance for all QIBs including Mutual Funds	Upto 13,30,000 Equity Shares of face value of Rs. 10/- each
B) Non Institutional portion	Atleast 4,20,000 Equity Shares of face value of Rs.10/- each (allocation on a proportionate basis)
C) Retail	Atleast 9,80,000 Equity Shares of face value of Rs.10/- each (allocation on a proportionate basis)
Note: ➤ Under-subscription, if any, in the Employees Reservation Portion will be added back to the Net issue to Public ➤ Under-subscription, if any, in category A, B and C would be allowed to be met with spill over interse from any of the other categories at the discretion of the Company in consultation with BRLMs.	
Equity shares outstanding prior to the Issue	80,00,000 Equity Shares of Rs.10 each
Equity shares outstanding after to the Issue	109,00,000 Equity Shares of Rs. 10 each

Object of the Issue

The Company intends to deploy the proceeds from this issue of shares for investment in BOT Project, margin money for purchase of equipment, augmenting of working capital and meeting Issue expenses. Please see the section titled "Objects of the Issue" on page _____ of this Draft Red Herring Prospectus for additional information.

Corporate Information

Registered office: Sadbhav House, Opposite Law Garden Police Chowki, Ellisbridge, Ahmedabad 380 006. Telephone nos. +91-79-26463384, Fax no. +91-79-26400210; Email : sadbhavad1@sancharnet.in, website: www.sadbhaveng.com

Compliance Officer: Mr. Nilesh Gohil, Company Secretary.



FINANCIAL SUMMARY

The following table sets forth our selected historical financial information derived from audited restated financial statements for the years ended March 31, 2005, 2004, 2003, 2002 & 2001, prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and as described in the Auditors' Report of Rajesh B. Shah & Co., Chartered Accountants, included in the section titled "Financial Statements" on page _____ of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

Statement of Assets & Liabilities (As Restated)

As at Financial years Ended (Rs. in Lakhs)					
Particulars	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
Net Fixed Assets	7758.85	8254.13	8468.87	8245.27	6686.39
Investments	3.93	3.93	3.93	18.93	19.04
Current Assets, Loans & Advances	13574.87	10912.07	10561.65	10502.32	8551.42
Total Assets	21337.65	19170.13	19034.45	18766.52	15256.85
Less: Total Liabilities	15306.77	15028.38	15383.33	14515.85	11691.17
Net Worth	6030.88	4141.75	3651.12	4250.67	3565.68
Net Worth Represented by					
Share Capital	800.00	100.00	100.00	100.00	100.00
Reserve & Surplus	5235.55	4041.75	3551.12	4150.67	3465.68
	6035.55	4141.75	3651.12	4250.67	3565.68
Less : Miscellaneous expenses to the extent not written off	4.67	0.00	0.00	0.00	0.00
Net Worth	6030.88	4141.75	3651.12	4250.67	3565.68

Statement of Profit & Loss (As restated)

For the Financial years Ended (Rs. in Lakhs)					
Particulars	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
INCOME	20728.09	24731.41	21455.87	21424.77	18845.93
EXPENDITURE	18003.02	21960.62	18362.81	18164.82	15955.79
Operating Profit before Finance Cost, Amortisation & Depreciation and Prior period expenses	2725.07	2770.79	3093.06	3259.95	2890.14
Interest & Financial Charges	661.82	753.59	1230.19	1257.87	1022.75
Depreciation	1333.81	1251.56	1169.42	972.60	912.16
Preliminary Expenses Written Off	1.17				0.05
Add(Less): Taxes related to previous years written back/(off)	(0.02)	(1.67)	5.51	(0.10)	(0.67)
Less: Current Tax	61.81	227.08	145.54	300.30	252.2
Deferred Tax	(72.39)	32.25	126.87		
Profit after Tax	738.83	504.64	426.55	729.08	702.31



GENERAL INFORMATION

SADBHAV ENGINEERING LIMITED (Registration No.04-11322)

The Company was originally incorporated on October 03, 1988 as Sadbhav Engineering Private Ltd. in the State of Gujarat. The Company became a deemed public Company by virtue of Section 43A (1A) with effect from September 18, 1992. The Company converted into a Public Limited Company "Sadbhav Engineering Limited" and a fresh Certificate of Incorporation was obtained on May 17, 2001)

Registered Office: Sadbhav House, Opposite Law Garden Police Chowki, Ellisbridge, Ahmedabad 380 006.

Tel.: +91-79-26463384, Fax: +91-79-26400210,

Website: www.sadbhaveng.com Email: sadbhavad1@sancharnet.in

Compliance Officer: Mr.Nilesh Gohil, Company Secretary e-mail: sadbhavad1@sancharnet.in

(Originally the Registered Office of the Company was located at 707, 7th Floor, Shilp Building, Near Municipal Market, C G Road, Navrangpura, Ahmedabad - 380 009 and subsequently shifted to the present location with effect from January 3, 2004)

Registrar of Companies: Gujarat Dadra & Nagar Haveli situated at ROC Bhavan, Opposite Rupal Park Society, Near Ankur Bus Stand, Naranpura, Ahmedabad - 380 013.

Board of Directors

Name	Designation
Mr. Vishnubhai M. Patel	CEO & Managing Director
Mr. Chetankumar N. Patel	Whole time Director
Mr. Vikramkumar R. Patel	Whole time Director
Mr. Vasistha C. Patel	Whole time Director
Mr. Shashin V. Patel	Whole time Director
Mr. Nitinkumar R. Patel	Whole time Director
Mr. Amarsinh J Vaghela	Independent Non-Executive Director
Dr. Amrish J Parikh	Independent Non-Executive Director
Mr. Pravinkumar M Ganatra	Independent Non-Executive Director
Mr. Vipin O Modi	Independent Non-Executive Director
Mr. Keshavji K Vania	Independent Non-Executive Director
Mr. Prashantkumar B Raval	Independent Non-Executive Director

Brief details of the CEO & Managing Director, Whole-time Directors

Mr. Vishnubhai M Patel, (63), Chief Executive Officer & Managing Director, has 37 years of experience in the construction business. Since 1968, he has been actively involved in the family construction business as partner of M/s Bhavna Construction Co. He was in overall charge of canal and road projects being executed by his firm in Gujarat. In the year 1988, our Company was incorporated and took over the business of M/s. Bhavna Construction Co. Since inception, Mr. Patel has led the team from the front and successfully steered our operations. We were able to successfully complete various canal works for one of the largest irrigation projects in the world viz. Sardar Sarovar Narmada Project under his leadership.



Mr. Chetankumar N Patel, (43), is a Commerce Graduate from Gujarat University. He has been involved in the business of our Company since inception. He has to his credit the successful execution of several large construction projects undertaken by the Company all over India in the last fifteen years. He has 15 years of experience in the irrigation and mining operations. Some of the canal projects successfully completed by him are:

- Improvement of Shedhi Branch Canal
- Construction of Narmada Main Canal at Satamana ch. 108.236 to 127.559 and at Thasra ch. 155.03 to 168.436.
- Remodeling of Kakrapar left Bank Main Canal, Surat
- Construction of syphon at Watrak, Pushpawati and Khari river

He was also incharge of the mining work at the GIPCL mines involving removal of overburden of 57 mn. cubic meters and removal of lignite of 0.6 mn cubic meters. This project achieved a peak progress of 60,000 cubic meters of excavation per day. He is at present overseeing the Viramgam-Dhrangadhra and Dharangadhra-Halvad road projects. He is also incharge of NMC Reach 388.164 to 458.138, Canal Syphon across river Banas on NMC Reach and the Kachchh branch canal project.

Mr. Vikramkumar R Patel, (37), has been with our Company for the last ten years and has many successful projects to his credit. Some of the road projects successfully completed by him are the widening and strengthening of the lanes from Sambalpur to Rourkela, the widening and strengthening of the two lanes of NH-8A, NH-8B and rehabilitation and upgradation to 4/6 lane from Kishangarh to Nasirabad. He is at present totally involved in the execution of the BOT project recently awarded to the consortium of Gammon India Limited, B.E. Billimoria & Co. Limited. and our Company.

Mr. Vasistha C. Patel, (32), holds a Diploma in Civil Engineering from Government Polytechnic, Ahmedabad. He joined our Company in the year 2001. He is in-charge of the technical and civil engineering aspects of the projects undertaken. The projects successfully completed by him are the widening and strengthening of the existing lanes of NH-5, Chandikhole – Bhadrak- Km.61.00 to Km 98.00, in Orissa. At present, he has additional charge over the project on Rehabilitation and Upgradation of Gagodhar-Radhanpur Section of NH-15, Gujarat.

Mr. Shashin V. Patel, (24), holds a Masters Degree in Business Administration from K.S. School of Business Management, Gujarat University. He joined our Company in the year 2000. He actively participates in all the present projects of our Company and is also incharge of the MIS.

Mr. Nitinkumar R Patel, (37), is a Chartered Accountant. He was associated with M/s Manubhai & Co., Chartered Accountants before joining our Company in 1999 as an Internal Auditor, with specific responsibilities of auditing and income tax matters. He was subsequently appointed as a Whole Time Director in August 1999. His areas of responsibility include execution of project, cost analysis, claims, arbitration, human resources and purchase policies. He was involved in the widening and strengthening of the 2-lane carriage way of NH-5 in the state of Orissa. The project was successfully completed in April 2005.

COMPLIANCE OFFICER AND COMPANY SECRETARY

Mr. Nilesh Gohil
Sadbhav House,
Opp. Law Garden Police Chowki,
Ellisbridge, Ahmedabad 380 006
Tel.: + 91-079-26463384
Fax.: +91-079-26400210
e-mail: sadbhavad1@sancharnet.in

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



LEGAL ADVISORS TO THE COMPANY

Rajani Associates

F-4, Panchsheel,
53, 'C' Road, Churchgate
Mumbai – 400 020
Contact Person: Prem Rajani
Tel No: + 91-022-22021010,
Fax No: +91-022 -22021011
E-mail: prem@rajaniassociates.net

BANKERS TO THE COMPANY

Oriental Bank of Commerce

"Neel Kamal", Opp. Sales India
Ashram Road, Ahmedabad – 380 009.
Tel: +91-079-2754 1843
Fax: +91-079-2754 1113
Email: bm0170@obc.co.in

ICICI Bank Limited

9th Floor, JMC House
Opp. Parimal Garden
Ambawadi, Ahmedabad- 3800 009
Tel: +91-079-2656 6304
Fax: +91-079-2656 6302

Indian Overseas Bank Sharad Shopping Centre

Opp. Handloom House
Ashram Road, P.B. No. 2
Ahmedabad-380 009.
Tel: +91-079-2658 6969
Fax: +91-079-2658 7979

The Karur Vysya Bank Limited

Motilal Centre, Ashram Road,
Ahmedabad – 380 009
Tel: +91-079-2754 6704
Fax: +91-079-27546087

Industrial Development Bank of India Limited

IDBI Complex, Opp. Municipal Staff Quarters
Near Lal Bungalow, Off C.G. Road
Post Bag No.22, Ahmedabad-380006.
Tel.: +91 – 79 –26563911
Fax: +91 – 79 - 26400814

BOOK RUNNING LEAD MANAGER

Karvy Investor Services Limited

"Karvy House", 46 Avenue Street No. 4
Banjara Hills, Hyderabad – 500 034
Contact Person: Mr. T R Prashanth Kumar
Tel: +91-040-2337 4714
Fax: +91-040-23374714
e-mail: mbd@karvy.com
Website: www.karvy.com

Inga Advisors Pvt. Ltd.

A-40, Neelam Centre, Hind Cycle Road
Worli, Mumbai – 400 030.
Contact Person: Mr. S. Karthikeyan
Tel: +91-022-2498 2954
Fax: +91-022-2498 2956
e-mail: bombay@ingaadvisors.com
Website: www.ingaadvisors.com



Edelweiss Capital Limited

14th Floor, Express towers
Nariman Point,
Mumbai – 400021
Contact person: Mr. Jinesh Mehta
Tel: 91-022-22864400
Fax: 91-022-22882119
Email: sel.ipo@edelcap.com
Website: www.edelcap.com

REGISTRAR TO THE ISSUE

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
LBS Road, Bhandup West
Mumbai – 400 078.
Tel: +91-022-5555 5454
Fax: +91-022-5555 5353
Contact Person: Mr. Kishore Thakkar
e-mail: isrl@vsnl.com
Website: www.intimespectrum.com

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANK

Name: ***Shall be finalised at the time of finalising the RHP***

Address

Tel: 91

Fax: 91

Contact Person

e-mail:

Website:

SYNDICATE MEMBERS

Karvy Stock Broking Limited
“Karvy House”, 46 Avenue 4, Street No. 1
Banjara Hills,
Hyderabad – 500 034
Tel: +91-040- 2331 2545
Fax: +91-040- 2331 1968
Contact Person:
e-mail:
Website: www.karvy.com

Edelweiss Securities Private Limited

14th Floor, Express towers
Nariman Point,
Mumbai – 400021
Contact person: Mr. Bakul Mehta
Tel: 91-022-22864400
Fax: 91-022-22882119
Email: sel.ipo@edelcap.com
Website: www.edelcap.com

AUDITORS OF THE COMPANY

Rajesh B. Shah & Co.
Chartered Accountants
302, “Sampanna”
Behind Navrangpura Bus Stand,
Ahmedabad
Tel: 91 -79-26427378
e-mail: sir_rb@yahoo.com



Statement of Inter-se allocation of responsibilities between BRLMs

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the BRLMs as under:

No.	Activity	Responsibility	Coordinator
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	Karvy, Inga	Karvy
2.	Conducting a due diligence of the Company's operations / management / business plans / legal etc.	Karvy, Inga	Karvy
3	Drafting and designing the Draft Red Herring Prospectus/ Red Herring Prospectus / Prospectus. Ensuring compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI	Karvy, Inga	Karvy
4	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements	Karvy, Inga	Karvy
5	Primary coordination of drafting/proofing of the design of the Draft Red Herring Prospectus /Red Herring Prospectus/ Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement	Karvy, Inga	Karvy
6.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.	Karvy, Inga	Karvy
7.	Appointing the Registrars, Appointing Bankers to the Issue, Appointing other intermediaries viz. printers and advertising agency	Karvy, Inga	Karvy
8.	Marketing of the Issue, which will cover inter alia: - Formulating marketing strategies, preparation of publicity budget, - Finalizing media & public relations strategy, - Finalizing centres for holding conferences for press and brokers, etc., - Finalizing collection centres, - Following-up on distribution of publicity and issue material including form, prospectus and deciding on the quantum of the Issue material, and preparing all roadshow presentations.	Karvy, Inga, Edelweiss	Edelweiss
9.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	Karvy, Inga, Edelweiss	Edelweiss
10	Managing of the Book and coordination with the stock exchanges, Finalizing of Pricing & Allocation	Karvy, Inga, Edelweiss	Edelweiss
11	Finalising the Prospectus and ROC filing	Karvy, Inga	Karvy
12	Post bidding activities including management of escrow accounts, coordinating Non-Institutional allocation, intimating allocation and despatch of refunds to Bidders, etc.	Inga	Inga
13.	The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing the listing of instruments and dispatch of certificates and dematerialized delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business. The 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	Inga	Inga



The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Syndicate Members, Brokers, Advertising agencies, Public Relations agencies etc. will be appointed by the Company in consultation with the BRLMs.

Credit Rating

This being an issue of Equity Shares, credit rating is not required.

Trustees

This being an issue of Equity Shares, appointment of Trustees is not required.

Monitoring Agency

No external agency has been appointed to monitor the utilization of funds. However we have suomoto constituted a monitoring committee to monitor the utilization of Issue Proceeds.

Appraising Agency

The project for which the funds are being raised has not been appraised by any agency.

Book Building Process

Book Building refers to the process of collection of Bids, on the basis of the Draft Red Herring Prospectus. The Issue Price is fixed after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

- The Company;
- Book Running Lead Managers;
- Syndicate Members 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 100% Book Building Process, wherein: (i) upto 50% of the Issue shall be allocated on a proportionate basis to QIBs. Of the QIB portion upto 5% shall be allocated to Mutual Funds) (ii) not less than 15% of the Issue shall be available for allocation on a proportionate basis to the 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 the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details see the section titled "Terms of the Issue" on page of this Draft Red Herring Prospectus.

We shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed Karvy Investor Services Limited, Edelweiss Capital Limited and Inga Advisors Private Limited as the BRLMs and to procure subscription for the Issue.

The process of book building under the SEBI Guidelines is relatively new and the investors are advised to make their own judgement about investment through this process of book building prior to making a Bid in the Issue.

Illustration of Book Building and Price Discovery Process (Investors should note that this example is solely for illustrative purposes and is not specific to the Issue) Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 30 to Rs. 36 per share, issue size of 4,000 equity shares and receipt of seven bids from bidders. A graphical representation of the consolidated demand and price would be made available on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com) and also at the bidding centres during the bidding/issue period. The illustrative book as shown below shows the demand for the shares of a 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	Subscription
1000	36	1000	25.00%
1500	35	2500	62.50%
500	34	3000	75.00%
1000	33	4000	100.00%
1500	32	5500	137.50%
2000	31	7500	187.50%
2500	30	10000	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the issue is subscribed, i.e., Rs. 33 in the above example. The issuer company in consultation with the Book Running Lead Managers will finalize the issue price at or below such cut off price, i.e., at or below Rs. 33. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken for bidding:

1. Check eligibility for bidding (see the section titled "Issue Procedure – Who Can Bid" on page ____ of this Red Herring Prospectus);
2. Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attach copies of your PAN card to the Bid cum Application Form (see the section titled "Issue Procedure" on page ____ of this Red Herring Prospectus);
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

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

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

Name & Address of the Underwriter	Indicated no. of shares to be underwritten	Amount underwritten (Rs. Lakhs)
KARVY INVESTOR SERVICES LIMITED "Karvy House", 46, Avenue 4, Street No. 1 Banjara Hills, Hyderabad – 500 034 Tel: 91 40 23312454, 23320251, 23320751 Fax: 91 40 23374714 e-mail: mbd@karvy.com Website: www.karvy.com	[•]	[•]
INGA ADVISORS PRIVATE LIMITED A-40, Neelam Centre, Hind Cycle Road Worli, Mumbai – 400 030. Tel: +91-022-2498 2954 Fax: +91-022-2498 2956 Email: bombay@ingaadvisors.com Website: www.ingaadvisors.com	[•]	[•]



EDELWEISS CAPITAL LIMITED 14 th Floor, Express towers Nariman Point, Mumbai – 400021 Tel: 91-022-22864400 Fax: 91-022-22882119 Email: sel.ipo@edelcap.com Website: www.edelcap.com	[•]	[•]
TOTAL	[•]	[•]

The above chart is indicative of the underwriting arrangement and this would be finalized after the pricing and actual allocation. The above Underwriting Agreement is dated [•]

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as Brokers with the Stock Exchange(s). Our Board of Directors, at their meeting held on [•], have accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company and 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 BRLMs 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. Allotment to QIBs is proportionate as per the terms of the Draft Red Herring Prospectus.



CAPITAL STRUCTURE

Share Capital as at the date of filing of the Draft Red Herring Prospectus with SEBI

Particulars		Nominal Value	Rs. Lakhs Total Value including premium
A.	Authorized Capital 1,50,00,000 Equity Shares of Rs. 10/- each	1,500.00	
B.	Issued, Subscribed and Paid-up Capital 80,00,000 Equity Shares of Rs. 10/- each	800.00	1800.00
C.	Present Issue to the Public in terms of this Draft Red Herring Prospectus 29,00,000 Equity Shares of Rs. 10/- each fully paid up	290.00	(*)
D.	Out of which 1,00,000 Equity Shares of Rs. 10/- each fully paid up are reserved for allotment to Permanent Employees on a competitive basis.	10.00	(*)
E.	Net Issue to the Public 28,00,000 Equity Shares of Rs. 10/- each fully paid up	280.00	(*)
F.	Paid up Capital after the Issue 109,00,000 Equity Shares of Rs. 10/- each	1090.00	(*)
G.	Share Premium Account Before the issue After the issue	1,000.00 [•]	

Notes to the Capital Structure

1) Details of Increase in Authorised Capital

Date	No. of Shares	Face Value (Rs.)	Authorised Capital (Rs.)	Particulars
October 03, 1988	5,000	100	5,00,000	Incorporation
September 29, 1989	25,000	100	25,00,000	Increase
March 10, 1993	1,00,000	100	1,00,00,000	Increase
February 28, 2001	10,00,000	10	1,00,00,000	Share Split
January 06, 2005	1,00,00,000	10	10,00,00,000	Increase
July 27, 2005	1,50,00,000	10	15,00,00,000	Increase

One Equity Share of face value of Rs. 100 each was split into 10 Equity Shares of Rs. 10 each.

2) Permanent employees of the Company as on the date of filing of the Red Herring Prospectus with RoC would be eligible to apply in this Issue under reservation for permanent employees on competitive basis. The unsubscribed portion, if any, out of the equity shares reserved for permanent employees will be added back to Net Issue to Public.

3) Share Capital History of the Company

Date of allotment	No. of Equity Shares	Cumulative No. of Equity Shares	Face Value (Rs)	Issue Price (Rs)	Cumulative Share Premium Account	Nature of Payment of Consideration	Reason of allotment
November 1, 1988	2	2	100	100	-	Cash	Subscribers to Memorandum



DRAFT RED HERRING PROSPECTUS

October 4, 1989	22,500	22502	100	100	-	Cash	Allotment to the promoters
March 31, 1993	27,498	50000	100	100	-	Cash	Allotment to the promoters
March 01, 1994	25,000	75000	100	100	-	Bonus	Bonus to promoters in the ratio of 1:2
March 30, 1994	25,000	1,00,000	100	100	-	Cash	Allotment to the promoters
February 28, 2001	-	10,00,000	10	One Equity Share of face value of Rs.100/- each was split into 10 equity shares of face value of Rs.10/- each			
January 20, 2005	50,00,000	60,00,000	10	10	-	Bonus	Bonus to promoters in the ratio of 5:1
March 31, 2005	20,00,000	80,00,000	10	60	10,00,00,000	Cash	Preferential Allotment to Promoters and Others

Notes:

The Bonus shares have been issued by way of capitalisation of general reserve

4) Promoters holding

Name of Promoter	Date of Allotment/ Date of Acquisition DD/MM/YY	Date when made fully paid Issue DD/MM/YY	Price/Acquisition Price/Sale Price	No. of shares	Consideration	Nature of Issue
Vishnubhai M Patel	01/11/88	01/11/88	100.00	1	100	Subscription to Memorandum
	04/10/89	04/10/89	100.00	5625	562500	Allotment against cash
	11/03/91	--	100.00	1350	135000	Purchase
	31/03/93	31/3/93	100.00	1323	132300	Allotment
	10/12/93	--	100.00	(23)	(2300)	Sale
	01/03/94	--	0.00	4138	0	Bonus
	27/06/95	--	100.00	4000	400000	Purchase
	05/04/97	--	100.00	9000	900000	Purchase
				25414	2127600	
Subdivision of shares of Rs. 100/- to Rs. 10/- each				254140	2127600	
	04/10/03	--	10.00	100	1000	Purchase
	23/08/04	--	10.00	100	1000	Purchase
	20/01/05	--	0.00	1271700	0	Bonus
	31/03/05	31/03/05	60.00	465540	27932400	Allotment against cash
TOTAL				1991580	30062000	
Shantaben Vishnubhai Patel	11/03/91	--	100.00	2025	202500	Purchase
	31/03/93	31/03/93	100.00	2975	297500	Allotment against cash
	01/03/94	--	0.00	2500	0	Bonus



DRAFT RED HERRING PROSPECTUS

	27/06/95	--	100.00	5100	510000	Purchase
	19/08/95	--	100.00	(100)	(10000)	Sale
	06/11/95	--	100.00	(50)	(5000)	Sale
	10/07/96	--	100.00	50	5000	Purchase
	05/04/97	--	100.00	10000	1000000	Purchase
				22500	2000000	
Subdivision of shares of Rs. 100/- to Rs. 10/- each				225000	2000000	
	20/01/05	20/01/05	0.00	1125000	0	Bonus
TOTAL				1350000	2000000	

Name of Person forming part of Promoter Group	Date of Allotment/ Date of Acquisition DD/MM/YY	Date when made fully paid Issue DD/MM/YY	Price/Acquisition Price/Sale Price	No. of shares	Consideration	Nature of Issue
Shashin Vishnubhai Patel	31/03/93	31/03/93	100.00	1134	113400	Allotment against cash
	01/03/94	--	0.00	567	0	Bonus
	30/03/94	30/03/94	100.00	6300	630000	Allotment against cash
				8001	743400	
Subdivision of shares of Rs. 100/- to Rs. 10/- each				80010	743400	
	20/01/05	--	0.00	400050	0	Bonus
TOTAL				480060	743400	
Vikramkumar R Patel	07/12/04	--	60.00	37500	2250000	Purchase
	20/01/05	--	0.00	187500	0	Bonus
	31/03/05	31/03/05	60.00	75000	4500000	Allotment against cash
TOTAL				300000	6750000	
Vasistha C Patel	07/12/04	--	60.00	15000	900000	Purchase
	20/01/05	--	0.00	75000	0	Bonus
	31/03/05	31/03/05	60.00	90000	5400000	allotment against cash
TOTAL				180000	6300000	
Vipul H Patel	07/12/04	--	60.00	2500	150000	Purchase
	20/01/05	--	0.00	12500	0	Bonus
TOTAL				15000	150000	
Sadbhav Finstock Pvt. Limited	27/06/95	--	100.00	12900	1290000	Purchase
	19/08/95	--	100.00	11800	1180000	Purchase



DRAFT RED HERRING PROSPECTUS

	05/04/97	--	100.00	(19000)	(1900000)	Sale
				5700	570000	
Subdivision of shares of Rs. 100/- to Rs. 10/- each				57000	570000	
	20/01/05	--	0.00	285000	0	Bonus
TOTAL				342000	570000	
Chetankumar N Patel	01/11/88	01/11/88	100.00	1	100	Subscription to MOA
	04/10/89	04/10/89	100	2250	225000	Allotment against cash
	10/12/93	--	100	5	500	Purchase
	01/03/94	--	0.00	1128	0	Bonus
	30/03/94	30/03/94	100.00	3000	300000	Allotment against cash
	06/11/95	--	100	(5)	(500)	Sale
	10/07/96	--	100	5	500	Purchase
				6384	525600	
Subdivision of shares of Rs. 100/- to Rs. 10/- each				63840	525600	
	18/12/04	18/12/04	60.00	(26250)	(1575000)	Sale
	20/01/05	--	0.00	187950	0	Bonus
	31/03/05	31/03/05	60	269460	16167600	Allotment against cash
				495000	15118200	
Tosha Patel-Minor						
	31/03/93	31/03/93	100	500	50000	Allotment against cash
	01/03/94	--	0.00	250	0	Bonus
				750	50000	
Subdivision of shares of Rs. 100/- to Rs. 10/- each				7500	50000	
	20/01/05	--	0	37500	0	Bonus
				45000	50000	
Vishnubhai M Patel (Shares held in his capacity as a trustee of Santokba Trust)						
	04/10/89	04/10/89	100.00	2475	247500	Allotment against cash
	31/03/93	31/03/93	100.00	1200	120000	Allotment against cash
	01/03/94	--	0.00	1849	0	Bonus
	10/12/93	--	100.00	23	2300	Purchase
				5547	369800	
Subdivision of shares of Rs. 100/- to Rs. 10/- each				55470	369800	
	20/01/05	--	0.00	277350	0	Bonus
TOTAL				332820	369800	



Vishnubhai M Patel (Shares held in his capacity as a Karta of V M Patel HUF)						
	31/03/93	31/03/93	100.00	1000	100000	Allotment against cash
	01/03/94	--	0.00	500	0	Bonus
	30/03/94	30/03/94	100.00	5700	570000	Allotment against cash
	27/06/95	--	100.00	6000	600000	Purchase
	06/11/95	--	100.00	(25)	(2500)	Sale
	10/07/96	--	100.00	25	2500	Purchase
Subdivision of shares of Rs. 100/- to Rs. 10/- each				13200	1270000	
				132000	1270000	
	07/12/04	07/12/04	60.00	(62150)	(3729000)	Sale
	18/12/04	18/12/04	60.00	(1200)	(72000)	Sale
	20/01/05	--	0.00	343250	0	Bonus
TOTAL				411900	(2531000)	

Lock-in of Minimum Promoters Contribution

Name	Date of Allotment	Consideration	No. of Shares	Face Value (Rs.)	Issue Price	% of post issue capital	Lock-in period
Vishnubhai M Patel	20/01/2005	Bonus	12,71,700	10	NA	11.67%	3 years
Shantaben Patel	20/01/2005	Bonus	9,08,300	10	NA	8.33%	3 years
			21,80,000			20.00%	3 years

Balance Promoter Group Contribution shall be locked in as follows

Name	No. of Shares	Face Value (Rs.)	Issue Price	% of post issue capital	Lock-in period
Promoter Group					
Promoter					
Vishnubhai M Patel	719880	10/-	Various	6.60%	1 year
Shantaben V Patel	441700	10/-	Various	4.05%	1 year
					1 year
Others					
Shashin V Patel	480060	10/-	Various	4.40%	1 year
Vikramkumar R Patel	300000	10/-	Various	2.75%	1 year
Vasistha C Patel	180000	10/-	Various	1.65%	1 year
Vipul H Patel	15000	10/-	Various	0.14%	1 year
Sadbhav Finstock Pvt. Limited	342000	10/-	Various	3.14%	1 year
Chetankumar N Patel	495000	10/-	Various	4.54%	1 year
Tosha Patel-Minor	45000	10/-	Various	0.41%	1 year
Vishnubhai M Patel *	332820	10/-	Various	3.05%	1 year
Vishnubhai M Patel**	411900	10/-	Various	3.78%	1 year
TOTAL	3763360			34.53%	

*Shares held in his capacity as a trustee of Santokba Trust

** Shares held in his capacity as karta of V M Patel HUF



- a) 21,80,000 equity shares constituting 20% of the post issue share capital would be locked-in for a period of three years. Balance entire pre issue share capital 58,20,000 equity shares shall be locked in for a period of one year. The lock-in shall start from the date of allotment in the proposed public issue and the last date of the lock-in shall be reckoned as three years from the date of allotment in the public issue.
- b) The Promoter may pledge their equity shares only with banks or financial institutions as additional security for loans granted by such banks or financial institutions provided the pledge of shares is one of the terms of the sanction of loan.
- c) Shares held by promoters which are locked in as per the relevant provisions, may be transferred to and amongst promoter/promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of transferees for the remaining period and in compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.
- d) Shares held by persons other than the promoters, prior to the Issue and which are locked in for one year from the date of allotment in the Issue may be transferred to any other person holding such shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.
- e) Shareholding pattern of the Company before and after the issue

Category	Pre Issue		Post Issue	
	No. of shares	%	No. of shares	%
Promoter Group				
Promoter				
Vishnubhai M Patel	1991580	24.89%	1991580	18.27%
Shantaben Vishnubhai Patel	1350000	16.88%	1350000	12.39%
Sub-Total (a)	3341580	41.77%	3341580	30.66%
Others				
Vishnubhai M Patel - Trustee Santokba Trust	332820	4.16%	332820	3.05%
Vishnubhai M Patel – Karta V M Patel HUF	411900	5.15%	411900	3.78%
Chetankumar N Patel	495000	6.19%	495000	4.54%
Tosha Patel-Minor	45000	0.56%	45000	0.41%
Shashin V Patel	480060	6.00%	480060	4.40%
Sadbhav Finstock Pvt. Ltd	342000	4.28%	342000	3.14%
Vikramkumar R. Patel	300000	3.75%	300000	2.75%
Vasistha C. Patel	180000	2.25%	180000	1.65%
Vipulbhai H Patel	15000	0.19%	15000	0.14%
Sub-Total (b)	2601780	32.52%	2601780	23.87%
Promoter Group (a+b)	5943360	74.29%	5943360	54.53%
Non-Promoter Holding				
Mutual Funds & UTI	0			
Other Corporate Body – Gammon Infrastructure Projects Limited.	1100000	13.75%	1100000	10.09%
Indian Public	956640	11.96%	3856640	35.38%
NRIs & OCBs	0			
Others	0			
Sub-Total (c)	2056640	25.71%	4956640	45.47%
Grand Total (a+b+c)	8000000	100.00%	10900000	100.00%



- f) Promoters, their relatives and associates, and the Directors of the Company have not purchased or sold or financed, directly or indirectly, any equity shares during the period of six months preceding the date on which the Draft Red Herring Prospectus is filed with SEBI / ROC
- g) The list of top ten shareholders of the Company and the number of equity shares held by them.

Top ten shareholders on the date of filing the Draft Red Herring Prospectus with ROC

Sr. No.	Name of Shareholders	No. of shares
1	Vishnubhai M Patel	1991580
2	Shantaben Vishnubhai Patel	1350000
3	Gammon Infrastructure Projects Limited	1100000
4	Indru B. Hingorani	900000
5	Chetankumar N Patel	495000
6	Shashin V Patel	480060
7	Vishnubhai M Patel - Karta of V M Patel HUF	411900
8	Sadbhav Finstock Pvt. Limited	342000
9	Vishnubhai M Patel - Trustee of the Santokba Trust	332820
10	Vikramkumar R. Patel	300000

Top ten shareholders ten days prior to the date of filing the draft prospectus with ROC

Sr. No.	Name of Shareholders	No. of shares
1	Vishnubhai M Patel	1991580
2	Shantaben Vishnubhai Patel	1350000
3	Gammon Infrastructure Projects Limited	1100000
4	Indru B. Hingorani	900000
5	Chetankumar N Patel	495000
6	Shashin V Patel	480060
7	Vishnubhai M Patel - Karta of V M Patel HUF	411900
8	Sadbhav Finstock Pvt. Limited	342000
9	Vishnubhai M Patel - Trustee of the Santokba Trust	332820
10	Vikramkumar R. Patel	300000

The list of top ten shareholders two years prior to the date of filing the draft prospectus with ROC

Sr. No.	Name of Shareholders	No. of shares
1	Vishnubhai M Patel	254140
2	Shantaben Vishnubhai Patel	225000
3	Vishnubhai M Patel-Karta of V M Patel HUF	132000
4	Shashin V Patel	80010
5	Chetankumar N. Patel	63840
6	Sadbhav Finstock Pvt. Limited	57000
7	Vishnubhai M Patel - trustee of the Santokba Trust	55470
8	Mamtaben Patel	48750
9	Bhavnaven Patel	15000
10	Truptiben Patel	15000

- h) As on date, there are no pending warrants, options, right to convert a debenture, loan or other instruments into equity shares of Sadbhav Engineering Limited.



- i. Neither the Company, its Promoters, the Directors nor the BRLMs have entered into any buy-back and / or standby arrangements for purchase of equity shares of the Company from any person.
- j. We have not raised any bridge loan against the proceeds of this Issue.
- k. In this Issue, in case of over-subscription in all categories, upto 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (including 5% of the QIB portion for Mutual Funds), not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM. In case of inadequate demands from the Mutual Funds, the Equity Shares would be made available to QIBs other than Mutual Funds.
- l. Only our Permanent Employees, as on the date of filing the Red Herring Prospectus with RoC would be eligible to apply in this Issue under reservation for employees on a competitive basis. Separate Bid Applications can be made by Permanent Employees under the Net Issue to Public category as well and such Bids will not be treated as multiple bids. The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Permanent Employees of our Company will be added back to the Net Issue to the Public. .
- m. The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the Net Issue to the public. And In case of under-subscription in the Net Issue to the public portion spillover to the extent of under subscription shall be permitted from the reserved category to the Net Issue portion
- n. An oversubscription to the extent of 10% of the Net Issue to the public can be retained for the purpose of rounding off to the nearest integer, subject to allotment of minimum allotment lot, while finalising the allotment.
- o. A bidder cannot make bid for more than the number of Equity Shares offered to through the issue, subject to maximum limit of investment prescribed under relevant laws applicable to each category of investor.
- p. 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 to SEBI until the equity shares offered through this Draft Red Herring Prospectus have been listed.
- q. We at present, do not have any intention or proposal to alter the capital structure for a period of six months from the date of opening of the Issue, by way of split / consolidation of the denomination of equity shares or further issue of equity shares (including issue of securities convertible into exchangeable, directly or indirectly for equity shares) whether preferential or otherwise.
- r. We have not revalued any of our assets since inception.
- s. We have not issued any equity shares out of revaluation reserves or for consideration other than cash, in the past except to the extent of bonus shares issued to the existing shareholders by capitalization of free reserves as described in on page __ of this Draft Red Herring Prospectus. All the bonus shares issued by us in the past are by capitalizing free reserves only.
- t. At any given point of time, there shall be only one denomination for the equity shares of the Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
- u. The Company had 46 members as on September 15, 2005.

**OBJECTS OF THE ISSUE**

The net proceeds from the Issue after deducting underwriting commission and management fees, brokerage, fees to various advisors and all other Issue related expenses are estimated at Rs. [•] lakhs. The proceeds from the Issue of shares are intended to be deployed for:

- a. To meet the investment requirements in Mumbai - Nasik Expressway Limited; a Special Purpose Vehicle incorporated for the execution of the Vadape-Gonde four lane BOT project.
- b. To meet margin money for purchase of capital equipment;
- c. To meet the margin for working capital;
- d. To meet the expenses of this Issue.

The Main Object Clause and objects incidental or ancillary to the main objects of our Memorandum of Association enable us to undertake existing activities and activities for which the funds are raised through the present Issue.

FUND REQUIREMENTS

The estimated funds required for the above objects is set forth below:

		Rs. Lakhs
Sr. No.	Particulars	Fund requirement
1	Investment in Mumbai Nasik Expressway Limited	3500
2	Margin Money for Purchase of Capital Equipment	400
3	Margin Money for working capital requirement	1646
4	Issue Expenses	[•]
	Total funds required	[•]

MEANS OF FINANCE

Sr.	Sources	Rs. Lakhs
1	Present Issue	[•]
2	Internal Accruals	[•]
	Total	[•]

The entire requirement of the funds is proposed to be met through this Issue. In case of shortfall, if any, the same shall be met out of internal accruals. The Reserves & Surplus as on March 31, 2005 is Rs. 5235.55 lakhs. Excess money, if any, will be utilized for general corporate purpose including but not restricted to repayment of loans. The project has not been appraised by external agencies and as such all the fund requirements are based on management estimate.



DETAILED BREAK UP FUND REQUIREMENT

1. Investment in Mumbai Nasik Expressway Limited :

Our Company has been awarded the Vadape-Gonde 4 Lane BOT road project by NHAI in consortium with Gammon India Limited and B.E. Billimoria & Co. Limited. Mumbai Nasik Expressway Limited, the Special Purpose Vehicle (SPV) has been incorporated to execute this project. The total equity component is expected to be Rs. 17500 lakhs. Our share in the equity share capital of the SPV is twenty percent (20%) of the total paid up capital of the SPV. Our contribution to the equity capital to the extent of Rs. 3500 lakhs will be funded through the present Issue. The balance contribution towards equity, if any, shall be funded through internal accruals. The other consortium members i.e. Gammon India Limited and B.E. Billimoria & Co. Limited shall have seventy percent (70%) and ten percent (10%), of the equity share capital in the SPV respectively. The financial closure of the SPV shall be completed within six months from the date of signing of the Concessionaire Agreement. Upon the financial closure the equity structure of the SPV shall be frozen.

We shall have a dual role in the SPV. We will own the SPV to the extent of 20% and shall also execute the work part sub-contracted to us to the extent of Rs. 48600 lakhs. The SPV has subcontracted the work to Gammon India Ltd. which in turn has part subcontracted the work to us. Gammon India Limited has issued a Letter of Intent dated September 15, 2005 to us for the execution of the part subcontract. The work on this project will commence in October, 2005. For further details on the BOT project please refer page _____.

2. Margin Money for Purchase of Capital Equipment:

Our business requires a large investment in capital equipment for the execution of the BOT project. The total cost of equipment is estimated at Rs. 4000 lakhs. The company has received sanction letters from SREI Infrastructure Finance Limited and Citicorp Finance (India) Limited for Rs. 3000 lakhs and 600 lakhs vide their sanction letters dated July 22, 2005 and July 29, 2005 respectively. We intend to raise the balance amount of Rs. 400 lakhs through the proceeds of this Issue.

The details of capital equipment we intend to purchase are as follows:

Sr. No	Description of Equipment/Machinery	Name of Supplier	Exp. Date of Delivery	Per Equip. rate (Rs. Lakhs)	No. of Equip Req.	Total Rs. Lakhs
1	Supply & Commissioning of Titan 326 Paver Track Paver Finisher with VB 88 Screed for paving up to 9.0M. (*)	Ingersoll Rand India Limited	First week of November 2005	97.56 (Euro 184600)	2	195.12
2 (a)	160 Tones per Hours Asphalt Mixing Plant Model TSAP-2000 FFW (*)	Speco Limited	First week of November 2005	155.75 (USD 350000)	2	311.50
(b)	Accessories	Rachit Fabricators	First week of November 2005	52.2	4	104.40
3	200 TPH Portable Crushing & Screening Plant (jaw-cone Vsi Type) Along with Standard Accessories. (*)	Ssangyong Corporation Group Engineers and Spaco Corporation	Delivery of one of the machineries has been received while the second is	400.74	2	801.47



			expected to be received in the first week of October 2005			
4	Concrete Batching Plant	Caprimax Engineers		32.66	2	65.33
5	Transit Mixer	Taurus Engineers		20.30	8	162.37
6	Crushing Plant Hopper Hopper Conveyor Belt Generator	Mechtech Engineers		192.67	1	192.67
7	Vibratory Tandem Compacter	Ingersoll Rand India Limited		20.50	8	164.00
8	Pneumatic Tyre Roller	Ingersoll Rand India Limited		25.50	2	51.00
9	D.G.Set for Crushing Plant & Batching Plant	Gmmco Limited		36.59	6	219.57
10	Wet Mix Macadam Plant	Accumax Equipments		29.59	2	59.18
11	L & T Komatsu PC 200	L & T Komatsu Limited		45.80	6	274.80
12	Motor Grader Komatsu	L & T Komatsu Limited		54.90	6	329.38
13	G.S.B. Crusher Plant	Mechtech Engineers		92.32	2	184.64
14	L & T Komatsu PC 300	L & T Komatsu Limited		78.00	3	234.00
15	TATA Hywa Dumper	TATA Motors Pvt Limited		14.29	40	571.44
16	Wet Mix Macadam Plant Paver	Dhruvi Road Equip Pvt Ltd		21.32	4	85.28
	Total				96	4006.15

(*) Orders have been placed

We have sought more than one quotation for some of the equipment and in such cases the lowest quote has been considered, technical parameters being equal. Three orders have been placed so far for the equipment.

Conversion rate:

1 Euro = Rs. 52.85

1 USD = Rs. 45.50



3. Long Term working capital requirements:

The order book status as on September 1, 2005 is Rs. 112320.67 lakhs. With the new BOT project and other projects on hand, we have estimated our working capital requirements as below:

Existing Working Capital Facilities:

A. Fund Based			
Sr. No.	Name of Bank/Financial Institution	Amount Sanctioned (Rs. lakhs)	Amount Outstanding As on 30.06.2005 (Rs. lakhs)
I	Oriental Bank of Commerce i) Cash Credit Hypothecation of book debt & work in progress	3000.00	2787.10
II	Karur Vysya Bank Limited i) Bill Discounting limit ii) Cash Credit Hypothecation of Stock iii) Short Loan - Credit Limit	2000.00 250.00 1000.00	1004.66 236.21 50.00
III	IDBI Bill Discounting Limit	2000.00	655.58
IV	Indian Overseas Bank i) Bill Discounting limit ii) Short Term Loan iii) Short Loan II iv) Short Loan	1000.00 600.00 300.00 300.00	840.24 237.24 196.89 272.00
B. Non-Fund Based			
I	Oriental Bank of Commerce i) Bank Guarantee Limit	12500.00	8591.90
II	Karur Vysya Bank Limited i) Bank Guarantee Limit	2500.00	1443.81
III	Indian Overseas Bank i) Bank Guarantee Limit	3000.00	1164.99
IV	ICICI Bank Limited i) Bank Guarantee Limit	7600.00	4328.18



Working Capital requirement for 2005-06

Particulars	Rs.in lakhs
Raw Materials Stock	1075.00
Work in Progress Stock	3412.50
Sundry Debtors	6962.71
Loans & Advances *	1497.18
Cash & Bank Balances**	2212.15
Sub Total	15159.54
Less:	
Sundry Creditors	1738.35
Other Current Liabilities	1825.13
Sub Total	3563.48
Total Working Capital Requirement	11596.06
Fund based limit from banks	9950.00
Balance financed by proceeds of Public Issue	1646.06

* Includes Retention and Performance Deposits

**Includes Margin Money for Bank Guarantees and Letter of Credit

Assumptions for the calculation of Working Capital Requirement

Assumptions	2005-06
Raw Materials Stock Days	10
Work in Progress Stock Days	31
Debtor Days	64
Creditor Days for materials	45
Creditor Days for labour	30
Creditor Days for expenses	30

4. Issue Expenses:

The Issue expenses include Fees payable to BRLMs to the Issue, Registrar to the Issue, Legal Advisors to the Issue, Auditors, Underwriting Commission, Selling Commission, Escrow Bankers' charges Printing and Stationery, Advertising Expenses and all other incidental and miscellaneous expenses for listing of the Equity Shares on the Stock Exchanges. The total estimated expenses is Rs. [•] Lakhs which is _____% of the Issue size. All expenses with respect to the Issue will be borne by us. The details of the expenses are as given below:

Sr. No.	Particulars	Amount Rs. Lakhs
1	Fees to Book Running Lead Managers	[•]
2	Fees to Registrar to the Issue	[•]
3	Fees to Legal Advisors to the Issue	[•]
4	Fees to Auditors	[•]
5	Underwriting Commission	[•]



6	Selling Commission	[•]
7	Escrow Bankers' charges	[•]
8	Printing & Stationery	[•]
9	Advertising Stationery	[•]
10	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	[•]
11	Contingencies	[•]
	Total	[•]

SCHEDULE OF DEPLOYMENT

Rs. Lakhs

Sr. No.	Particulars	Rs. Lakhs		
		2005-2006 Oct 05- March 06	2006-2007 April 06 to September 06	Total
1	Investment in Mumbai Nasik Expressway Limited	1750	1750	3500
2	Utilisation of margin money for purchase of Capital Equipment	275	125	400
3	Utilisation of margin money towards working capital requirement	1646.06	--	1646.06
3	Issue Expenses	[•]	--	[•]
	Total	[•]	1875	[•]

FUNDS DEPLOYED

The total amount spent towards the objects of the Issue as on September 26, 2005 is Rs. 41.15 Lakhs. The details of funds deployed are as follows

Sr. No.	Description	Rs. Lakhs
1	Investment in Equity Shares of Mumbai Nasik Expressway Limited.	1.00
2	Paid to Merchant Banker	5.51
3	Reimbursement of Expenses related to Issue expenses	1.32
4	Commission / Charges for opening L/C to import machineries	4.35
5	Margin paid to Bank for opening L/C to import machineries.	28.97
	TOTAL EXPENSES	41.15

SOURCE OF FUNDS

The source of above funds deployed is as under:

Sr. No.	Description	Rs. Lakhs
1	Internal Accruals	41.15
	TOTAL	41.15



INTERIM USE OF ISSUE PROCEEDS

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest / dividend bearing short-term / long-term liquid instruments including deposits with banks for the necessary duration. Such investments would be in accordance with the investment policies as approved by the Board of Directors from time to time.

No part of the Issue proceeds will be paid by us as consideration to Promoters, Directors, key management personnel, subsidiaries, associate companies, etc.

MONITORING OF FUNDS

The Audit Committee and the monitoring committee will monitor the utilization of the Issue proceeds.

BASIC TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of the 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, Stock Exchanges, RBI, ROC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

BASIS FOR ISSUE PRICE

Investors should read the following summary with the Risk Factors included from page number [●] to [●] and the details about the Company and its financial statements included in the Draft Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these risks and you may lose all or part of your investments.

Qualitative Factors

1. Our Promoter, Mr. Vishnubhai M Patel has an experience of over 37 years in the construction industry. His vision and foresight has helped the company grow over the years.
2. The Board maintains a fine balance with a composition of individuals who bring to the table their vast experience in project management- both on technical and the financial side.
3. We have a track record of completing all the projects in the stipulated time schedule without compromising on the quality of work
4. We are ISO 9001-2000 certified for our Management Systems
5. The order book position of the Company as on September 1, 2005 is Rs. 112320.67 Lakhs.
6. We have our own workshop at Ognaj, Ahmedabad where our equipment is maintained and overhauled regularly. This ensures that we minimize any project delays due to break down of machinery.
7. We own and employ modern, specialised and critical equipment like Excavators, Dumpers, bulldozers, WMM Sensor Paver, Bituminous Sensor Paver, Hot Mix Plants, Crushing Plants etc. which are essential to execute large projects effectively.
8. We have entered into project specific Joint Ventures with different companies to meet pre-qualification criteria for various projects tendered by NHAI, SSNNL and Roads & Building Departments of State Governments
9. The consortium of Gammon India Limited, B.E. Billimoria & Co. Limited and ourselves has been awarded the Vadape-Gonde 4 Lane BOT project by NHAI, of which Rs. 48600 lakhs of construction work has been subcontracted to us.



Quantitative Factors

Information presented in this section is derived from the audited restated financial statements prepared in accordance with Indian GAAP.

1. Adjusted Basic Earnings Per Share (EPS)

Period	Rupees	Weights
Year ended March 31, 2003	6.86	1
Year ended March 31, 2004	8.55	2
Year ended March 31, 2005	12.30	3
Weighted Average	10.15	

Notes:

EPS has been calculated after adjusting for 50,00,000 bonus shares issued on January 20, 2005, with retrospective effect as provided in Accounting Standard (AS-20)- Earning Per Share

2. Price/Earning (P/E) ratio in relation to the Issue Price of Rs. [•]

- Based on March 31, 2005 P/E is [•]
- Construction Industry P/E

Highest	79.70
Lowest	13.30
Average	27.50

(Source: Capital Market, Sept 26-Oct 9, 2005)

3. Return on Average Net Worth as per restated financials

Period	%	Weights
Year ended March 31, 2003	11.28	1
Year ended March 31, 2004	12.39	2
Year ended March 31, 2005	12.25	3
Weighted Average	12.14	

4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS

The minimum return on increased net worth required to maintain pre Issue EPS of Rs.12.30 (FY 2005) is [•] %.

5. Net Asset Value per Equity Share of face value of Rs. 10/- as at March 31, 2005 Rs. 75.39/-

Net Asset Value per Equity Share represents Shareholders' Equity as per audited restated financial statements less revaluation reserves and miscellaneous expenses as divided by Equity Shares outstanding at the end of the period.

6. Net Asset Value per Equity Share after Issue

Net Asset Value per Equity Share after the Issue is Rs. [•]

Issue Price per Equity Share: Rs. [•]

Issue Price per share will be determined on conclusion of the book building process.



7. Comparison of Accounting Ratios

Name of the Peer Group	For the period ended March 31, 2005			
	Book Value (Rs)	RONW	P/E	EPS (Rs)
Sadbhav Engineering Limited	75.39	12.25%	[●]	12.30
Peer Group				
Nagarjuna Construction Co.	40.80	23.50%	27.80	7.00
Patel Engineering Limited	26.60	26.60%	27.50	7.30
IVRCL Infrastructure & Projects India Limited	181.90	29.30%	27.70	27.00
Madhucon Projects Limited	191.80	18.40%	42.20	30.20
Industry Average			27.50	

(Source: Capital Market, Sept 26- Oct 9,, 2005)

8. The face value of Equity Shares of the Company is Rs. 10 and the Issue Price is [●] times of the Face Value.

The Issue Price of Rs. [●] has been determined by the Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.

The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. See the section titled "Risk Factors" on page ____ of this Draft Red Herring Prospectus and the financials of the Company including important profitability and return ratios, as set out in the Auditors Report on page ____ of this Draft Red Herring Prospectus to have a more informed view.



STATEMENT OF TAX BENEFITS

To,

**The Board of Director
Sadbhav Engineering Limited**

“Sadbhav House”
Opp. Law Garden Police Chowki,
Ellisbridge,
Ahmedabad – 380 006.

Dear Sir,

We hereby report that the enclosed annexure states the possible tax benefits available to **Sadbhav Engineering Limited** (the “Company”) and its shareholders under the current tax laws presently in force in India as amended by the Finance Act, 2005. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, 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.

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 have been / would be met with.

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

For **Rajesh B. Shah & Co.**
Chartered Accountants

**Place: Ahmedabad
Date: 22.08.2005**

**sdl/-
Proprietor**

Membership No. 33044



STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO SADBHAV ENGINEERING LIMITED (the “Company” AND IT’S SHAREHOLDERS

1. Benefits available to the Company - Under the Income-tax Act, 1961 (the ‘Act’)

❖ Exemption under section 80IA

The Company (**SEL**) is eligible to deduction under section 80IA of the Act in respect of the profits and gains derived from the eligible projects (undertakings) of infrastructure development for a period of 10 consecutive years, falling within the first 15 years, beginning from the year in which eligible undertaking start developing the Infrastructure facility on complying with the conditions specified in the said section.

❖ Exemption under Section 10(23G)

In accordance with and subject to the provisions of section 10(23G) of the Act, the Company will be eligible to claim exemption on any by way of dividends (other than dividends exempt under section 10(34) of the Act), interest or long-term capital gains from investments made by way of shares or long – term finance in specified enterprise, wholly engaged in specified business or projects and which have been approved by the Central Government.

❖ Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of Company as per the provisions of Section 10(34) of the Act.

❖ Computation of capital gains

1. Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.
2. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.
3. As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus



applicable surcharge and education cess).

4. As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax ("STT") shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

❖ **Exemption of capital gain from income tax**

1. According to section 10(38) of the Act, long-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.
2. According to the provisions of section **54EC** of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
3. According to the provisions of section **54ED** of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - (i) the issue is made by a public company formed and registered in India; and
 - (ii) the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

2. Benefits available to resident shareholders

- ❖ Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.



❖ Computation of capital gains

1. Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.
2. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.
3. As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).
4. As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

❖ *Exemption of capital gain from income tax*

1. According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
2. According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.



Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

3. According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - (i) the issue is made by a public company formed and registered in India; and
 - (ii) the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

4. According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family (‘HUF’), gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.



❖ Rebate under section 88E

Section 88E provides that where 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 recognised 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.

3. Benefits available to Non-Resident Indian shareholders

❖ Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

❖ Computation of capital gains

1. Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.
2. Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.
3. In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).



4. As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

❖ **Options available under the Act**

*Where shares have been subscribed to in convertible foreign exchange –
Option of taxation under Chapter XII-A of the Act:*

1. Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:
2. According to the provisions of section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
3. According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
4. As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
5. Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.



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

❖ ***Exemption of capital gain from income tax***

1. According to section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.
2. According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

3. According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - (i) the issue is made by a public company formed and registered in India; and
 - (ii) the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.



4. According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

❖ **Rebate under section 88E**

Section 88E provides that where 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 recognised 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.

4. **Benefits available to other Non-residents**

❖ **Dividends exempt under Section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

❖ **Computation of capital gains**

1. Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.
2. Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.
3. In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of



10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

4. As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

❖ ***Exemption of capital gain from income tax***

1. According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
2. According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising to the assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.
3. According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - i. the issue is made by a public company formed and registered in India; and
 - ii. the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.



Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

4. According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

❖ **Rebate under section 88E**

Section 88E provides that where 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 recognised 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.

5. Benefits available to Foreign Institutional Investors ('FIIs')

❖ Dividends exempt under section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10(34) of the Act.

❖ Taxability of capital gains

As per the provisions of section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to FIIs.

According to Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).



❖ **Exemption of capital gain from income tax**

1. According to section 10(38) of the Act, long-term capital gains on sale of shares where the transaction of sale is chargeable to STT shall be exempt from tax.
2. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - i. the issue is made by a public company formed and registered in India; and
 - ii. the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

❖ **Rebate under section 88E**

Section 88E provides that where 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 recognised 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.

6. **Benefits available to Approved Infrastructure Capital Funds / Companies/ Co-Operative Banks**

❖ **Dividends exempt under section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10(34) of the Act.

❖ **Exemption of capital gain from income tax**

According to section 10(38) of the Act, long-term capital gains on sale of shares where the transaction of sale is chargeable to STT shall be exempt from tax.



7. 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 authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

8. Tax Treaty benefits

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

9. Benefits available under the Wealth-tax Act, 1957

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

10. 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.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares. The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of equity shares.



ABOUT THE ISSUER COMPANY

INDUSTRY OVERVIEW

Construction Sector

Construction is an integral part of a country's infrastructure and industrial development. It includes hospitals, schools, townships, offices, houses and other buildings; urban infrastructure (including water supply, sewerage, drainage); highways, roads, ports, railways, airports; power systems; irrigation and agriculture systems; tele-communications etc. Encompassing a wide spectrum, construction becomes the basic input for socio-economic development. Besides, the construction industry generates substantial employment and provides a growth impetus to other sectors through backward and forward linkages.

With the present emphasis on creating physical infrastructure, massive investments are planned during the Tenth Plan. The construction industry would play a crucial role in this regard and has to gear itself to meet the challenges. In order to meet the intended investment targets in time, the current capacity of the domestic construction industry would need considerable strengthening. The construction sector has major linkages with the building material industry since construction material accounts for sizeable share of the construction costs. These include cement, steel, bricks/tiles, sand/aggregates, fixtures/fittings, paints and chemicals, construction equipment, petro-products, timber, mineral products, aluminium, glass and plastics.

The break-up of construction costs is given in the table below:

Break-up of Construction Costs

	Materials %	Construction Equipment %	Labour %	Finance %	Enabling Expenses %	Admin. Expenses %	Surplus %
Building	58-60	4.5	11-13	7-8	5.5-6.5	3.5-4.5	5-6
Roads	42-45	21-23	10-12	7-8	5.5-6.5	3.5-4.5	5-6
Bridges	46-48	16-18	11-13	7-8	5.5-6.5	3.5-4.5	5-6
Dams, etc	42-46	21-23	10-12	7-8	5.5-6.5	3.5-4.5	5-6
Power	41-43	21-24	10-12	7-8	5.5-6.5	3.5-4.5	5-6
Railway	51-53	6-8	16-18	7-8	5.5-6.5	3.5-4.5	5-6
Mineral Plant	41-44	20-22	12-14	7-8	5.5-6.5	3.5-4.5	5-6
Medium Industry	50-52	7-9	16-18	7-8	5.5-6.5	3.5-4.5	5-6
Transmission	49-51	5-7	19-21	7-8	5.5-6.5	3.5-4.5	5-6

Source : Construction Industry Development Council Survey

The main advantage of the construction sector in employment generation lies in the fact that it:

- (i) absorbs rural and unskilled workers in addition to semi-skilled and some skilled (In 1999-2000, it employed 17.62 million workers, a rise of 6 million over 1993-94)
- (ii) provides opportunity for seasonal employment thereby supplementing workers' income from farming; and
- (iii) permits large-scale participation of women workers.

Share of Construction Sector in Gross Domestic Product (GDP) and Gross Capital Formation (GCF):

The share of the construction sector in GDP, which was 5.4 per cent in 1970-71, came down to 4.4 per cent in 1990-91 and subsequently it climbed to 5.1 per cent in 1999-2000. The share of the construction sector in total gross fixed capital formation (GCF) came down from 60 per cent in 1970-71 to 34 per cent in 1990-91. Thereafter, it increased to 48 per cent in 1993-94 and stood at 44 per cent in 1999-2000. Clearly, there has been a decline in the share of construction sector in the GDP and capital formation.

The main reason for this was reduced Government spending on physical infrastructure in the last decade due to fiscal constraints. Though there has now been an increasing emphasis on involving the private sector in infrastructure development through public-private partnerships and mechanisms as Build-Own-Operate-Transfer (BOOT), private sector investment has not reached the expected levels. The Government is now providing substantial fiscal stimuli by way of programmes like the National Highways Development Project (NHDP), Pradhan Mantri Gram Sadak Yojana (PMGSY), power projects etc. which would provide necessary impetus to the construction sector. Considering the significance of the construction sector, it is necessary to identify the major issues affecting the efficiency of the sector and take corrective action.

Total Plan Disbursements (Revenue & Capital) of States

(As a percentage of GDP)

Major Sectors	V Plan	VI Plan	VII Plan	VIII Plan	IX Plan
1. Education & Health	0.6 (13.7)	0.8 (16.4)	0.9 (17.3)	0.8 (19.0)	0.8 (22.4)
2. Agriculture & Industry	1.1 (25.4)	1.6 (30.7)	1.5 (29.8)	1.2 (27.8)	0.9 (23.8)
3. Infrastructure	2.0 (46.0)	1.9 (36.8)	1.8 (35.8)	1.5 (34.8)	1.2 (33.2)
4. Other Social & Economic Services	0.5 (13.4)	0.7 (14.6)	0.8 (14.3)	0.6 (16.2)	0.7 (18.0)
5. General Services	0.1 (1.5)	0.1 (1.5)	0.1 (2.8)	0.1 (2.2)	0.1 (2.6)
Total	4.3 (100.0)	5.1 (100.0)	5.1 (100.0)	4.2 (100.0)	3.7 (100.0)

Note : Figures in parenthesis are the share percentage in the total

(Source: Planning Commission TENTH FIVE YEAR PLAN: 2002-07 Report – Chapter 7.7 on “Construction”)

Capital Expenditure through NHAI

The capital expenditure undertaken through NHAI rose sharply, from Rs.746 crore in 1999-00 (0.04 per cent of GDP) to Rs.9,525 crore in 2003-04 (0.33 per cent of GDP). As an example, the total expenditure of NHAI in 2003-04 was Rs. 9,800 crore of which Rs. 9,525 crore was capital expenditure. If highway construction is to achieve a capital expenditure of 0.5 per cent of GDP, then by 2005-06, the annual capital expenditure will need to cross Rs.18,000 crore.

CAPITAL EXPENDITURE THROUGH NHAI		
Year	Capital expenditure (Rs. crore)	Percent to GDP
1999-00	746	0.04
2000-01	1,261	0.06
2001-02	3,997	0.18
2002-03	6,584	0.21
2003-04	9,525	0.33
2004-05 (Projected)	9,000	0.29
Source : NHAI.		

Improvement in productivity

There is a need to enhance productivity through appropriate mechanization (or mechanisms) to meet the physical targets set in the Plans. There is a clear case for encouraging mechanisation to build up the sector's capacity to deliver the critical infrastructure needed for economic development. The poor state of technology adopted by the construction sector adversely affects its performance. Upgrading of technology is required both in the manufacturing of construction material and in construction activities.

As a large number of construction materials are manufactured in the unorganised sector, effective monitoring and regulation of the production of these materials to ensure proper quality becomes difficult. Use of low-grade technology in the construction sector leads to low value addition and low productivity, apart from poor or sub-standard quality of construction and time overruns in projects. The non-availability of quality construction tools is the main reason for this. Besides, the construction sector also lacks information about new technology. Introduction of new technology in the construction sector is entirely owner-driven. It is only when they demand quality and are prepared to pay the price that the contractors have the incentive to adopt better technology. It may, therefore, be necessary to introduce higher specification and technical conditions in the bid documents in order to encourage adoption of superior technology.

Flow of Institutional Credit

At present, the high resource requirements of the construction industry are not matched by the availability of finance. The high cost of raising finance also translates into high costs, which again has a cascading effect on the economy. Appropriate measures and instruments should be formulated and implemented to reduce financing costs and ease the flow of funds to the industry. The deployment of gross bank credit indicates that the share of construction sector in total bank credit available to the industry sector went down from 2.13 per cent in 1990 to 1.37 per cent in 2000. In order to increase the flow of institutional credit to the construction sector, construction companies were declared as "industrial concern" under the Industrial Development Bank of India Act in March 2000. While this step was in the right direction, it is necessary now to encourage banks and lending institutions to develop lending norms and special funding instruments that could address both the requirements of the construction industry as well as the concerns of the bankers. The need for specialised financial institutions may also be considered.

(Source: Planning Commission TENTH FIVE YEAR PLAN: 2002-07 Report – Chapter 7.7 on "Construction")



Review of 2004-05

In 2004-05, the infrastructure sector experienced mixed outcomes. The growth rate in many key sectors accelerated in April-December, 2004-05. Strong growth rates have been noticed for electricity generation, railways, ports and civil aviation.

- The overall power generation of 438 Billion Units (BU) during April-December, 2004-05 was marginally above the target of 437 BU and was 6.5 per cent above the power generation achieved in the same period of the previous year. Hydel power generation continued to enjoy high growth in the current year. Thermal and nuclear power generation grew by 4.7 per cent in April-December 2004-05, as against 2.4 per cent achieved in the corresponding period of the previous year.
- The revenue earning freight traffic of 438.36 million tonnes carried by the railways in April-December, 2004-05 was 2.4 per cent above the target of 428.19 million tonnes and 7.7 per cent over the traffic achieved in the corresponding period of the previous year. Cargo handled at major ports also exceeded the target of 270.35 million tonnes by 2.1 per cent in the first ten months of the current year and was 11.1 per cent above the achievement in the same period of the previous year.
- In the civil aviation sector, strong positive growth rates were experienced in passenger traffic (21.8 per cent) as well as export and import cargo handled (18.3 per cent) at the international and domestic terminals in April-December, 2004-05 compared to the growth rates in the corresponding period of the previous year.

Characteristics of the construction industry

Capital Structure: Construction activities are often funded by the client who may make cash advances as stage payments against a bank guarantee. They are reflected as interest / non-interest bearing project advances on its balance sheet.

Profitability: Profit margins tend to vary across various segments such as roads, tunnels, dams, bridges, power projects and industrial applications. Large, complex jobs such as power projects; nuclear projects enjoy higher margins in relation to road works, which are relatively low-tech jobs. Profitability in the industry, therefore, tends to vary across segments.

Contingent Liabilities: Due to project based type of work, construction companies often carry substantial contingent liabilities in the form of guarantees in order to comply with specific client requirements.

Joint Ventures: Due to the relatively small size of many construction companies, the diversity of expertise required, qualification criteria by lending agencies such as World Bank/ADB and the high project values involved, bids are increasingly placed in consortia. Examples have been the NHAI road works and State Government/State sponsored agencies projects.

Construction Risks: Profitability on each project is subject to problems on mispricing, adverse conditions, geological conditions, management of specification changes and the outcome of claims on completions. As per AS-7 of the Indian Accounting Standards, construction companies are required to recognise all losses incurred and foreseeable in the respective accounting period.

Credit Risk: The strength of clients on whom the receivables are being generated is important. In general, programmes with strong counter party credits such as the NHDP programme, power projects floated by NHPC, NPC and other projects on multilateral funding are observed to make regular payments to the contractors. State-funded projects, in general, pose some degree of difficulty for the contractors. Contractors usually secure project advances from clients to keep them committed to the projects. It is also important to understand the political implications of the project being executed (*For instance, the Water Supply Canal Schemes are politically important for the Gujarat Government and, hence, will assume a higher priority over other projects of the Gujarat Government*).



Contractual agreements in the construction industry

The construction industry operates on the basis of contractual agreements. Different types of contracts have been developed over the years keeping in line with the changing nature and needs of the economy. The major types of contracts have been enumerated below-

Item rate / Unit-price contract – The client obtains a feasibility study from a design consultant. This study forms the basis for deciding the pre-qualification criteria for the project. This is one of the distinguishing features of the industry wherein the criteria for each project are different depending on the location, climate and other existing conditions. The pre-qualified contractors are invited to submit the technical and financial bids. The bids have to be quoted for each activity individually and the most competitive bid is awarded the contract.

Percentage rate contract -- In these projects the contractor quotes amount below at par or above against the total amount of work already estimated on the basis of Schedule of Rates (SOR). This method indicates easy evaluation criteria. The designs and drawings are provided by the project Owner/Employer.

Lump sum Turnkey / Engineering Procurement and Commissioning –The contractors are required to quote a fixed sum for execution of the entire project from design and engineering to the execution of the contract. The department will provide the tentative quantities involved and any increase or decrease of the quantities will have to be absorbed by the contractor.

Public Private Partnerships

The Government of India has recognized that its budgetary resources are insufficient to develop the critical infrastructure required in the country. Government has also recognized that infrastructure projects have a long gestation period and may not be fully financially viable on their own. On the other hand, it may be possible to ensure financial viability through a mechanism that provides Government support to reduce project costs. Hence, it has attempted to attract the private sector's resources and techno managerial efficiencies by promoting public private partnerships (PPP) in infrastructure development. The most popular form of PPP is the BOT mechanism.

Annuity –The contractor constructs and maintains the facility for which he is paid a fixed sum on an annual or semi-annual basis as per the terms of the contract. The contract is awarded to the contractor who quotes the least amount of annual payment. The risk in such projects is low since the contractor is assured of a fixed amount on a regular basis.

Special Purpose Vehicles can be formed for funding infrastructure projects. SPVs are separate legal entities formed under the Companies Act 1956. It involves less cash support from the client in the form of equity/debt; rest of the funds come from Financial Institutions/beneficiary organisations in the form of equities or debt. The amount spent on the project is to be recovered in prescribed concession period by way of collection of toll fee by the SPV.

Build-Operate-Transfer – In a BOT project, the companies who are awarded the contract build the utility say for eg. road and subsequently operate and maintain them for the stipulated period which normally ranges from 10 to 30 years. During this period, the construction companies collect toll from the vehicle traffic to cover their costs and profit from the mark-up. At the end of the allotted period, the road is returned to the Government. BOT projects are a step taken by the Government to encourage private investments in highway development. However, profits in toll-based projects are subject to vehicle traffic using the roads and therefore bring uncertainty in cash flows. BOT includes three phases of project:

Build – A private company (or consortium) agrees with a Government to invest in a public infrastructure project. The company then secures their own financing to construct the project.

Operate – The private developer then owns, maintains, and manages the facility for an agreed concession period and recoups its investment through charges or tolls.

Transfer – After the concessionary period, the company transfers ownership and operation of the facility to the Government or relevant state authority.



Advantage of BOT Projects

1. The Government gets the benefit of the private sector to mobilize finances and to use the best management skills in the construction, operation and maintenance of the project.
2. The private participation also ensures efficiency and quality by using the best equipment.
3. The projects are conducted in a fully competitive bidding situation and are thus completed at the lowest cost.
4. Returns are attractive; typically the IRR that is targeted for such projects is around 20%.
5. Competition is lower as small players are constrained in their ability to infuse equity capital on a long-term basis (15-20 years).
6. Government support may be available in terms of fiscal benefits and grants.
7. Contractor is eligible for a substantial bonus on early completion of the project. This ensures speedy completion of the projects.

Various Models in BOT

Toll-based: In this type of BOT project, the sponsor recovers its cost and mark-up by collecting tolls from users. Thus, in this type of BOT project, the risk of utility being used is completely borne by the sponsor. Past track record of toll-based BOT projects has not been very encouraging wherein actual utility has been found to be well below the estimated one. For example, in the case of Mumbai-Pune highway, actual toll-collection of Rs 56 mn is well below the estimated target of Rs. 140 mn. due to the parallel road available.

Subsidy-based : This is a variant of the toll-based BOT model. The toll that the successful bidder can charge the users of the road is fixed before the bidding process starts (including the periodic escalation in toll). The bidding takes place on the basis of the subsidy that the bidders seek from the Government every year to cover their costs and mark-up over a period of time. The company that bids for the lowest subsidy is awarded the contract. In case the usage is good enough to cover costs and the mark-up, the subsidy is the icing on the cake. This is why companies are keen on this model. Recently, the tendering process for seven BOT road projects was based on this model.

Annuity: Under this model, the company that wins the bid will get a fixed return from the Government, irrespective of the amount of toll collected by NHAI. For instance, the Bangalore-Madurai expressway order bagged by the Nagarjuna Construction recently is based on this model. The risk here is comparatively lower as the company will get a fixed amount of Rs. 29.7 crore every six months.

The construction industry operates primarily in the following sectors –

ROADS AND HIGHWAYS

With a total length of approximately 3.3 million kilometres, India has the second largest road network in the world. Roads have played a vital role in transportation and also enhancing trade. The Government has taken initiatives to improve and strengthen the network of National Highways, State Highways and roads in major districts and rural areas. In terms of private sector participation in road projects, the Government has received an encouraging response from private investors, both foreign and domestic. Estimates show that Indian roads carry almost 67 per cent of freight and 8 per cent of passengers annually. In India, road traffic is growing at a considerable pace. According to estimates, traffic on roads is growing at a rate of 7 to 10 per cent per annum. The national highways cater to about 45 per cent of the road transport demand in the country. The growth in the number of vehicles has been around 12 per cent per annum. The Indian road network is divided into three main categories:

- National highways (interstate) covering over 58,000 kilometers.
- State highways covering approximately 200,000 kilometers.
- Rural and urban roads covering nearly 3 million kilometers.

Opportunities in Roads and Highways:

To augment resources, the Ministry of Road Transport and Highways has taken a lead in private sector participation in road infrastructure projects. At present 34 National Highways



projects costing about US\$ 1120 million are in different stages of construction or in operation. The NHDP project is one of the largest road sector projects being pursued by the government. The private sector is expected to play a significant part in this.
(Source: <http://meaindia.nic.in>)

Proposals

A mechanism for the construction of highways and expressways was approved by the high-level infrastructure. This is mainly to attract private investment. The highways will be constructed on the DFBOT system – that is design-fund-build-operate-and-transfer. The maximum concession period of six laning of highways will be 20 years, but could vary between 9 and 15 years for most stretches.

The first batch of concessions for the six-laning of highways is expected to be awarded by December 2005. The six-laning of 6,500 km of highways will include 5,700 km of the Golden Quadrilateral. The balance 800 km of other highways will be six laned. The entire programme of six-laning is expected to be completed in five years, of which 2000 kms will be finished in next two years.

(Source-DNA-Tuesday, September 27, 2005)

National Highway Development Project

The National Highways Authority of India (NHAI) constituted by the National Highways Authority Act, 1988, started operations in 1995. It was entrusted with the responsibility of developing, maintaining and managing the National Highways. The NHAI commenced the National Highway Development Project involving the conversion of 14,279 kilometers of National Highways to 4/6-lanes, at a total estimated cost of Rs. 54,000 crore. This development program is founded on a revenue model comprising tolls and a cess on fuel, to build roads which deliver sustained performance.

Likely Sources	Rs.Cr.
Cess on Petrol and Diesel	20,000
External assistance	20,000
Market borrowings	10,000
Private Sector Participation	4,000
Total	54,000

(Source: NHAI website)

The NHDP Plan:

The NHDP is a seven phased program to connect the length and breadth of the country with a good road network. It includes –

Phase	Description	Length Km
I	Golden Quadrilateral	5846
II	North-South East-West Corridor	7300
III	Widening existing National Highways having high traffic density to 4/6 lanes on BOT basis	10000
IV	Upgrading of single lane / intermediate lane NH to 2-lane with paved shoulders	21000
V	Upgrading four laned roads with high traffic density or with tourist or economic importance to six-laned roads	5000
VI	Building expressway connecting important commercial and industrial township on BOT basis	1000
VII	Building ring roads, flyovers and bypasses on BOT basis	

Current status

Phase	Status
I	4611 kms completed by February 2005
II	544 km on NS and 148 km on EW completed. 866 km under construction. Contract for 4058km to be awarded by September 2005
III-A	4/6 laning of 4000 km of NH approved on BOT basis. 507 km contract awarded
III-B	Project report for widening 6000 km of NH
IV	Proposal to be submitted for Government approval
V	Identification of sections for 6-laning
VI	1 expressway completed. Other sections to be identified in a study supported by WB

(Source: Press Information Bureau and Mid-term Appraisal of Tenth Five Year Plan)

Pradhan Mantri Gram Sadak Yojana

The Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched in December 2000 as a 100 per cent Centrally Sponsored Scheme to provide rural connectivity to unconnected habitations by the end of the Tenth Plan period. It is funded by the diesel cess in the Central Road Fund, and through borrowing from domestic financial institutions and multilateral funding agencies. The scope of PMGSY has been expanded to include both construction of new links and upgradation of existing routes associated with such link routes to form one complete sub-network, for providing connectivity between the village and the market. The operational and technical support is provided by the Ministry of Rural Development through its agency, The National Rural Roads Development Agency (NRRDA). Over 1.70 lakh unconnected habitations need to be taken up under the PMGSY which would require new construction of 3.69 lakh kilometer and upgradation of 3.68 lakh kilometers of rural roads, at a total cost of Rs.1, 33,000 crore. The PMGSY also includes projects for maintenance of link routes for 5 years and 10-year maintenance of through routes.

Current status

Project proposals amounting to Rs.14,789 crore have been cleared up to November, 2004 covering 103,010 kilometers and Rs.10,207 crore have been released to States/Union Territories. More than 60,024 km of roads has been completed.

(Source: Economic Survey 2004-05)

Special Accelerated Road Development Program for the North Eastern Region

Considering the importance of the North Eastern Region, a special program has been formulated known as Accelerated North-East Road Development Project to be taken up mainly to provide connectivity to all the State Capitals and District Headquarters in the North-East Region. The proposed programme includes improvement of 6,396 kms of roads at an estimated cost of Rs.7,931 crores

Corridor Management

Many parts of NHDP have been commissioned, and the focus of NHAI now also includes corridor management i.e. the process of managing the highway so as to deliver maximal throughput in terms of velocity and number of vehicles, while minimizing accidents. The maintenance of completed sections of the National Highways is being carried out by NHAI through short term improvement and road maintenance contracts and long term performance based maintenance contracts. The scope of work includes road maintenance, road property management, incident management, engineering improvement of toll-fee collection, traffic management, and facility management, planning of operation & maintenance (O & M) center, training and road safety provisions. In order to make the journey safe, under the corridor management policy, various safety measures are being provided on the National Highways. The annual expenditure of such safety measures is about Rs. 1 lakh to 1.5 lakh per kilometer. About 1600 kilometers of highways are being maintained with an annual expenditure of about Rs. 20 crore for safety measures.

(Source: Economic Survey 2004-05)



The finance ministry plans to do away with the annual borrowing ceiling for the Special Purpose Vehicles (SPV) incorporated for execution of BOT projects. The SPV would have the freedom to raise resources sans any limit, based on its own creditworthiness. The limits for borrowing would be communicated to the SPV at the beginning of every financial year. Considering the huge fund requirements for infrastructure projects, the Government expects the SPV to expand its size and broaden its operations to levels that would match the market needs. The SPV would function as a non-banking financial corporation under the supervision of the RBI. The ministry is also considering limiting direct lending by the SPV for any single project to Rs.500 crores. This ceiling might be fixed along with the stipulation that lending by the SPV, including re-financing would not exceed 20% of the total cost of any single project.

(Source Financial Express – September 19, 2005)

IRRIGATION

India, which has 16% of the world's population, has only 4% of the world's fresh water resources. The monsoon rain is the main source of water and 76% of the rainfall is confined to the south-west monsoon. The all-India annual average rainfall is 1170 mm but it varies from 100 mm in the western deserts to 11000 mm in the north-eastern region. Irrigation, has therefore, since time immemorial, been recognized as a vital input for agriculture, contributing not only directly by meeting the evapotranspiration needs of plants, but also indirectly by recharging ground water. Understanding and addressing the irrigation sector's problems and assessing its performance are thus essential for shaping of the future irrigation strategy. Through the ages, Indian agriculture has been sustained by natural and man-made water bodies like lakes, ponds and similar structures. It is estimated that there are about five lakh water bodies / tanks used for irrigation. (Source: Tenth Five year Plan & Ministry of Water Resources)

Potential in the sector

From the point of agricultural production, the single most effective supply side constraint is that irrigation coverage still extends to only about 40 per cent of net sown area.

Sector	X Plan approved outlay	Actual Expenditure /Revised Outlay		Expenditure	
		2002-03	2003-04	Amount Rs. crores	%
Major & medium irrigation	70861.78	9784.92	12264.28	22049.20	31
Minor irrigation	13872.86	1656.36	2540.77	4197.13	30

(Source: Mid-term Appraisal of the Tenth Five Year Plan)

Sardar Sarovar Narmada Nigam Limited

The Sardar Sarovar Project was initiated in the early eighties to bring water to irrigate the arid regions of Gujarat and Rajasthan. It is one of the largest multipurpose river valley projects in India. It envisaged the construction of concrete gravity dam, hydropower complex and very large network of canal system to irrigate about 18-lakh hectares of culturable command area. The aim of the project was to meet the power requirement in the four states of Madhya Pradesh, Maharashtra, Gujarat and Rajasthan through the hydro power project and accelerate agricultural, industrial and tertiary sector development. The canal is classified into the conveyance system and the delivery network. The canal system involves a 458 km long main canal and 2750 km length of branches /sub branches. The distribution network of 66000 km consists of branch canals, distributaries, minors and sub minors. 42 branch canals take off from the main canal of which Miyagam, Vadodara, Saurashtra and Kachch branch canals are the major ones. The project is to benefit 8215 villages and 135 towns in the four states.

(Source: Sardar Sarovar Narmada Nigam website)

Current Status

Main Canal – The Narmada Main Canal from ch. 0 to 263 km is completed and water is released through this reach. Work of NMC from ch. 263 to 357 km is almost completed along with structures and that of NMC from ch. 357 to 458 km is in progress. It is planned to complete the work of NMC during the year 2007.

**Branch Canal**

Branch Canal	Nos.	Status
Ch 0 to 144 km	15	Completed
Ch 144 to 263 km	7	6 completed and 1 in progress
Ch 263 to 458 km	17	Work-in-progress
Saurashtra Branch Canal	7	Work-in-progress

(Source: Sardar Sarovar Narmada Nigam website)

Bharat Nirman

As part of the successful completion of one year of the present Central Government, an ambitious project by the name of Bharat Nirman was launched in 2005. It is targeted to be implemented over a period of four years and will cover irrigation, road development, water supply, housing, rural electrification and rural telecom connectivity. The government proposes to bring an additional one crore hectare of land under irrigation and provide an additional 74000 habitations with drinking water. Most of the programs are to be executed by the States and the funding will be shared by them, though the Centre will give the bulk of the money. Finance ministry estimates that providing assured irrigation for 10 mn hectares could cost Rs. 67,000 crore at the rate of Rs. 75,000 per hectare for major and medium irrigation projects and Rs. 50,000 per hectare for minor irrigation schemes.

National Project for Repair, Renovation and Restoration of Water Bodies Directly Linked to Agriculture

In the 2004-05 Budget, a scheme was proposed to repair, renovate and restore all water bodies that are directly linked to agriculture. It was proposed to initially take up pilot projects in one or two districts to be selected in each of the five regions of the country. The Government plans to spend about Rs 100 crore initially to run the pilot project in 15 districts. The Centre will incur an expenditure of Rs 225 crore as 75 per cent share of the total scheme outlay of the Rs 300-crore project. The remaining Rs 75 crore is to be borne by the state. The project is to be implemented in 7 to 10 years by the State Governments. The scheme would help restore and augment storage capacities of water bodies and recover and extend the irrigation potential. The pilot project is planned for districts in nine States and will cover nearly 700 water bodies, and 20,000 hectares of additional land will come under irrigation.

Current status

The scrutiny and approval of the project report is in progress. The first two instalments of the central Government's grant will be released after the approval of the project report by February 2006

River linking project

The river-linking project proposes to link 14 Himalayan rivers in the north and 16 peninsular rivers in the south. The project will add 35-37 million hectares of irrigated portable water for the rural and urban areas, industrial water-supply, and hydropower, inland navigation, ecological upgradation due to minimum flow guarantee in rivers, sizeable employment generation, flood and drought mitigation, increased tree farming and many other indirect benefits. Under the project, 30 links and some 3,000 storages will be built to connect Himalayan and peninsular rivers to form a gigantic water grid. The project is estimated to cost Rs.5,60,000 crores. 12,500 km of canals will be built, 35 giga watts of hydro-power capacity created and 35 million hectares will be added to the total irrigated area (Source: Business Standard dated November 20, 2003) National Civil Society Committee on Interlinking of Rivers (NCSCILR) is a committee comprising individuals from various backgrounds, facilitated by the World Wide Fund for Nature and has been engaged in the interlinking of rivers debate



since 2003. This project is slated to begin with the Ken-Betwa and Parbati Kalisindh-Chambal links covering Madhya Pradesh, Uttar Pradesh and Rajasthan. The third project, which might be taken up after the progress in the first two, would mostly be the Godavari link involving Orissa and Andhra Pradesh.

Current status

Uttar Pradesh, Madhya Pradesh and the Central governments have signed a memorandum of understanding for linking the waters of Ken and Betwa rivers. This project envisages diverting excess water from Ken to Betwa basin through the construction of Dandhan dam and a 231km long link canal at a cost of around Rs. 4000 crores. This project will improve irrigation facilities in various regions of the two states. The National Water Development Agency has completed the feasibility reports for 14 links under the peninsular component. These link projects are ready for consensus building with the concerned states for preparation of detailed project reports. (Source: Business Standard dated August 26, 2005)

Kalpasar Project

The Kalpasar project envisages the construction of a 64 km long dam across the Gulf of Khambhat thereby creating a fresh water basin of more than 2000 square kms. The project will lead to –

- Reduction in the distance between the east and west coast of Gujarat by 240 kms.
- Irrigation potential of about 10.54 lakh hectares.
- Four-lane road and broad gauge railway track
- Renewable and environmentally sustainable tidal power to the tune of 5880 MW
- 660 km canal system
- Provision of water for drinking and industrial purposes.

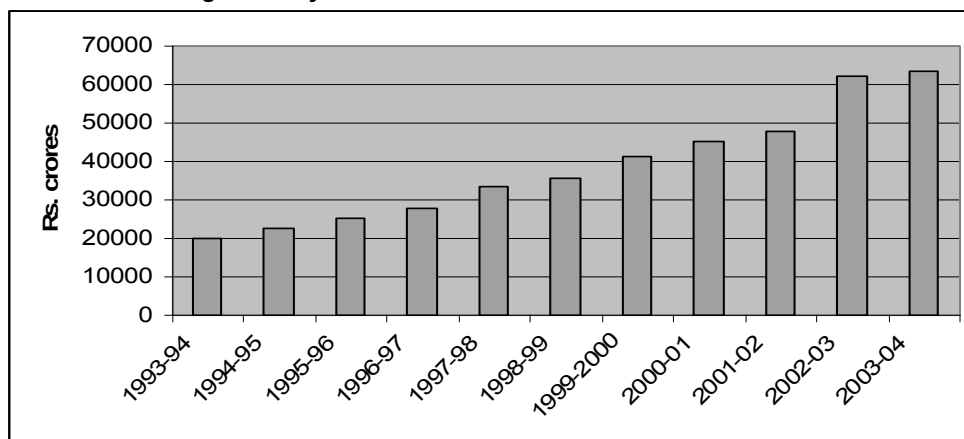
This project, with an estimated cost of Rs. 55,000 crores, has tremendous potential for public private partnership in power generation, water supply, transportation, land development and navigation. Currently the topographical survey is complete and the oceanographic survey is in progress. The construction of the entire dam is scheduled to begin in the next two years and completed in 2010.

MINING

India is the world's largest producer of mica; third largest producer of coal and lignite & barites and ranks among the top producers of iron ore, bauxite, manganese ore and aluminium.

(Source: Ministry of External Affairs)

GDP of the Mining Industry



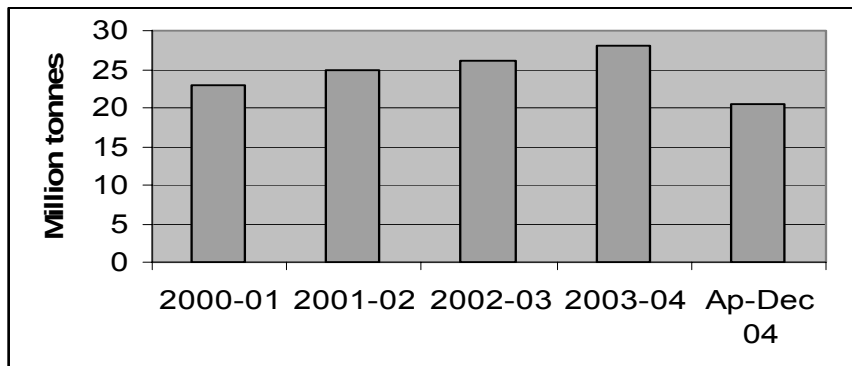
(Source: Ministry of Statistics and Program Implementation)



Lignite

Lignite is a dark brown to black combustible mineral having a high content of volatile matter which makes it more convertible into gas and liquid petroleum products than the higher ranking coals. However, its high moisture content and susceptibility to spontaneous combustion may cause problems in transportation and storage. The total lignite deposit of the country is estimated at about 36000 million tones, out of which major deposits are found in Tamil Nadu, Gujarat J & K and Rajasthan. Further exploration activities are indicative of additional lignite resources in Rajasthan, Gujarat and Tamil Nadu. There are three lignite mines in Gujarat, two in Tamil Nadu and one in Rajasthan (*Source: Director General of Mines & Safety and Ministry of Coal, Government of India*)

Production of Lignite



(Source: Ministry of Coal)

Future potential

Lignite is widely used for augmenting power resources of the country. The gap between peak demand and peak capacity of power in the state of Gujarat is estimated at 4000 MW. Neighbouring states have also seen growing power shortage. This leads to an increasing requirement for power plants.

GMDC is planning to set up new projects over the next two years entailing investments over Rs.2000 crore. It intends to double the power generation capacity at Akrimota by adding 250MW power plant. GMDC is also examining manganese and bauxite mines in the state of Gujarat. The operations for the power plant at Tadkeshwar will commence on obtaining the environmental clearance.

Ultratech Cement Ltd has earmarked Rs. 600 crore for installation of captive power plants, chiefly a 92-megawatt lignite-based plant at Gujarat Cement Works, which will be commissioned by July 2007. (*Source: Hindu Business Line dated August 24, 2005*)

Proposals

Gujarat Government has invited Neyveli Lignite Corporation to put up a 1000 MW lignite based plant in Gujarat. The estimated size of the project is Rs. 6,000 crore.

(Source-Hindu Business Line, September 23, 2005)

URBAN INFRASTRUCTURE

Urban infrastructure consists of drinking water, sanitation, sewage systems, electricity and gas distribution, urban transport, primary health services, and environmental regulation. The ongoing schemes of Urban Infrastructure Development in the mega cities, and Integrated Development of Small and Medium Towns (IDSMT) do not meet the requirement of infrastructure development of all cities/towns in the country. There is, therefore, need to have a comprehensive scheme for infrastructure development of all cities/towns in the country. Other schemes like Urban Reforms Incentive Fund (URIF) also need to be subsumed in the said comprehensive scheme. Mass transit systems are very important components of the



urban infrastructure. Two pioneering efforts in public transport in India have come about in Kolkata and Delhi. Delhi Mass Rapid Transit System (MRTS), a joint venture between Government of India and Government of National Capital Territory of Delhi, is being implemented by the Delhi Metro Rail Corporation (DMRC)

WATER & PIPELINES

Water supply is an important urban infrastructure. The demand-supply mismatch for necessary amenities like water is already evident in the metros. According to the 54th round of National Sample Survey (NSS), an estimated 70% of urban households are being served water by tap and 21% by tube well or hand pump. There is a demand for water of a higher quality. The urban population is projected to increase to 550mn by 2021. The main problem is not that of inadequate supply of water, but inefficient usage. A number of water projects have been mooted in the various metros to alleviate the water supply situation. The city of Chennai for instance is considering desalination plant to process seawater. Most of the other projects, in cities such as Chennai, Hyderabad and Bangalore plan to source water from distant sources as in Mumbai. Apart from bringing water and treating it, waste water also needs to be processed before it can be disposed or re-used. Rainwater harvesting presents a lot of opportunities for players in the construction sector. This has been taken up as a thrust area in Chennai and Delhi and must be given priority in all towns in the country. The Delhi Jal Board has taken up more than 80 works to harvest rain water and intends to cover about 200 buildings. The Delhi Government has approached the Ministry of Urban Development and Poverty Alleviation to amend building bye-laws to make rain water harvesting mandatory in the Capital. *(Source: 10th Five Year Plan)*

On the basis of information furnished by the different State Implementing Agencies, 89 per cent of the urban population is reported per cent of the urban population is reported to have access to water supply and 63 per cent of the urban population access to sewage and sanitation facilities. The Tenth Plan emphasizes provision of these important infrastructure facilities and 100 per cent coverage of urban population with water supply facilities and 75 per cent of urban population with sewage and sanitation by the end of the Tenth Plan period, i.e. March 31, 2007. The funds required for this purpose is estimated at over Rs. 53,000 crore. *(Source: Economic Survey 2004-05)*

POWER

Cheap and abundant power is a must for a country's development. India has taken great strides in the field of power since Effective enforcement of Electricity Act, 2003 is necessary for solving the problems of power generation, transmission and distribution. During the period from 1992-2004 power generation capacity grew at an annual rate of 4.16 per cent while GDP grew at an annual rate of 6.4 per cent. Capacity addition of 5245.5 MW is targeted for the year 2004-05, of which 3,100 MW have already been commissioned. A study by the Central Electricity Authority (CEA) has identified 399 potential hydel projects with an aggregate capacity of 107,000 MW, which are yet to be developed. The study has focused on six major river systems, and projects have been categorised in categories A, B & C based on their commercial viability. Of these projects, the Ministry of Power and Central Electricity Authority have identified 162 most promising projects, spread across 16 States, with an aggregate capacity of 50,560 MW. During the first nine months of the year 2004-05 investment approvals totalling Rs.6,100 crore were accorded in the Central Sector to power generation schemes of 600 MW and Transmission schemes of 4,806 circuit kilometer (circuit kilometer is the product of the number of lines and the length in kilometer).

PORTS

Ports are a crucial part of the transportation infrastructure of the country. The international experience with economic development has emphasized the development that has taken place near the coast through "gains from trade". There has been an impressive growth of container traffic in the last few years with growth of over 15 per cent per annum during the five years up to 2003-04. While container traffic has grown well in India, there is still a considerable lag when compared with the larger international ports. There is a serious requirement to modernize the ports with good rail and road connectivity and equip it with the



latest technology for improving India's position in world trade. Investments in the ports sector, which continue to take place on a substantial scale, will be further spurred by institutional reforms in the coming years. In the recent period, 13 private or captive projects with a annual capacity addition of about 47.40 MMT and an investment of about Rs.2,597 crore have been completed/operationalised, while 23 others with a annual capacity addition of around 89.29 MMT and an investment of Rs.7,108 crore are at various stages of evaluation and implementation. The central focus of policy in the ports area must remain maximization of intra-port and inter-port competition.

(Source: Economic Survey 2004-05)

Of the sectors detailed above, we are operating in the road, irrigation & canal works and mining operation sectors. The potential and opportunities in the other infrastructure sectors coupled with our experience enables us to explore the different sectors of the construction industry.



BUSINESS

Background of our Company

Sadbhav Engineering Limited was incorporated on October 3, 1988 as a private company. It took over the running business of M/s. Bhavna Construction Co., a partnership firm, engaged in construction business since 1968. Mr. Vishnubhai M Patel, our Promoter has more than 37 years of experience in the construction industry. He was associated with his family business, M/s. Bhavna Construction Co.

Some of the projects successfully executed under the guidance of Mr. Vishnubhai M Patel are the Deo Irrigation Project, Land development for Heavy Engineering Complex for L&T, Filling work of the Nhava Sheva Port Trust, Site leveling work of Rourkela Steel Plant of SAIL, etc. The said projects were carried out by M/s. Bhavna Construction Co. We took over the running business of M/s. Bhavna Construction Co. and some of the projects of the partnership firm were executed by us.

We were awarded the first Sardar Sarovar Narmada Nigam Limited (SSNNL) Canal Project in the year 1989-90. Our track record of timely and successful execution of the projects awarded to us provided the mileage and helped us bag new projects for construction of Narmada Main Canal. We have executed the contract for three canal syphons out of the 11 canal syphons on Narmada Main Canal across rivers Watrak, Pushpawati and Khari-I respectively. Further, we have also executed various projects for SSNNL.

The first mine excavation project was executed in 1992-93. We were successful in winning the contract for the excavation of overburden and lignite mining at Vastan Mines of GIPCL, which was completed in the year 2003. In this area of our operations, we have executed different projects for various organizations such as L & T, GMDC, GIPCL, GHCL, etc.

We have garnered adequate experience and expertise in the business of executing contracts for construction of roads / highways with our foray into this business in the year 1993 when we bagged our first contract for the strengthening and widening of the Sambalpur-Rourkela Road from L & T and thereafter executed eight contracts for road projects successfully. Among the prestigious contracts won by us was the contract from NHAI which included widening to four lane and strengthening of existing two lane of National Highway 8A from Samakhiali to Bhachau in Gujarat.

The consortium of Gammon India Limited, B.E. Billimoria & Co. Limited and ourselves has been awarded the Vadape-Gonde 4 Lane BOT road construction project. An SPV in the name and style of Mumbai- Nasik Expressway Limited has been incorporated for the execution of this project. The construction work worth Rs. 48600 lakhs will be executed by us. The SPV has sub contracted the work to Gammon India Limited which in turn has part sub contracted to us vide its Letter of Intent dated September 15, 2005.

The experience gained during the execution of various projects has enabled us to put the systems and processes in place which enable us to execute projects more efficiently. We have also obtained ISO 9001-2000 certification for management systems in the year 2005. Adherence to the standards and procedures prescribed by NHAI and other funding bodies has helped us to evolve this management system.

We have a centralised workshop at Ognaj, Ahmedabad for repairs and maintenance of equipment with adequate inventories and supported by trained and experienced personnel. The machineries are regularly overhauled, thereby minimizing break downs and delay in project execution.



Present Business

Our main focus areas are:

- **Irrigation** – Constructing earthen dams, canals, syphons, remodelling and improving canals
- **Roads & Highways** – Rehabilitating, upgrading, widening and strengthening of roads and highways
- **Mining Operations** – Excavation of overburden and mining of minerals

The contribution to turnover from each of the above mentioned areas of business during the last three years is as follows:

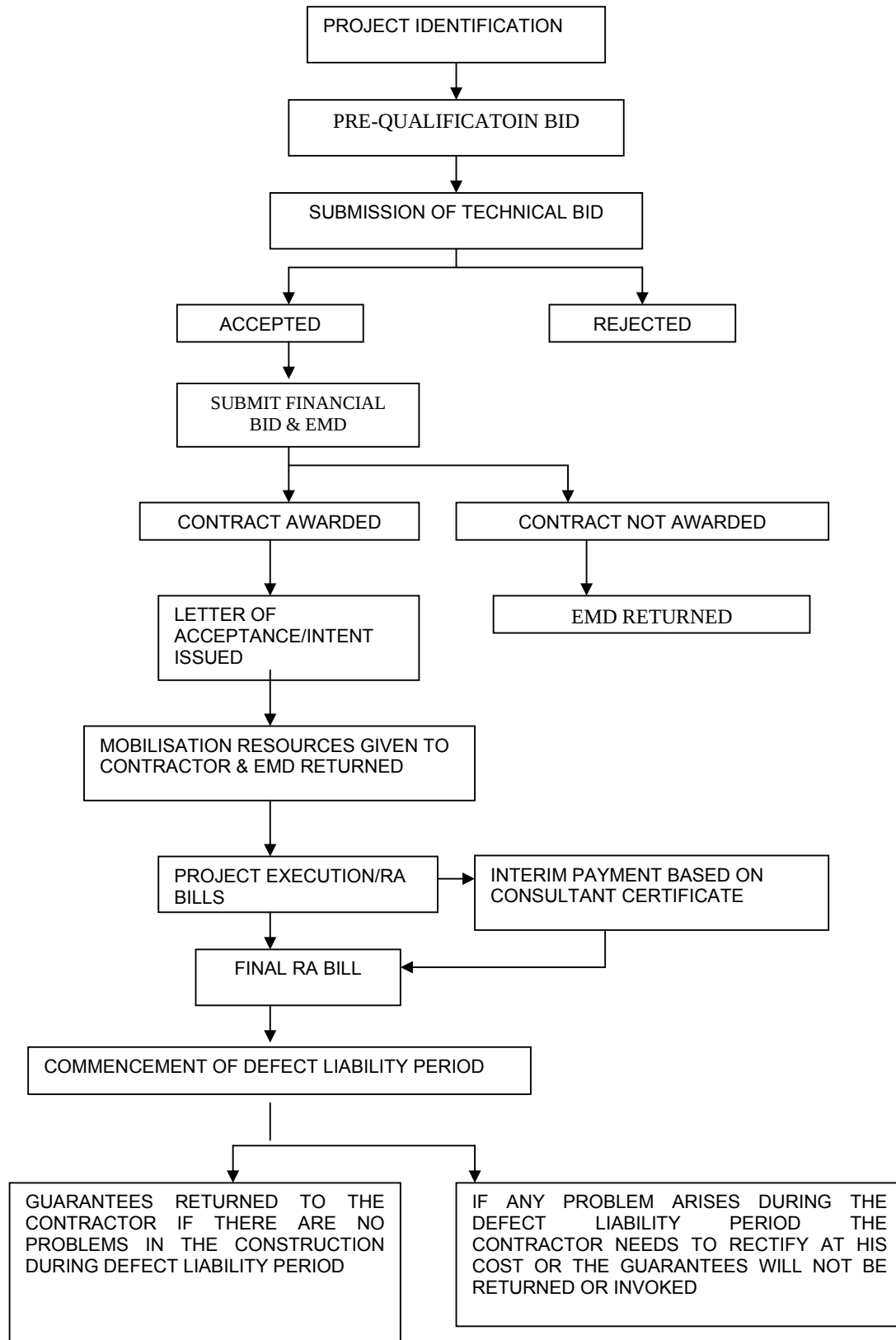
	2002-03		2003-04		2004-05	
Activity	Turnover	% to total	Turnover	% to total	Turnover	% to total
	(Rs. Lakhs)		(Rs. Lakhs)		(Rs. Lakhs)	
Roads & Highways	9400.29	44.75%	18775.98	82.39%	14910.80	72.60%
Irrigation	6854.85	32.63%	2612.43	11.46%	4689.90	22.84%
Mining Operations	4752.35	22.62%	1401.69	6.15%	936.88	4.56%
TOTAL	21007.49	100.00%	22790.10	100.00%	20537.58	100.00%

The order book status as on September 1, 2005 is as follows:

Project	No. of projects	Tendered Amount	Amount of work done	Net work on hand
		Rs. Lakhs		
Irrigation	4	25583	3605.91	21977.09
Roads & Highways	4	100589.9	15858.85	84731.02
Mining Operations	1	6500	887.44	5612.56
TOTAL	9	132672.87	20352.20	112320.67

The projects currently under execution are funded by the following agencies as mentioned below:

Sr.No.	Funding Agency	No. of orders	Value of project Rs.Lakhs	% to total
1	World Bank	2	23585.87	17.78%
2	Asian Development Bank	1	28404.00	21.41%
3	State Government & Public Sector Units	4	25583.00	19.28%
4	Private Corporates	2	55100.00	41.53%
	Total	9	132672.87	100.00%

Project Cycle



Business Model

Our business revolves around the following basic requirements namely pre-qualification parameters and bidding strategy. These are explained below:

Pre-qualification parameters

The project owners normally set out pre-qualifying criteria for each of the projects. Typically, these are as follows:

- **Technical Capability:** A company should have the experience of having implemented a project of similar nature and possess technology, manpower and machinery (either owned or hired),
- **Financial Strength:** This includes criteria such as minimum annual turnover, networth as well as ability to arrange for working capital facilities.

In case the company does not possess the pre-qualification to take up the project independently and the project allows association of more than one company to participate and bid for the project, then companies can form Joint Ventures and bid for the project. Joint Venture participation allows individual partners to pool in their resources for pre-qualifying to bid for large projects. These Joint Ventures can be either Project Specific JVs/MOUs or Generic MOUs/JVs.

The former type of Joint Ventures exists till the completion of the project, if awarded and ceases to exist if the project is not awarded. Generic JVs/MOUs are not project specific and are partnerships where the Joint Venture can submit their pre-qualification and bid for various projects. It does not involve any transfer of technology and the parties are limited to their respective scope of work based on their expertise.

Bidding Strategy and awarding of contract

The Government and/or its agency invite pre qualifications from bidders. The Company analyses the scope of the project considering factors like the risks involved, location, technology and machinery required, manpower, and such other requirements. A detailed study of the technical and financial aspects of the project is conducted. The Business Development Department prepares the pre-qualification bids. If we pre-qualify independently or through joint venture/MOUs we bid for the contract by submitting a technical bid and financial bid. In some cases the pre-qualification and financial bids are submitted simultaneously. If the project is awarded to us then the client issues the Letter of Acceptance. Generally, the contract is awarded to the lowest bidder.

The bidder is also required to furnish a bid security along with the bid application. On award and signing the contract the project owner returns the bid security taken from the contractor. The contractor has to provide a performance guarantee from the bank for the project, which is usually five per cent of the contract value. On commencement of work the Government/Agency releases the mobilization advance against furnishing mobilisation advance guarantee as per the tender agreement. Further the Government/Agency releases the machinery advance as per the tender agreement against furnishing machinery advance guarantee as well as deploying machineries of equivalent or more value at the project site. The said machineries cannot be shifted from the project site elsewhere without the prior approval of the Government/Agency during the currency of mobilisation advance. These advances are usually interest free loans given by the project owner to the contractor.

The monthly payment to the contractor for work completed depends on the certification of the work by the consultant appointed by the project owner. At the time of payment, the project owner retains a percentage of the bill amount as retention money as agreed in the terms of the contract. The project owner releases the retention money against a retention money guarantee based on the terms specified in the contract. 50% of the retention money guarantee is returned on completion of either part or whole of the total project work. The



balance 50% of retention money guarantee is returned after the completion of the Defect Liability Period. The contract also specifies penalties for delay in completion of the project by the contractor. Each project agreement stipulates a certain period after handing over the project to the project owner as a defect liability period. It is agreed between both the parties, that the contractor shall rectify any defect during this period at his cost. In case the contractor fails to do so, the project owner can invoke the performance guarantee/the balance 50% of the retention money guarantee for the same. In other cases, the performance guarantee/the balance 50% of the retention money guarantee is returned to the contractor at the end of the defect liability period.

Types of contracts

The focus of our business is to secure contracts through competitive bidding for the tenders floated by the Central and State Government bodies. Bids are invited by the project owner on the following basis:

Item rate contract – In these projects, the contractor quotes rates for individual items of work on the basis of schedule of quantities (Bill of Quantities – BOQ) computed. This schedule indicates full nomenclature of the items as per project owner's estimates. The designs and drawings are provided by the project owner.

Percentage rate contract -- In these projects the contractor quotes amount below at par or above against the total amount of work already estimated on the basis of Schedule of Rates (SOR). This method indicates easy evaluation criteria. The designs and drawings are provided by the project Owner/Employer.

BOT: These projects enable direct private sector investment in large scale projects such as roads, bridges and power. The premise a BOT is based on is:

- **Build** - The contractor (or consortium) agrees with a government to invest in a public infrastructure project (such as a road or power station). The company then secures their own financing to construct the project.
- **Operate** – The contractor owns, maintains and manages the facility for an agreed concessionary period (eg.20 years) and recoups the investment through charges or tolls (e.g. Road tolls or electricity sales).
- **Transfer** – After the concessionary period the contractor transfers ownership and operation of the facility to the government or the relevant state authority.

BOT projects are awarded by Government/NHAI based on the low grant claimed by the concessionaire or the highest grant payable by the concessionaire irrespective of the amount of toll collection.

The collection of toll amount varies for different categories of vehicles and the same is prescribed in the tender. During the concession period the amount of toll collection increases each year based on the escalation which is also prescribed in the tender.

Annuity:

In annuity type of contracts, the facility is constructed and maintained by the contractor out of his finances, however, the contractor is not the owner of the facility. The owner of the facility pays the contractor the agreed upon charges through out the concession period.

Operation & Maintenance (O&M) - Typically an O&M contract is issued for operating and maintaining capital facilities. The contract specifies routine maintenance activities to be undertaken at a predetermined frequency as well as break down maintenance during the contract period. While the contractor is paid for the routine maintenance based on the quoted rates which is largely a function of manpower, consumables and maintenance equipments to be deployed at the site, any breakdown maintenance shall be compensated on cost plus basis.



Sub contracts

It is a common practice in the industry to sub contract the whole or part of the work to smaller contractors. Sub contracts can be either piecemeal or back to back contracts. In piecemeal contracts, the original contractor sub contracts a small part of the project work to a smaller contractor. In back to back contracts the entire project is executed by the sub contractor and paid to by the main contractor.

In certain back-to-back contracts the sub contractor is a nominated sub contractor. It means that the client (usually NHAI) has approved of the sub contractor and therefore the sub contractor can reflect the work done as part of the pre qualification criteria. The sub contractors who are not so nominated cannot include such work done in the pre qualification criteria for bidding for future projects.

Details on areas of Business

Irrigation

The business of the erstwhile partnership firm is being continued by us. The first irrigation project to be awarded to our Company was Sardar Sarovar Main Canal which was completed in the year 1989-90. We executed the world's largest concrete lined Narmada Main Canal having capacity of 40,000 cusecs. We have executed 57 km of the Main Canal. We have executed projects only on the basis of item rate contracts for the canal and irrigation projects.

We have executed the contract for three canal syphons out of the 11 canal syphons on Narmada Main Canal across rivers Watrak, Pushpawati and Khari-I respectively. The concrete lining of Kakrapar Left Bank Canal of 13.87 km was completed in a record period of 75 days. The rehabilitation of the Shedhi Branch Canal by providing brick lining and additions and alterations to the structures was completed 5 months ahead of scheduled date of completion. Our current bid capacity for Sardar Sarovar Narmada Nigam Limited is Rs. 1808.40 crore. The same is arrived at by using the following formula

SEL's Current Bid Capacity for SSNNL = $(A \times N \times 3 - B)$, where

A = Maximum value of Civil Engineering works executed in any one year during the last seven years(updated to current price level) which will take into account the completed and on-going works.

B = Value of existing commitments and ongoing works to be completed during next 2.5 years.

N = years prescribed for completion of the works = 2.5 years.

The sequence of operations involved in excavation and construction of a canal are listed below:

- The canal site and structures are excavated and such materials are reused in the canal banks and road approaches.
- The sand required for the concreting work is obtained from the river banks and transported to the batching and mixing plant.
- A quarry is established and crushing plants installed at the site.
- The canal section is excavated and embankment is constructed.
- The canal is lined using pavers and tested for leakages, etc.



The Irrigation Projects on hand as on September 1, 2005 are as follows:

Sr. No.	Project Name	Rs. Lakhs			
		Name of Employer	Contract value	Value of Work completed	Value of Work on hand
1	Constructing Narmada Main Canal Reach 388.164 to 458.138 Km (Package NMC-1)	Sardar Sarovar Narmada Nigam Limited	12098.00	2481.63	9616.37
2	Constructing canal syphon across river Banas on Narmada Main Canal Reach at Ch.362.011 (Package-2)	Sardar Sarovar Narmada Nigam Limited	7669.00	592.32	7076.68
3	Constructing canal earthwork, structures, lining and service road to Kachchh Branch Canal Ch.0.00 to 8.82 Km (Package-I)	Sardar Sarovar Narmada Nigam Limited	3060.00	214.36	2845.64
4	Constructing canal earthwork, structures, lining and service road to Kachchh Branch Canal Ch.8.82 to 20.01 Km (Package-II)	Sardar Sarovar Narmada Nigam Limited	2756.00	317.60	2438.40
Total			25583.00	3605.91	21977.09

Some of the irrigation projects completed are:

Sr. No.	Project Name	Name of the Employer	Value of work completed (Rs. Lakhs)	Date of completion & whether completed on time
1	Construction of Right Bank Canal from Km.56.00 to 63.00 km. Excavation, Earthwork, Cement Concrete Lining and Structures complete (Group-III)	Madhya Pradesh- R&B Department	1745.95	June 13, 2005 Yes
2	Construction of Raw Water Tank (Reservoir) and allied works at Kumarapatnam	Grasim Industries	1318.63	March 31, 2005 Yes
3	Providing & laying double layered burnt clay tiles lining and constructing canal service road, catch water dowers and boundary gutter on Saurashtra Branch Canal reach 0.55 to 70.976 km. (Package-III) km 19.80 to 29.50	Sardar Sarovar Narmada Nigam Limited	1731.86	May15, 2004 Yes
4	Providing & laying double	Sardar Sarovar	2024.85	May15, 2004



	layered brunt clay tiles lining and constructing canal service road, catch water dowels and boundary gutter on Saurashtra Branch Canal reach 0.55 to 70.976 km. (Package-IV) km 29.50 to 40.40	Narmada Nigam Limited		Yes
5	Constructing Canal Syphon across the river Pushpawati on NMC at Ch. 314.696 km. (Package-2/1)	Sardar Sarovar Narmada Nigam Limited	2831.83	June 30, 2003 Yes
6	Constructing Canal Syphon across the river Khari on Narmada Main Canal at Ch. 321.115km (Package-2/2)	Sardar Sarovar Narmada Nigam Limited	2830.62	June 30, 2003 Yes
7	Constructing Narmada Main Canal (Earthwork, Lining, Structures, Service Road & Canal Constructing Road) reach Ch. 290.605 to 300.336 (Package-4)	Sardar Sarovar Narmada Nigam Limited	5091.67	June 9, 2003 Yes
8	Constructing Canal Syphon across River Watrak at ch. 196.188 km. on Narmada Main Canal Kapadwanj	Sardar Sarovar Narmada Nigam Limited	9348.00	June 30, 2001 Yes within the extended time limit
9	Rehabilitation of Kakrapar Left Bank Main Canal Ch. 0.00 to 6.28 km – Pakcage 1	Surat Canal Division.	1056.00	January 26, 2001 Yes
10	Rehabilitation of Kakrapar Left Bank Main Canal Ch. 6.28 to 13.87 km) – Pakcage 2	Surat Canal Division	769.00	January 26, 2001 Yes
11	Constructing Canal Earthwork & Structures of Vallabhipur Sub-branch Canal Reach-Ch.40.81 km. to 53.00 km	Sardar Sarovar Narmada Nigam Limited	3222.00	December 31, 2000 Yes
12	Constructing Maliya Branch Canal Earthwork & structures between Ch.70.0 to 108.209	Sardar Sarovar Narmada Nigam Limited	3459.00	December 31, 2000 Yes
13	Construction of Narmada Main Canal in its reach 155.030 to 168.436 Km.	Sardar Sarovar Narmada Nigam Limited	9003.00	December 31, 1999 Yes
14	Construction of Narmada Main Canal in its reach 108 to 127 Km.	Sardar Sarovar Narmada Nigam Limited	10058.90	Feb 28, 1997 Yes
15	Improvement of Shedhi Branch Canal 0.00 km to 46.03 Km.	Sardar Sarovar Narmada Nigam Limited	3140.70	June 30, 1995 Yes
16	Construction of structures, earthwork and lining in Km. 40 to 54 of MRBC and Shirshi Branch Canal with its two distributaries	Majalaon Canal Division	766.00	June 15, 1993 Yes
	Total		58398.01	



Mining Operations

We execute projects involving excavation of overburden, rock, lignite and copper. At present our operations are in the mines located in Gujarat.

Our Company bagged its first mining project from L&T Limited in the year 1990 for rock excavation of copper at Hindustan Copper Limited at Malajkhand, Madhya Pradesh. The value of work completed was Rs. 1018 lakhs. We were awarded the contract of excavation of overburden and lignite at Vastan Mines by GIPCL in December 1997. This project was completed in the year 2001 and a further extension was given. This contract from GIPCL was completed in December 2003 at Vastan Mines. It resulted in removal of 7,000,000 cubic meters Overburden and 6,00,000 cubic meters of Lignite. The peak progress was 60,000 cubic meter per day and 17,11,000 cubic meters in January 2001.

Stages in Mining Operation

The first stage is identifying the mining area by compiling and studying the borehole data, surface contour and water contour of the leased out / acquired property. Once the mining area is identified and a detailed mine plan prepared the following activities are carried out:

- The requisite permissions from the government authorities are obtained for undertaking mining operations in the identified areas by the project owner.
- A mining plan is formulated whereby the stripping ratio is determined and bench sizes are designed. This depends on the depth of the mining operations, properties of soil, rocks, etc and volumes of overburden to be excavated.
- Labor licenses are obtained from the regional Assistant Labour Commissioner
- Excavation is carried out within permissible limits (as specified in the mining permissions) for levels of gradients and benches. The dump yard area is developed according to prescribed limits.
- After completion of excavation the disposal of spoils is directed to reclaim all such areas so as to achieve the original contours and ground levels. The original ground levels are surveyed to obtain the volume of work done.
- Plantation of dump areas and reclamation of the mined area is done according to conditions specified by the relevant mining agencies.

The mining operations are authenticated and regulated by the Director General of Mines and Safety (DGMS). The Western Region controlling body at Udaipur headed by a Deputy Director Mines Safety is empowered to control, monitor and regulate the mining operations in these states. The mining activities are fully governed by the Mines Regulations and Acts and the various Mining, Industrial, Environmental and Explosive Acts of the country. In Gujarat, institutions like Gujarat Mineral Development Corporation (GMDC), Gujarat Industries Power Company Ltd (GIPCL), Gujarat Heavy Chemicals Company Ltd (GHCL) and Gujarat Power Company Ltd (GPCL) acquire the mineral endowed land for excavating minerals and the excavation operations are leased out to various contractors. Lignite is the main requirement for these companies to be captively used in their power projects.

In the State of Rajasthan, Rajasthan State Mineral Mining Development Corporation (RSMMD) promotes lignite and other mining activities within the State.

The client bears the responsibility of obtaining mining permission from various government authorities. The contractor is concerned only with the excavation of the minerals. The contractor is expected to observe the relevant regulations and procedures under the following Acts:-



1. Mines Act, 1952
2. The Mines and Minerals (Development and Regulation) Act, 1957
3. The Explosive Act, 1884
4. The Standards of Weights and Measures Act, 1976
5. The Minimum Wages Act, 1948
6. Workmen Compensation Act, 1923
7. Labour Laws
8. Vehicle Registration and Transportation Laws.

The client is obligated to ensure that the contractor fulfils the requisite statutory requirements. The contractor is required to provide proper medical certification as prescribed by the DGMS.

The contract value for the excavation work is based on;

- a) Lead to which excavated material is to be disposed
- b) Maximum depth of mining and the height of the dump for determining the lift
- c) Geological analysis and detailed qualitative and volumetric analysis made on the strata conditions.

The payment to the contractors can be either for the entire excavation (including overburden) or on the basis of lignite produced. The risk is greater when the payment is proportionate to the lignite produced.

The payment for mining contracts with Gujarat Heavy Chemicals Company Limited (GHCL) are based on the total excavation work undertaken by the Company unlike certain contracts where payments are made only on the mineral excavated.

Project on hand as on September 1, 2005 are:

S. No.	Project	Name of the Employer	Rs. Lakhs		
			Contract value	Value of Work Completed	Value of Work on hand
1	Excavation of overburden and lignite at Khadsaliya Lignite mines	GHCL Limited	6500.00	887.44	5612.56

Some of the projects completed are as follows:

Sr. No.	Project Name	Name of the Employer	Value of work completed (Rs. Lakhs)	Date of completion & whether completed on time
1	Excavation work at Vastan Mines of Gujarat Industries Power Co. Limited	GIPCL	26122.30	October 9, 2003 Yes
2	Excavation of earth including hard rock formation at Vastan Mines at GIPCL	GIPCL	515.00	March 16, 2002 Yes
3	Excavation of soil & rock for basement of Bharat Diamond	L&T Limited	518	March 8, 1993 Yes



	Bourse Project on Bandra Kurla Road, Mumbai			
4	Rock Excavation at HCL. Malajkhand Project, Madhya Pradesh.	L&T Limited	1018.00	February 2, 1992 Yes
	Total		28173.30	

Roads & Highways

Our Company entered the road construction sector in 1994-95 when we executed the first road project for L&T. The projects undertaken for L&T involved widening and strengthening of the existing two lanes of 50.30 km from Sambalpur to Rourkela. Our Company has executed many projects for NHAI. The activities carried out in road project include: widening, rehabilitation, strengthening of roads, etc.

The project for widening to four lanes including strengthening of the existing two lanes of NH-8B was completed four months ahead of the stipulated completion date. The length of the said road was 22.00 km which was completed in March 1997. The NHAI- NH-79 project was also completed well in advance of the stipulated time and we were awarded a bonus of Rs. 160 lakhs by the client.

A consortium of Sadbhav Engineering Limited, Gammon India Limited and B.E. Billimoria & Co. Limited has been formed and this consortium has been awarded the Vadape-Gonde 4 Lane BOT project. For the purpose of executing the BOT project a SPV in the name and style Mumbai Nasik Expressway Limited has been incorporated. The construction work of Rs. 48600 lakhs will be executed by us by way of sub-contract. Gammon India Limited has given a Letter of Intent dated September 15, 2005.

Our company's current bid capacity is Rs. 702.45 crores for NHAI projects. The NHAI bid capacity is arrived at by considering the average value of civil engineering works executed during the last five years (updated to the current price level) which will take into account the completed as well as works in progress or maximum value of civil engineering works executed in any one financial year during the last five years (updated to current price level) which will take into account the completed as well as works in progress at the current price level of the existing commitments and ongoing works to be completed during the next 2.5 years.

Process

Once the contract is awarded the following activities are undertaken prior to commencement of work:

- Thorough study of the technical specifications and drawings
- Mobilization of manpower
- Identification and investigation of quarries and borrow areas for construction materials
- Finalization of agreements with agencies for earth work, granular sub grade works, cross drainage works, bridges, tree felling, etc
- Finalization of suppliers for raw materials
- Erection and commission of required plants, machineries and tools
- Obtain requisite licenses, if any

The road project is then executed in the following stages-

1. Excavation
2. Construction of embankment and sub grade
3. Construction of drainage layers and sub grade
4. Construction of Base layers
5. Construction of Bituminous layers including wearing coat.
6. Installation of road furnitures like crash barriers, pedestrian guard rails, road signs, road marking and other road safety measures



CD and Structure Works

1. Excavation
2. Construction of mud mat/PCC,
3. Preparation of bar bending schedule
4. Cutting, bending, placing, etc of reinforcement
5. Concrete works for foundation, sub structure and super structure
6. Construction of approaches
7. Construction of crash barriers and other safety measures with signs and marking

Some of the road projects on hand as on September 1, 2005 are as follows:

S.No	Project	Name of Employer	Rs. Lakhs		
			Contract value	Value of Work Completed	Value of Work in hand
1	Upgradation of Road from Hatthigudur to Bidar (Contract U3)	Karnataka State Highways Improvement Project	13363.00	9934.59	3428.41
2	Strengthening SH 07, Viramgam Dhrangadhra (km.58/825 to km.104/263) and Dhrangadhra-Halvad (km.126/000 to km.151/500), and paving of shoulders	Gujarat State Highway Project (GSHP)	10222.87	4414.12	5808.75
3	Rehabilitation and upgradation of Gagodhar-Radhanpur section of NH-15 from Km 245.00 to Km 138.80 in the state of Gujarat. Contract package-V	NHAI	28404.00	1510.14	26893.86
4	Rehabilitation and Strengthening of existing 2 lane road and widening to 4 lane divided carriageway from km.539.50 to 440.00 – Vadape-Gonde Section	Gammon India Ltd	48600.00	Yet to commence	48600.00
	Total		100589.87	15858.85	84731.02

Our Company has submitted the Financial Bid in Joint Venture with McNally Bharat Engineering Limited for the NHAI – Operation and Maintenance of Barwa Adda-Panagarh Section of NH-2, from km. 398.75 to km. 512.00 at Jharkhand/West Bengal under Contract Package –II. Our status in the same stands at L1- lowest bidder. However, we are yet to receive the Letter of Acceptance.

The Road & Highway Projects completed are:

S. No.	Project	Client	Value of work completed (Rs. lakhs)	Date of completion
1	Widening to 4/6 lanes and strengthening of existing 2-lane carriageway of NH-5 in the state of Orissa – Package OR-II -	L&T Limited	12554.39	April 13, 2005 Yes



	Chandikhole - Bhadrak - for the section Km.61.00 to 98.00			
2	Rehabilitation and upgrading to 4/6 lane divided carriageway for Kishangarh - Nasirabad - Bhilwara - Chittorgarh – Udaipur section of NH-8, NH-79 & NH-76 from (km.172.900 of NH-8) Mangalwar to (km.113.828 of NH-76) Pratap nagar crossing - Udaipur (Package - VI)	NHAI	8364.66	February 28, 2005 Yes
3	Rehabilitation and upgrading to 4/6 lane divided carriageway for Kishangarh - Nasirabad - Bhilwara - Chittorgarh – Udaipur section of NH-8, NH-79 & NH-76 from (km.363.900 of NH-8) Kishangarh to (km. 15.000 of NH-79) Nasirabad (Package- KU-1)	NHAI	11596.65	May 17, 2004 Yes
4	Widening to 4 lane to existing N.H.8B km.185/0 to 207 in Gujarat	R&B Department, Government of Gujarat	2466.00	June 30, 2001 Yes
5	Widening to 4 lane to existing N.H.8A km.135/0 to 170/4 in Gujarat	R&B Department, Government of Gujarat	3771.00	June 30, 2001 Yes
6	Widening to four lane including strengthening of existing two lane of NH 8A from 346 to 357 km. (1/3 work in JV) near Padana in Gujarat.	NHAI	1190.00	May 21, 2001 Yes
7	Widening to four lane including strengthening of existing two lane of NH 8A from Samakhiyali (Km.306.000) to Bhachau (Km.324.000) in Gujarat.	NHAI	4243.00	August 27, 2000 Yes
8	Construction of roads in Reliance Petroleum Limited – Refinery and township site at Motikhavdi	Reliance Petroleum Limited	203.07	August 31, 1998 Yes with reduced scope of work
9	Strengthening & Widening Sambalpur-Rourkela Road Package S-2 Km.0.00 to 51.2	L& T Limited	4986.00	March 31, 1997 Yes
	Total		49374.77	

Details of the BOT Project – Four Laning of Vadape-Gonde Road Project on BOT basis.

The project road length of 100 km forms part of existing National Highway – 3 (NH-3). NH-3 connects Mumbai and Agra through Nashik, Dhule, Indore, and Gwalior. It carries sizable amount of inter-state and intra-state traffic. Nashik – Mumbai is one of the important corridors of NH – 3. NH – 3 intersects NH – 6 at Dhule. NH – 6 is also another important NH which connects Gujarat on West Coast to Calcutta on East Coast. Nagpur, the central hub of the country is on NH-6. Thus traffic from East also uses NH – 3 to come to Mumbai. Mumbai – Nashik section of NH - 3 thus carries North bound as well as East bound traffic.



The project road starts at Vadape near Bhiwandi Diversion in Thane district and ends at Gonde about 24 km from Nashik measuring a distance of 99.5 km. Out of 99.5 km, a 68.7 km stretch falls in Thane District and the balance stretch falls in Nashik District. The important towns along the route are Shahapur, Kasara, Khardi, Igatpuri, and Ghoti. Shahapur to Kasara is hilly terrain, which requires climbing up the Western Ghat. The alignment of NH-3 bypasses these towns and some stretch passes through the Ghat section. After completion, the present Ghat road would be used by Nashik bound traffic (ascending) and the new road by Mumbai bound traffic (descending).

The Project thus involves widening of existing 2-lane carriageway to proposed 4 – Lane configuration consisting of 7meters wide dual carriageway with central median of Vadape – Gonde Section of NH – 3 along with providing of new alignment in the Ghat Section on BOT basis.

Total Scope of Work

Project involves “Improvement, Operation and Maintenance, Rehabilitation and Strengthening of existing 2-lane road and widening to 4-lane divided highway of Km. 539.500 to Km 440 (Vadape – Gonde Section) National Highway No. 3 on Build, Operate and Transfer (BOT) basis”.

Vadape – Gonde stretch includes 8 Km Ghat section (Kasara). In this stretch, the existing roadway is steep and does not have adequate capacity even for the present volume of traffic; thus causing frequent traffic jams. It is proposed to provide a 7.53 km long separate 2-lane road with paved shoulders along the new alignment to act as a bypass.

There are 322 structures along the Project Highway which include six Road Over Bridges, three major bridges, 20 minor bridges and remaining 293 cross drainage structures.

“Open System” of toll collection shall be provided on the Project Highway with collection of user fee from vehicles only at the toll plaza. There shall be a minimum 8 (eight) lanes having a semi-automatic system of toll collection supported with adequate equipment for ticket issuing, data processing and power supply. Toll will be levied based on vehicle classification.

Our Company's Scope of Work

Our share of work has been part sub contracted by Gammon India Limited. As per the Letter of Intent dated September 15, 2005 given by Gammon India Limited our scope of work is as follows:

We shall execute Rs. 48600 lakhs of work. This will include all the construction activities to widen the 2 lane carriage way to 4 lane carriage way. There are two milestones for completion of our part of the contract.

Milestone 1: Partial completion to be achieved by September 30, 2007:

This will involve completion of a continuous stretch of at least 50kms of the project road which will include completion of the project highway in Kasara Ghat section. The construction activities involved construction of new 2 lane road with paved shoulder of 7.53 length along new alignment and rehabilitation and strengthening of existing 8 kms (kms 467-475) 2 lane road including realignment to improve the existing gradients.

Milestone 2: Completion of the entire project by March 31, 2008.

The Letter of Intent further states that the part sub contract value of Rs. 48600 lakhs will be suitably enhanced to reflect 20% of our stake in the Mumbai Nasik Expressway Limited.

Timeline for the Project

Construction period is 3 years and operation period is 17 years.

**Concession Agreement:****Concessionaire:** Gammon – Sadbhav – Billimoria JV**Concession Period :** 20 years inclusive of 3 years of construction**Obligations of the Concessionaire:**

- i) Develop, design, engineer, finance, procure, construct, operate and maintain the project highway during concession period
- ii) Complete construction of the project within 36 months from appointed date
- iii) Undertake debt service payments in accordance with the financing documents

Obligations of NHAI:

- i) Enable access to the Site, free from encumbrances
- ii) Assist and provide all reasonable support to the Concessionaire in obtaining Applicable Permits
- iii) Enter into the State Support Agreement

Rights of Concessionaire: Levy, demand, collect and appropriate the Fees from vehicles and persons liable to payment of Fees for using the project highway

Project Revenue

SPV will derive its income from the NHAI grants and the toll proceeds. The grant from NHAI is as follows:

(Rs. In Lakhs)

	Construction Period			Operation Period						
Year	1	2	3	4	5	6	7	8	9	10
Grant	0	0	5100	1850	2100	2100	800	2900	1050	0

	Operation Period									
Year	11	12	13	14	15	16	17	18	19	20
Grant	0	0	0	0	0	0	0	0	0	-12000

The total grant to be received for the project from NHAI is Rs. 15900 lakhs. This grant will be received during construction and operation period spread over from the 3rd to the 10th year. At the end of the 20th year, the SPV will return Rs. 12000 lakhs to NHAI. Thus the net grant to the SPV will be Rs. 3900 lakhs. The net grant to the SPV on the basis of NPV @ 10% would amount to Rs. 8004 lakhs.

Grants

NHAI is encouraging more private sector participation in BOT projects. In BOT projects the participant develops the facility during the implementation period and maintains the facility during the operation period. NHAI has fixed an assured sum as grant to the developer during the implementation and operational phase of the project restricting the grant to 10 years of the concession period. This is mainly to enhance the financial viability of the project by reducing the cost and traffic risk.



Key Industrial Regulations

There are no key Industrial Regulations applicable to our construction and irrigation activities. There are certain key Industrial Regulations which regulate our Mining operations which are as follows:

- Mines Act, 1952
- The Mines and Minerals (Development and Regulation) Act, 1957
- The Explosive Act, 1884
- The Standards of Weights and Measures Act, 1976
- The Minimum Wages Act, 1948
- Workmen Compensation Act, 1923
- Labour Laws
- Vehicle Registration and Transportation Laws.

Infrastructure Facilities

Raw Materials/Consumables

The requirement of raw materials like cement, steel, diesel, furnace oil, aggregate and bitumen is project specific. The purchase of raw materials is centralized at our purchase department. Raw material is procured based on the delivery schedule of each project. A proper inventory system is maintained to ensure the availability of materials when required. The materials purchased are tested before usage of the same.

We have a set of suppliers for cement, steel, diesel and bitumen with whom we enter into long term contract thus ensuring proper supply and at a right price. For every project, we enter into contract with suppliers as per the requirements for the entire project. This ensures steady supply of steel and cement during the period of execution of the project. In case of small requirements we procure from local suppliers. The major suppliers of bitumen are IOC, BPCL and HPCL. Sometimes bitumen is imported from Iran and Singapore in cases where it is cost beneficial to us.

Aggregate is a major raw material and is difficult to procure from local markets. Lands near the construction sites are taken on lease from Government or private parties for boulders which are crushed using the crushing plants installed at the site.

Water: Water is largely project specific and is procured locally by way of boring wells at the site.

Electricity: This is generated by DG sets. We own 43 DG Set with capacity ranging from 0.75 KVA to 500 KVA. Electricity is also procured from State Electricity Board as per the requirements.



Equipments: We own a fleet of machinery which are shifted to the project site as per the requirements. Given below is the list of major equipment owned by our Company at their book value as on March 31, 2005:

Equipments	Qty.	Equipments	Qty
Mining Projects		Road Projects	
O & K Rh 40 E 600 Hydraulic Sovel	1	Tata Hitachi Ex - 70	2
Tata Hitachi Ex 600	1	Terex - (Hm)-M 2021 Loader	8
Tata Hitachi Ex 400 Sovel / Backhoe	2	Jcb 3d Excavator Loader	1
Hindustan 773/B 50 M.T Dumper	15	Tata Dumper Lpk 2516 14 CUBIC METERS	36
Beml Bh - 40 Dumpers	5	Ashok Leyland Dumpers Terex 2516	12
Hindustan 1035 Rear Dumper	18	Dumper 10 Tonnes	24
Beml Bd 155 Komatsu S6d170	1	Tata Dumper 1613 Tc 6 CUBIC METERS	26
		TATA DUMPER 1615 TC	10
Mining & Road Projects		Screw - Air Compressor	7
O & K Rh 30 E 6008 K Hydraulic Sovel	2	Diesel Tanker	3
L & T Komatsu Pc 200 – 6	8	Mitsubishi Mg -330 Motor Grader	6
Poclain Ck – 90	1	Caterpillar Motor Grader	5
Poclain Ckd - 300(Pc-300)	2	L & T Komatsu Grader Gd 511 A - 1	7
Tata Hitachi Ex 200 Backhoe	1	Tractor Compressor	1
Water Tanker	7	Tractor Dozer	16
Hot Mix Plant	1	Trailor	1
D6h Dozer 7ed00179	1	Bitelli Sensor Paver	2
D 120 / 18 A – Dozer	1	Apollo Paver-Mechanical	1
		Apollo Hydraulic Paver	2
Irrigation & Road Projects		Unipaver Wmm 055 Semisensor, Mechanical	1
Motorised Scrapers Beml 229 F / H	5	Hot Mix Plant Batch Type(Speco)	3
Generator	52	Hot Mix Plant Batch Type(Apollo)	3
Concrete Batching & Mixing Plant	7	Wet Mix Plant (100 To 200 Tph)	8
Concrete Pump	3	Kerbing Machine	4
Transit Mixters	21	Bitumen Sprayer With Tanker	11
Titan Abg 325 Automatic Sensor Paver	3	Tandem Vibratory Compactor	19
Vibratory Soil Compactor	22	Tandem Vibratory Compactor Small	4
		Pneumatic Tyre Roller Rtr 250	6
General Equipments		Static Road Roller	3
Escort Faun Rt – 30	1	Crushing Plant	15
Escort C 8000 Crane	1	Weigh Bridge	8
Crane Gantry	1	Wagon Drill	7
		Bump Integrator	1
		Pollution Equipment Control	1



Human Resources

We have 996 permanent employees working with us as on August 31, 2005

A detailed break up is given below:

SR NO.	SITE	ENGINEERS		OTHERS			TOTAL
		Degree	Diploma	Post Graduate	Graduate	Others	
1	Head Office	3	3	5	16	8	35
2	Workshop	1	1	-	6	36	44
3	Canal Section	8	17	-	6	28	59
4	Roads Section	37	81	7	75	602	802
5	Mining Works	3	3	2	8	40	56
	Total	52	105	14	111	714	996



BUSINESS STRATEGY & FUTURE PROSPECTS

At present we are executing road projects awarded by NHAI, Karnataka State Highways Improvement Project and Gujarat State Highway Project. These projects are being executed by JILIN-SADBHAV Joint Venture, HCC-SEL Joint Venture and SEL-PBA Joint Venture respectively. For details of these projects refer page [●]. The activities involved in these projects are construction, paving shoulders, widening and strengthening of existing roads and highways. The present road projects are funded by World Bank and ADB and the irrigation projects are funded by the State Government

We have formed a consortium with Gammon India Ltd. and B.E. Billimoria & Co. Ltd. for joint empanelment for various Non-NHDP BOT Projects of the Ministry of Road Transport and Highways (MoRTH). This consortium has been awarded the Vadape-Gonde four lane BOT project. As per the terms of the MOU a special purpose vehicle in the name and style of "Mumbai Nasik Expressway Limited" has been incorporated for executing this BOT project. The construction work worth Rs. 48600 lakhs has been part sub-contracted to us by Gammon India Limited.

We have bid for various NHDP, ADB funded and BOT projects independently and in Joint Venture with other Companies. The details of projects we have bid in joint venture with other Companies are given on page [●] under "Joint Venture Agreements". The details and status of road projects independently bid by us are given below:

Project Name	Remarks	Status
NHDP PROJECT		
Four Laning and Strengthening of NH-45B from Trichy to Madurai in the state of Tamilnadu (from km. 0.0 to km. 60.950) in Tamilnadu Package 7 A	Bids submitted	Bid opened we are not the lowest
Four Laning and Strengthening of NH-45B from Trichy to Madurai in the state of Tamilnadu (from km. 60.950 to km. 124.840) in Tamilnadu Package 7 B	Bids submitted	Bid opened we are not the lowest
Widening to 4-laning and strengthening of 2-lane of NH on North south corridor under Phase-II of NHDP	Pre qualification submitted	We do not intend to participate in the bid
North south Nagpur- Hyderabad-(Salem-Kochi spur)	Have been qualified	We do not intend to participate in the bid
Six Laning of km. 108/700 to km. 192.00 Vadodara to Bharuch Section of NH-8 in Gujarat-BOT Package 1	Bid submitted	Financial bid yet to open
Six Laning of Km. 192.00 to km. 263.00 Bharuch to Surat section of NH-8 in Gujarat-BOT Package 2	Bid submitted	Financial bid yet to open
ADB FUNDED		
Rehabilitation and strengthening of Jabalpur Amarkantak section of SH-22 in Madhya Pradesh (Road section)MPSRDP/Phase-II/ADB	Prequalification submitted	Bids to be re-invited
Rehabilitation and Strengthening of Kharagone- Barwani section of SH-26 in Madhya pradesh(project road no. 19)	Prequalification submitted	We do not intend to participate in the bid
Rehabilitation and Strengthening of Khargone-Bistan section of Sh-31 in Madhya Pradesh (Project road no. 20)	Prequalification submitted	We do not intend to participate in the bid
National Highway Sector II Project North-South corridor ADB Project	Prequalification submitted & qualified	Financial bid yet to open

We also propose taking up Operation & Maintenance projects which are being encouraged by the State & Central Government. We propose to fully exploit the array of opportunities in the



road sector by focusing on BOT projects and also on contracts funded by the World Bank and ADB ensuring good margins and timely receipt of funds.

Irrigation

We have a proven track record in the construction of the SSNNL main canal. At present we have four projects being executed. The projects involve construction of the canal at Narmada Main Canal, construction of canal syphons, canal earthwork, structures, lining and service road to the branch canals, etc. These projects are being carried out independently by us. We plan to enter into the construction of sub canals, branch canals and distributaries. River linking projects are also our area of focus. We plan to capitalise on our long term record in the executed projects which will aid our foray into the forthcoming projects. The details of projects bid through joint ventures are given on page ____.

Mining Operations

The present lignite reserves in the State of Gujarat are estimated at 300 mn tonnes and in the State of Rajasthan at around 500 mn tonnes. The rate of excavation of lignite in these states is 6mn tonnes and 2.8 mn tonnes per annum respectively. The prospective mining projects are expected to be in the state of Rajasthan and Gujarat.

We are presently engaged in mining contracts with Gujarat Heavy Chemicals Company Limited (GHCL) Our focus on mining operations has reduced in the past few years on account of delay and non-receipt of dues from the client companies. We plan to concentrate on projects where we are assured of returns on a regular basis.

Our concentration is only on those projects which will give returns on the excavation of overburden in addition to excavation of lignite or any other mineral.

Marketing and Business Development

The Roads & Highway projects are largely offered by Central and State Government. The information about the ensuing tenders is normally gathered from newspapers, Government websites and Government gazettes. Private sector contracts are awarded based on proven track records. Our Company also has strategic alliances with organizations which provide such information. On acquiring tender information our business development department conducts a study of the project, financially and technically. It then prepares the pre-qualification applications for tenders and bids for the contract.

Future prospects

Roads & Highways

There is a lot of potential in road projects. NHAI has been entrusted with the development and management of 10,000 km of national highways under NHDP by the MoRTH. NHAI is encouraging road projects on a public-private participation and BOT basis. The Government of India has accorded development of Infrastructure a “thrust area” status and more particularly for development of roads and bridges and there is encouragement for BOT projects. The proposal to set up Expressway Authority and Central Road Fund will also boost the development of roads. At present 34 National Highway projects, costing about USD 1120 mn. are in different stages of construction or in operation. Corridor management is also one of the NHAI focus areas.

The Pradhan Mantri Gram Sadak Yojana (PMGSY) requires new construction of 3.69 lakh km. roads and upgradation of 3.68 lakh km. of rural roads. The total cost of this project is estimated to be Rs.1,33,000 crore. PMGSY also includes projects for Operation & Maintenance (O&M) of link and through routes. The duration of these maintenance contracts projects is 5 and 10 years respectively.



Irrigation

There is considerable potential for irrigation projects in the state of Gujarat. The SSNNL distribution network of 66000 km consists of branch canals, distributaries, minors and sub minors. Till date, we have executed 57 km of work of 458 km long main canal system Sardar Sarovar and four projects are under execution. We intend to bid for the upcoming irrigation projects.

The Kalpasar project envisages the creation of a fresh water basin and a 660 km long canal at an estimated cost of Rs. 55,000 crores. We have executed most of our irrigation projects in the state of Gujarat. We plan to capitalise on our experience for targeting the state government projects.

The river linking project mooted by the Central Government involves linking of the Himalayan and peninsular rivers through canals to increase irrigation, water supply and hydropower throughout the country. It offers good scope for companies involved in canal works.

In addition to this, the Andhra Pradesh government is also encouraging irrigation projects which will provide good potential for private sector participation.

Mining Operations

There is lot of potential in this area of activity as there is a shortage of power in the state of Gujarat itself to the extent of 4000 MW. This would require more excavation of lignite, coal, etc. for power generation. GMDC is planning to set up new projects for power generation. The estimated cost of this project is Rs. 2000 crores. GMDC is also looking at manganese and bauxite mines in Gujarat. Since mining operation process is similar in case of most of the minerals, we see good potential in this sector.

In the next few years, in addition to strengthening our position in the above business areas, where we have core competencies, we propose to diversify into the following areas which have good potential.

Gujarat Lignite Power Plant

The Gujarat Government has invited Neyveli Lignite Corporation to set up 1000 MW lignite based plant in Gujarat.

Airport Projects

The civil aviation ministry has plans to modernize 28- non-metro airports at a cost of Rs. 3,00,000 lakhs within the next three years. We intend to harness our construction experience and venture into the construction of runways for airports. Since we already possess the requisite resources in terms of machinery, technology, manpower, etc, we intend adding it to our focus area.

Water & Pipeline

A number of water projects have been mooted in various metros to alleviate the water supply situation. For e.g. the different projects proposed for Chennai have a total estimated cost of Rs. 222,000 lakhs. Most of the other projects, in Hyderabad and Bangalore plan to source water from distant sources. Apart from bringing water and treating it, waste water also needs to be processed before it can be disposed or re-used. The total investment required by the sector exceeds Rs. 5,300,000 lakhs. This includes about Rs. 2,500,000 lakhs each for water supply and for sewage & sanitation related projects.

We intend to enter into medium scale water supply pipeline projects. As of now the time-line and magnitude of work have not been crystallized.



Ports

To augment physical infrastructure, some port projects like the Sethusamudram Ship Canal Project and International Container Transshipment Terminal (ICTT), Vellarpadam, Kochi are being taken up on priority basis by the government. JNPT on the West Coast and Chennai Port on the East Coast are being developed as hub ports. While these two are expected to cater mainly to cargo originating from or bound for India, the ICTT being developed at Kochi Port is expected to facilitate shipment of container cargo.

We are looking to tap the port development projects as it is evident that modern and well equipped ports are essential for the growth of the import-export trade. Further, the Government is initiating projects for the development and modernization of the major ports in the country. Our construction experience would be an advantage in venturing into the port projects. Our main activities would be filling work and construction of roads which will enable better connectivity to ports.

Capacity

Our business is project specific and not in the nature of a manufacturing concern with specified installed capacity and hence the capacity details cannot be determined. However our bid capacity details are given below:

- As per the NHAI calculations, our Company's current bid capacity is Rs. 70245 lakhs
- As per the calculations of Sardar Sarovar Narmada Nigam Limited our Company's current bid capacity is Rs. 180840 lakhs

Quality Assurance

A detailed quality assurance programme is followed for every project undertaken. We normally establish our own laboratory at the project site at which the instruments required for carrying out the quality tests are installed. There is a team of a Quality Control Engineer, laboratory assistants and skilled workers. Samples collected are tested and records are maintained as per the client specification. The results of the test have to be approved by the client. The approval of the client is taken before moving on to the next step. For eg: in case of SSNNL canal projects, the raw materials after being tested at our laboratory will be approved by SSNNL. Suppliers of cement, reinforcement steel, etc. also provide a test certificate and the same has to be approved by SSNNL. SSNNL has its own set of specification for quality of concrete for structures, concrete for linings, construction materials, etc. Our laboratory staff ensure compliance with the client's quality control parameters at all stages of the project.

Competitors

Some of our competitors are Hindustan Construction Company Limited, Ircon, L&T Limited, Nagarjuna Construction Co., Patel Engineering Limited, Madhucon Projects Ltd, Valecha Engineering Ltd and IVRCL.



SWOT

Strengths

1. We have the capability to enter into project specific JVs/MOUs with reputed organizations in our areas of operation for pre qualification for large projects in roads and highways, irrigation and mining operations.
2. We are ISO 9001-2000 certified organization.
3. We have a strong aggregate of resources like mechanised equipment, skilled manpower and technology which enables us to complete projects successfully within the stipulated time.
4. We have a centralised workshop at Ognaj, Ahmedabad with well equipped facilities for repairs, adequate inventories of all critical items and trained, experienced technical personnel. Equipment is regularly overhauled and repaired resulting in minimal breakdown problems.
5. We have a proven track record of project execution capability having completed, projects well before the stipulated time.
6. Till date, we have executed 57 km of work of 458 km long main canal system Sardar Sarovar, one of the worlds largest canal's
7. We have entered the Build-Operate-Transfer (BOT) segment, which has the potential for higher returns. The consortium of Gammon India Limited, B.E. Billimoria & Co. Limited and ourselves have been awarded the Vadape-Gonde 4 Lane BOT project. construction cost of the said project to the extent of Rs. 48600 lakhs has been part sub-contracted to us by Gammon India Limited.
8. The order book status as on September 1, 2005 is Rs. 112320.67 lakhs

Weaknesses

1. We have yet to make a mark in the international market.
2. We are over-dependent on Government projects

Opportunities

Based on our track record and abilities, we believe we are in a strong position to be a part of the following mentioned opportunities:

1. The Government proposal to bring additional 1 crore hectares under irrigation under the Bharat Nirman Program; under which it is proposed to connect tribal areas
2. Building the delivery network of the Sardar Sarovar Main Canal
3. Central Government initiatives to repair, renovate and restore all water bodies directly linked to agriculture
4. River-linking projects, which proposes to link 14 Himalayan rivers in the north and 16 peninsular rivers in the south.
5. National Highway Development Programme (NHDP) of widening and upgrading of roads and highways of North-South East-West Corridor.
6. Special Accelerated Road Development Programme for the North Eastern Region which includes improvement of 6,396 kms of roads under National Highways (3,251 kms), State Roads (1,257 kms) and Roads of Strategic importance (1,888 kms) at an estimated cost of Rs.7,931 crores
7. The Bharat Nirman Project
8. National Highway Development Programme of development and maintenance of 10,000 km of national highways
9. Pradhan Mantri Gram Sadak Yojna's project under which is planned to link 5.6 lakh villages.
10. The Kalpasar project which envisages the construction of a 64 km long dam across the Gulf of Khambhat. The work is expected to commence in the next two years.
11. Invitation of the Gujarat Government to Neyveli Lignite Corporation to set up a 1000 MW lignite based plant.

Threats

1. Changes in the Government Policies
2. Competition from larger national & international players



Details of Insurance

Summary of the various Insurance taken by us:

Sr. No.	Particulars	No. of Policies	Sum Amount Insured (Rs. Mn)
1	Site Insurance	3	5929.16
2	Sadbhav House	1	17.50
3	Workmen's Compensation & Accident	6	103.43
4	Heavy Dumpers	38	95.12
5	Heavy Vehicles	181	93.08
6	Light Vehicles	53	17.66
7	Fire Insurance	64	362.26
	Total	346	6618.21

Property Details

Sr. no.	Address	Land Area and Built-up area	Ownership Basis
1	Sadbhav House (*)- Registered Office and Corporate Office Sadbhav House, Opposite Law Garden Police Chowki, Ellisbridge, Ahmedabad 380 006	Land area is 711 sq mt.	The plot of land on which the Sadbhav House is built consists of two plots of land. The land owned by the Company admeasures 533.25 sq meters and the plot owned by Ms. Shantaben Patel admeasures 177.75 sq. meters. Our Company has entered into a lease agreement with Ms. Shantaben Patel for the aforesaid land owned by her. The lease agreement is valid till 31.03.2015
2	Workshop Village Ognaj, Taluka Daskroi, Dist. Ahmedabad	28,227 sq.meters	The land is owned by Vishnubhai M Patel HUF. Our Company has taken the said property on rent for the purpose of workshop from Vishnubhai M Patel HUF and entered into an agreement for rent which gets renewed for further 11 months if the company holds the same beyond 11 months.
3	Khatraj Block NO. 65 Survey No. 17, Taluka Kalol, Dist. Gandhinagar	1,60,649 sq. meters	Our Company has purchased non-agricultural land at Khatraj and subsequently developed the same into "Kamaldeep Industrial Estate" having 25 plots. Out of these 23 plots have been sold. The other two are still with the Company.

(*) The Company has entered into a Lease Deed dated July 26, 2005 with Smt. Shantaben Vishnubhai Patel, a Director of the Company, regarding the lease of $\frac{1}{4}$ undivided share of land admeasuring 177.75 sq. meters. Bearing Final Plot No. 438/5 of Town Planning Scheme No. 3 (varied), total admeasuring 711 sq. meters. Of village Changispur, Taluka, City, Registration District: Ahmedabad and Sub-District: Ahmedabad (3) Memnagar for ten years from 1st April 2005 at a rent of Rs.20000/- per month for first three years, Rs.24000/- per month for next three years, Rs.28,800/- per month for next three years, and Rs.34560/- per month for the last year ending 31st March 2015. The lease is renewable for a further period of ten years. The lease permits the Company to utilise the land for the construction of the buildings to be used for commercial purposes, office and godown. The Lease Deed has been appropriately stamped and registered.



HISTORY AND CORPORATE STRUCTURE

Sadbhav Engineering Private Limited. was incorporated on October 3, 1988. The registered office was situated at 707, 7th Floor, Shilp Building, Near Municipal Market, C G Road, Navrangpura, Ahmedabad 380009. Our Company became Deemed Public Company by virtue of section 43A(1A) of the Companies Act, 1956, w.e.f September 18, 1992. This section was subsequently removed and therefore our Company was converted into a Public Limited Company "Sadbhav Engineering Limited" with a fresh Certificate of Incorporation obtained on May 17, 2001. The registered office of our Company has shifted to "Sadbhav House", Opposite Law Garden Police Chowki, Ellisbridge, Ahmedabad 380 006 with effect from January 3, 2004.

Mr. Vishnubhai M Patel, one of the partners of the erstwhile partnership firm is the Promoter of our Company. He is our Managing Director since inception.

M/s. Bhavna Construction Co., a partnership firm was formed in 1968 by Mr. Vishnubhai M. Patel, Mrs. Santokben Mafatlal Patel, Mr. Jayabtibhai and Mr. Kanubhai Mafatlal Patel. This partnership firm was formed for the purpose of carrying on construction business. By virtue of the partnership deed dated September 16, 1988, Mr. Jayabtibhai and Mr. Kanubhai Mafatlal Patel retired from the partnership and eight new partners were inducted in the partnership firm. The new partners were Mr. Chandradevsingh Goresingh, Mr. Gautambhai Rambhai Patel, Mr. Chetankumar Nandubhai Patel, Mr. Arunkumar Goresingh, Mr. Pareshbhai Chandrakant Patel, Mr. Arvindkumarsingh Goresingh, Mr. Anilkumarsingh Goresingh and Mr. Kiritbhai Anubhai Patel.

Our Company took over the running business of M/s Bhavna Construction Co., a partnership firm w.e.f. from October 1, 1989 at its book value. The partners of Bhavna Construction Co. were issued 22,500 Equity Shares of Rs. 100/- amounting to Rs. 22.50 lakhs as consideration towards the sale. The partnership firm was dissolved with effect from March 11, 1992.

The Company was initially engaged in execution of irrigation and mining projects and entered into road projects during the year 1996-97.

The total income for the year ended March 31, 2005 was Rs. 20728.09 lakhs, the Profit after Tax stood at Rs. 738.83 lakhs, the EPS was Rs. 12.30 (after adjustment of bonus) and the Networth was Rs. 6030.88 lakhs.

Gammon Infrastructure Projects Limited, a wholly owned subsidiary of Gammon India Limited, acquired a stake of 13.75% of the capital in our Company in March 2005. Synergies of business is one of the reasons for this acquisition. Gammon's areas of operation includes bridges, power, etc. As we have a proven and establish track records in timely completion and quality work in road, irrigation and mining projects, this relationship will work to the betterment of both the organisations.

Milestones achieved by the Company.

Year	Event
1989 - 90	First SSNNL Canal project awarded
1992 - 93	First Mining project received
1996 - 97	First Road Project executed for L&T
2000 - 01	First Road project executed directly
2000 - 01	Successful remodeling of Kakrapar Canal in a record period of 75 days
2001 - 02	Completed first Canal Syphon across river Watrak
2001 - 02	Awarded Rs 140 Crores Road project in JV with HCC
2003 - 04	Earned Bonus from NHAI due to early completion of work NH-79
2004 - 05	Awarded NH - 15, East West Corridor project in JV with Jilin Corporation - China



2004 – 05	Investment by Gammon Infrastructure Projects Ltd
2005 – 06	Successfully awarded Vadape-Gonde BOT project in JV with Gammon India Limited & B.E. Billimoria & Co. Limited
2005 - 06	ISO-9001-2000 certification

Awards & Recognition

Our Company has been selected for the "Excellence Award" by the Institute of Economic Studies (IES). The award will be presented on October 6 2005.

Achievements

- Rehabilitation of 46 km. long existing Shedhi Branch Canal was completed five months before the scheduled date of completion
- Widening and strengthening of NH-8A was completed 11 months ahead of stipulated completion date
- Peak progress of excavation of overburden of 17,11,000 cubic meters was achieved in January 2001 at the Vastan Mines for GIPCL.
- Completed the NH-79 project of NHAI before the scheduled time and earned a bonus of Rs. 1.60 crore from the client.
- Received an extension of contract from GIPCL for removal of overburden/Lignite excavation at Vastan Lignite Mines
- Have done excavation work in mines to a depth upto 110 meters
- Till date, we have executed 57 km of work of 458 km long main canal system Sardar Sarovar, one of the worlds largest Canal
- Received Letter of Appreciation from Mr. Guang Z Chen of the World Bank for the quality of work done on Hattigudur to Bidar, Package U3 road project.
- ISO 9001-2000 certification for Management Systems

Main Objects of the Company

Our main objects as contained in our Memorandum of Association are:

1. To carry on the business as civil, electrical and mechanical contractors, designers and engineers, structural, contractors, earthwork contractors, consulting engineers, architects, developers, builders, general construction contractors, contractors for repairs, reconstructions, renovation, demolitions and construction canals, irrigation projects, roads, dams, bridges, culverts, ropeways, residential, industrial, commercial buildings, factories, shops and offices, theatres, cinema houses, indoor and outdoor auditorial, stadium, hotels, motels, clubs, restaurants, cafes, bars, wood houses, holiday inns, tourist resort centres, guest houses, rest houses, water sheds, drains and receivers and other conveniences.
2. To build, establish, maintain, operate, lease or transfer canals, irrigation projects, dams, bridges, roads, state and national highways, by-pass, railway platforms, air ports, sea ports, theatres, culverts, ropeways, residential, industrial, commercial buildings, factories, shops and offices, hotels, motels, drains, reservoirs, tourist resort centres, guest houses, rest houses, water sheds anywhere in India and/or outside India under various schemes, such as Build, Operate and Transfer (BOT) , Build, Operate, Lease and Transfer (BOLT) & Build, Operate, Own and Transfer (BOOT).

Our main objects clause of the Memorandum of Association enables us to undertake the activities for which the funds are being raised through the Issue and also the activities which we have been carrying on till date.



Changes in the Memorandum of Association

Date of shareholder approval	Changes
September 29, 1989	The authorised share capital of the Company was increased from Rs. 5.00 lakhs comprising of 5,000 Equity Shares of Rs. 100/- each to Rs. 25.00 lakhs comprising of 25,000 shares of Rs.100/- each
March 10, 1993	The authorised share capital of the Company was increased from Rs. 25.00 lakhs comprising of 25,000 Equity Shares of Rs. 100/- each to Rs. 1.00 crore comprising of 1,00,000 Equity Shares of Rs. 100/- each
February 28, 2001	The Company was converted from a Private Limited Company to a Public Limited Company
February 28, 2001	The equity share capital was sub-divided from 1,00,000 Equity Shares of Rs. 100/- each to 10,00,000 Shares of Rs. 10/- each.
January 6, 2005	The authorized share capital of the Company was increased from Rs. 1.00 crore consisting of 10,00,000 shares of Rs. 10/- each to Rs. 10.00 crore consisting of 100,00,000 shares of Rs. 10/- each
July 27, 2005	The authorised share capital of the Company was increased from Rs. 10.00 crore consisting of 100,00,000 shares of Rs. 10/- each to Rs. 15.00 crore consisting of 150,00,000 shares of Rs. 10/- each

Subsidiaries

The Company has no subsidiaries.

Shareholders Agreement

There is no Shareholders Agreement entered into by the Company.

Other agreements

1. The Company has entered into three sale deeds, all dated 26th April 1996 from Shri Harshadbhai Ranchodbhai Zinzuvadia, Shri Anil Ranchodbhai Zinzuvadia and Shri Anijay Anil Zinzuvadia ('the vendors') for purchase of one-fourth undivided share each (thus totaling three-fourth share) of land admeasuring 711 sq. mtrs. bearing No.438/5 of Town Planning Scheme No.3 (varied), total admeasuring 711 sq. mtrs. of Village: Changispur, Tal. City, Registration District Ahmedabad and Sub-District: Ahmedabad (3) Memnagar.
2. The Company has entered into a sale deed dated 18th July 2002 from Shri Anilkant Harshadlal ('the vendor') for purchase of land situated at Changispur (Sim) Taluka City, in the Registration District Ahmedabad and Sub-District Ahmedabad-3 (Memnagar), bearing final Plot No.438, Hissa No.6, of Town Planning Scheme No.3 (varied), admeasuring about 881 sq. mtrs. and undivided share in internal road of Hissa No.12 of said final Plot No.438.
3. The Company has entered into a Rent Note dated April 1, 1997 with Shri Vishnubhai Mafatlal Patel as Karta and Manager of Vishnubhai Mafatlal Patel (HUF) ('Land Lord') for the lease of a non-agricultural land bearing Hissa No.240, admeasuring 2 Acres 18 Gunthas, Hissa No.241 admeasuring 3 Acres 19 Gunthas and Hissa No.242, admeasuring 1 Acre 02 Gunthas, in all 6 Acres 39 Gunthas i.e. 28227 sq. meters or thereabouts of Survey No.1525 of Village Ognaj, Taluka Dascroi, in the Registration District Ahmedabad and Sub-District Ahmedabad (2) Wadaj. The Land Lord has leased the above land to the Company for a period of eleven (11) months effective from April 1, 1997 at a monthly rent of Rs.28227/- and has since been renewing the same. As per the arrangement, the Company pays a rent of Rs.30227/- (i.e. Rs.28227 monthly rent + Rs.2000 for holding the same beyond 11 months).



Joint venture Agreements

The pre qualification criteria specified by the client may not be fully satisfied by a company independently. In such cases two or more contractors form a joint venture whereby their capacities put together will be eligible to make a pre qualification bid to the client. These joint ventures are usually on a project-to-project basis and are discontinued on completion of the project. A list of the Joint Ventures entered into by our Company and which have been awarded the projects are:

1. Upgradation of Road from Hattigudur to Bidar, Package U3

Joint Venture Name: HCC-SEL Joint Venture

J.V Partner: Hindustan Construction Company Limited

Client: Karnataka State Highways Improvement Project (KSHIP)

Contract value: Rs. 13363.00 Lakhs

Our Share of the contract value: 35%

Date of the JV Agreement: June 18, 2001

Date of Issue of work order: March 19, 2002

Validity of the JV Agreement:

The JV Agreement shall expire in any earliest event:

- The project is fully completed in terms of the contract, defects liability period is over and the accounts between the Parties are finally settled.
- All the responsibilities of the Joint Venture in the Contract are fulfilled.

General terms of the JV:

Hindustan Construction Company Limited is the Lead Partner of the Joint Venture for the performance of the contract. The parties are to operate commercially as separate companies and are responsible for the full, proper and timely performance of their own respective scope of work. As per the Joint Venture Agreement for the respective portions of work the parties shall make their own arrangements to bring the required planning, design, finance, plants and equipments, materials, manpower and other resources.

2. Strengthening and Paving of shoulders of SH 07: Viramgam-Dhrangadhra (Km 58/825 to Km 104/263) and Dhrangadhra-Halvad (Km 126.00 to Km 151.000)-Contract No. GSHP-12

Joint Venture Name: Sadbhav-Prakash Joint Venture

J.V Partner: PBA Infrastructure Limited (formally known as Prakash Building Associates)

Client: Roads & Buildings Department, Government of Gujarat

Contract value: Rs. 10222.87 Lakhs

Our Share of the contract value: 50%

Date of the JV Agreement: May 16, 2003

Date of Issue of work order: October 27, 2003

Validity of the JV Agreement:



The Joint Venture shall remain valid during the full period of the contract as would be stipulated by the Client in the contract documents.

General terms of the JV:

Sadbhav Engineering Limited is the Lead Company in the Joint Venture for the performance of the contract. The parties are to operate commercially as separate companies and are responsible for the full, proper and timely performance of their own respective scope of work. The parties shall be jointly and severally liable to the client for all obligations arising from and in connection with the performance of the Project. As per the Joint Venture Agreement the required planning, design, finance, plants and equipments, materials, manpower and other resources will be done jointly by the parties.

3. Rehabilitation and upgradation of Gagodhar-Radhanpur Road Section of NH-15 from km. 245.00 to km. 138.80

Joint Venture Name: Jilin-Sadbhav Joint Venture

J.V Partner: Jilin Provincial Communications Construction Group

Client: National Highways Authority of India (NHAI)

Contract value: Rs. 28404.00 Lakhs

Our Share of the contract value: 48%

Date of the JV Agreement: January 27, 2003

Date of Issue of work order: March 15, 2005

Validity of the JV Agreement:

The Joint Venture shall stand dissolved on the completion of the project.

General terms of the JV:

Jilin Provincial Communications Construction Group is the Lead Company in the Joint Venture for the performance of the contract. Each party shall bear the expenses related to its share of work. Both parties shall be jointly and severally liable and responsible to NHAI for the project.

We have entered into joint ventures to prequalify for various projects. In these cases the bids have been submitted and results are being awaited. The details of such joint ventures are:

Sr.No.	Name of JV partner	Date of JV agreement	Particulars of the Project	Our share	Status
1	GIL-SADBHAV JV	24.03.2005	Improvement & Maintenance of Lalsot-Kota Road in Rajasthan - Package LJ 1.	25%	Pre Qualification Result awaited
2	GIL-SADBHAV JV	24.03.2005	Improvement & Maintenance of Hanumangarh-Ratangarh Road in Rajasthan - Package HK 1.	25%	Qualified
3	GIL-SADBHAV JV	24.03.2005	Improvement & Maintenance of Ratangarh Kishangarh Road in Rajasthan - Package HK 2.	25%	Qualified



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4	MADHUCON-SADBHAV JOINT VENTURE	28.02.2005	Vamsadhara Project, Phase - II of Stage - II, District Srikakulam. Andhra Pradesh.	50%	The JV is not lowest.
5	GIL-SEL JV	28.01.2005	Different works of National Highway corridor Sector II Project: North-south Corridor	48%	Pre Qualification Result awaited
6	SADBHAV-JMC	11.03.2005	Project ch. 87.680(Existing ch. 80.000) to Project ch. 127.190 (Existing km 120.000) of Madurai Kanyakumari Road National Highway No.7, hereafter referred as km 80.000 to 120.000 in the state of Tamilnadu, NHDP under North south Corridor project. No. of Contract package: NS-41(TN)	50%	The JV is not lowest.
7	SADBHAV-JMC	24.05.2004	(a) Rehabilitation and Strengthening of Tikamgarh-Orcha section of SH-37 in Madhya Pradesh(Project Road.26) (b)Rehabilitation and Strengthening of Tikamgarh-Malhara section of SH-10 in Madhya Pradesh(Project Road.27) (c) Rehabilitation and Strengthening of Tikamgarh Shahgarh section of SH-37 in Madhya Pradesh(Project Road.26) No. of Contract Package: MP/Phase-II/pkg-4	50%	Not Quoted the financial bid.
8	SADBHAV-JMC	06.05.2004	Widening and Strengthening of Sh 06, Vadodara-Padra-Jambusar (Km. 8+268 to Km 53+000) and paving of shoulders, Contract No. GSHP/9A and Widening and Strengthening of SH 06, Bharuch-Dahej (km 200 to Km 248+200) and Paving of shoulders, Contract No. GSHP/9B	50%	The JV is not lowest.
9	SEL-MBE (JV)	20.01.2005	Operation and Maintenance of Barwa Adda - Pangarh section of NH-2, from Km. 398.75 to Km.512.00 at Jharkhand/West Bengal under Contract Package - II.	60%	We are lowest & Letter of Acceptance is awaited from NHAI.
10	SEL-MBE (JV)	18.02.2005	Operation and Maintenance of Chilakaluripet-Vijaywada Section (Km. 355.00 to Km. 434.15) and Vijaywada - Eluru Section (Km. 3.40 to 81.60) of NH 5 at Andhra Pradesh under Contract Package - III. Barwa Adda - Pangarh section of NH-2, from Km. 398.75 to Km.512.00 at Jharkhand/West Bengal under Contract Package - II.	60%	The JV is not lowest.
11	SADBHAV - RAJLAXMI JV	16.09.2004	Widening to 4 laning and strengthening of existing 2 lane carriageway of National highway section in the state of Uttar Pradesh, Rajasthan, Madhya Pradesh and Maharashtra on North - South Corridor under phase-II programme of NHDP, package (NS-51(MP), NS-53(MP), NS 57(MH)	75%	Pre Qualification Result awaited
12	GAMMON-VIDEOCON-SADBHAV	07.01.2005	Development of 135kms long Express Highway link connecting from Kundli on NH-1 to Palwal on NH-2 on Build, Operate and Transfer (BOT) basis	12%	Awaited for opening of financial bid (RFP) submitted by JV



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13	SADBHAV-JMC-BT PATIL Joint Venture	03.09.2004	4 laning from Km. 228.00 to Km. 270.20 of TN/Kerala Border, Thirssur, Section of NH - 47 in the state of Kerala (Package NS-87 (KL).	50%	If this package is taken up on BOT our pre qualification application will be treated as withdrawn.
14	SADBHAV-JMC-PBA-MONTRCARLO	28.04.2003	To submit a joint application for request for participating in the Empanelment for the projects falling in Categories P150 & P200	51%	The JV was qualified but has not quoted any package till today.
15	HCC-SEL	05.02.2004	Construction of Earthdam including concrete spillway, Power/Irrigation Intake structure, Instrumentation and civil works of Power house of Pagladiya Dam Project in Assam	25%	Pre-qualification submitted and results awaited
16	MADHUCON-SADBHAV JV	31.08.2005	Construction of spillway, non-overflow dam and forming earthdam including off-take sluice on left & right side, infallregulator and other allied works including investigation, designing and estimation of Mid Maniar Dam with FRL +318 m for storing 25.873 TMC near Manwada Village, Boinpally(Mandal), Karimnagar District.	50%	Tender submitted and financial bid opening awaited

Memorandum of Understanding

The Company has entered into a Memorandum of Understanding (MOU) dated March 2, 2004 with Gammon India Limited and B.E. Billimoria & Co. Limited and have formed a consortium ("**Consortium**") for joint empanelment for various Non-NHDP BOT Projects of the Ministry of Road Transport and Highways (MoRTH). In the event the Project is granted to the Consortium, the Parties shall be jointly and severally liable and responsible to NHAI for carrying out construction works, operations, maintenance and tolling of the Project.

As per the MOU, the consortium has to form a Special Purpose Vehicle (SPV) for the purpose of executing projects awarded to this consortium. Gammon India Limited will be the Lead Member contributing 70 %, Sadbhav Engineering Limited – 20% and B.E. Billimoria & Co. Limited – 10% to the equity capital of the SPV.

All the parties shall be equally responsible for making arrangements for bringing in its share of the equity required by the SPV and arranging the required debt for the project. Each of the parties shall indemnify, defend and hold the other party harmless against any and all proceedings, actions and third party claims for loss, damage and expense of whatever kind and nature arising out of the execution of the project or arising out of a breach by such party of any of its obligations under the MOU

Strategic Partners

Our Company does not have any strategic partners.

Financial Partners

Our Company does not have any financial partners.



MANAGEMENT

Our CEO and Managing Director, Mr. Vishnubhai M Patel manages our day-to-day operations under the overall supervision, direction and control of our Board of Directors. There are 12 Directors on our Board at present.

Details of our Board of Directors are:

Sr. No.	Name, Designation, Father's Name, Address, Occupation and Term	Age (years)	Nationality	Directorship in Other Companies/Partnership
1	Mr. Vishnubhai M Patel CEO & Managing Director S/o Mr. Mafatlal Patel 11, Hindu Colony, Nr. Sardar Patel Stadium, Navrangpura Ahmedabad-380014 Occupation: Business Term: Five years w.e.f 1.8.2005	63	Indian	Sadbhav Quarry Works Pvt. Limited Sadbhav Finstock Pvt. Limited Mumbai Nasik Expressway Limited
2	Mr Chetankumar N Patel Wholetime Director S/o Mr. Nandubhai Patel 9, Vasudha Society Naranpura Ahmedabad-380013 Occupation: Business Term: Five years w.e.f 1.7.2004	43	Indian	-NIL-
3	Mr Vikramkumar R Patel Wholetime Director S/o Mr. Rasikbhai Patel 1, Shipra Society Vrundavan Bungalows Opp. Vaibhav Bungalows Gulab Tower Road Memnagar Ahmedabad.- 380061 Occupation: Business Term: Five years w.e.f 1.7.2004	37	Indian	-NIL-
4	Mr Nitinkumar R Patel Wholetime Director S/o Mr. Rameshchandra Patel 'Keshav Laxmi', Opp. Ever Bella Flats Ankur Road Naranpura Ahmedabad-380013 Occupation: Service Term: Five years w.e.f 1.7.2004	36	Indian	-NIL-
5	Mr Vasistha C Patel Wholetime Director S/o Mr. Chandubhai Patel 3,Vrundavan Park, Nr. Meghalaya Flats, Navrang School Road	32	Indian	-NIL-



	Navjivan Post, Navarangpura, Ahmedabad-380014. Occupation: Business Term: Five years w.e.f 1.7.2004			
6	Mr Shashin Vishnubhai Patel Wholesale Director S/o Mr. Vishnubhai M Patel 11, Hindu Colony, Nr. Sardar Patel Stadium, Navrangpura Ahmedabad-380014 Occupation: Business Term: Five years w.e.f 1.7.2004	24	Indian	-NIL-
7	Mr Pravinkumar Mathuradas Ganatra Independent Non-executive Director S/o Mr. Mathuradas. Ganatra 5/373, 'Gayatri', Vijay Raj Nagar, Adarsh Society, Dairy Road Bhavnagar-364003 Occupation: Consultant Term: Liable to retire by rotation	61	Indian	-NIL-
8	Mr Amarsinh J Vaghela Independent Non-executive Director S/o Mr. Jivaji Vaghela Plot No. 1121/1, Sector – 2D, Gandhinagar – 382 002. Occupation: Consultant Term: Liable to retire by rotation	59	Indian	-NIL-
9	Dr. Amrish J Parikh Independent Non-executive Director S/o Mr. Jagmohan Parikh 210, Azad Society, Ambavadi, Ahmedabad – 380 015. Occupation: Doctor Term: Liable to retire by rotation	71	Indian	Jagmohan Hospitals Pvt. Limited
10	Mr. Keshavji K Vania Independent Non-executive Director S/o Mr. Kanjibhai Vania 3/B-414 Adipur, Tal. Gandhidham, Kutch. Occupation: Business Term: Liable to retire by rotation	37	Indian	Vimal Construction Co. Saraswati Construction Co.
11	Mr. Vipin O Modi Independent Non-executive Director S/o Mr. Occhavilal Modi Dharia Wada, Opp. Police Station, Balasinor, Dist. Kheda Occupation: Consultant Term: Liable to retire by rotation.	63	Indian	-NIL-
12	Mr. Prashantkumar B Raval Independent Non-executive Director S/o Mr. Balkrishna Raval	65	Indian	-NIL-



	6, Hirak Centre, Nehru Park, Near Fountain, Vastrapur, Ahmedabad. Occupation: Consultant Term: Liable to retire by rotation.			
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Brief details of our Directors

For details of our CEO & Managing Director and whole-time Directors, see the para titled “Brief details of the CEO & Managing Director and Whole-time Directors” on page ____ of this Draft Red Herring Prospectus.

Brief Profile of other Directors

Mr. Pravinkumar Mathurdas Ganatra (61), is a Graduate in Civil Engineering from Sardar Patel University. He has 40 years of experience in the construction line. He possesses sound knowledge and experience of construction of roads, highways and bridge projects including projects funded by NHAI and international funding institutions. He is also instrumental in sourcing funds for various projects.

He was with Gujarat State Roads & Bridges Department from 1965-1998. He joined the State Government in 1965 as an Assistant Engineer and was promoted to Executive Engineer. He was actively involved in preparation and scrutiny of designs of Highways, Bridges and Buildings. He retired from NHAI as Deputy General Manager. In NHAI he was entrusted with the job of execution of Samkhiyali-Gandhidam four lane project on NH-8A. He was also incharge of the liaison activities for the Expressway project in Gujarat.

Mr. Amarsinh J Vaghela: (59), is a Graduate in Civil Engineering and has more than 30 years of experience in the field of construction of dams and canals. Before joining us, he was associated with Sardar Sarovar Nigam Limited for around 20 years as an Engineer. From 1970-1979 he worked as a Junior Engineer for the Kadana Dam Project. In 1979 he joined Sardar Sarovar Nigam Dam as a Deputy Executive Engineer. He was in charge of the projects related to this dam till 2004. During the years 1995-1998 he served as Deputy General Manager and was in charge of the Management Information Systems of Sardar Sarovar Nigam Limited

Dr. Amrish J Parikh: (71), is an MBBS and holds FRCS (England), FRCS (Edin), FACC, FACS and FRSH degrees. He has more than 40 years of experience in the Medical field as Consulting Surgeon and Gastroenterologist. He was a professor at V. S. General Hospital and NHL Municipal Medical College, Ahmedabad. He was awarded the National Award by Hon'ble President of India, Dr. .A.P.J. Abdul Kalam at the Golden Jubilee Conference of Indian Chapters of International College of Surgeons at New Delhi for Outstanding Services rendered in the field of surgery. He was also awarded Prof. K. Krishnamurthy Award in the Annual Conference of Association of Surgeons at Hyderabad.

Mr. Keshavji K Vania: (37), is a Graduate in Civil Engineering and has more than 10 years of experience in the field of construction of canals. He was handling his business of civil contracts before joining our Board. As a partner in Saraswati Construction Co. he executed the Saurashtra Branch Canal Irrigation Project. This project involved the construction of double layer burnt clay tiled lining and construction of Canal Service Road. He was also incharge of the Narmada Main Canal Reach Project which involved structural concrete work at Modhera and Katosan. He also successfully completed the Adipur-Gandhidham Tagore Road Project.

Mr. Vipin O Modi: (63), holds a Degree in Civil Engineering from Sardar Patel University and has around 40 years of experience in the areas of construction of major irrigation dams, canals, canal bridges and major concrete structures, highways and road projects in India. He was associated with the Government of Gujarat for more than 32 years as Sub-Engineer and Sub. Dn. Engineer. He was the Chief Project Manager on Highway and Road Projects in



India for eight years. He has a broad knowledge and experience of construction of highways, Road Over Bridges, etc. Some of the road projects successfully completed under his leadership are: Construction of additional two lanes and strengthening of existing carriage way in the Mangalwar to Udaipur Section of NH-6- Golden Quadrilateral of NHDP, construction of additional lanes and strengthening of existing carriage way Sayla to Chotila Section of NH 8A, Bamanbor to Rajkot of NH 8A and Bhachau to Samakhiali Section of NH 8A. and construction of Kadana, Panam, Narmada Dam and Narmada Main Canal works.

Mr. Prashantkumar B Raval, (65), is a Bachelor of Arts, Commerce and Law. He has more than 35 years of experience in Law and Commerce. He retired as a City Session Judge in October 2000 and was a member and President of Gujarat Sales Tax Tribunal till May 2005.

Borrowing Powers of Directors

At the Extra Ordinary General Meeting held on March 1, 2005, the shareholders have given their consent to the Board of Directors pursuant to Section 293(1)(d) of the Companies Act, 1956, for borrowing from time to time any sum or sums of money which together with the money already borrowed by the company (apart from temporary loans obtained from the bankers of the company in the ordinary course of business) shall not exceed in the aggregate at any one time Rs.45000 lakhs irrespective of the fact that such aggregate amount of borrowing outstanding at any one time may exceed the aggregate for the time being of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose. For provisions of Articles regulating the borrowing powers of the Directors refer title "Main Provisions of the Articles of Association".

Compensation of our Directors

The shareholders in the Extra Ordinary General Meeting held on July 5, 2004, approved the terms of appointment of Whole Time Directors. The terms of appointment of the Managing Director was revised and approved at the Annual General Meeting held on July 27, 2005. The terms are as follows:

Salary: Rs. 9,00,000/- p.a for Mr. Vishnubhai M Patel, the CEO & Managing Director and Rs. 3,00,000 p.a for each of the Whole Time Directors namely: Mr. Chetankumar N Patel, Mr. Vikramkumar R Patel, Mr. Vasistha C Patel, Mr. Sashin V Patel and Mr. Nitinkumar R Patel.

Bonus: Subject to ceiling of 20% of the Annual Salary

Perquisites:

- **Medical Expenses** – Reimbursement of medical expenses actually incurred for self and family members subject to a ceiling of one month's salary per year or three months salary over a period of three years.
- **Leave Travel Concession-** For self and family to and fro fare to any place in India subject to condition that only actual fares and no hotel expenses, etc. will be allowed.
- **Leave-** One month leave on full pay and allowance for every 11 months of service subject to condition that leave accumulated but not availed of will be allowed to be encashed.
- **Telephone** – Free telephone facility for company's business at residence. However, personal calls will be billed.
- **Personal Accident Insurance** – Premium not to exceed Rs. 1000/- per annum.
- **Company's Contribution to Provident Fund** – As per rules of the Company
- **Company's Contribution to Pension Fund** – As per rules of the Company
- **Gratuity** – As per the rules of the Company, but the gratuity payable shall not exceed half month's salary for each completed year of service.

Term of Office

In accordance with the Companies Act and our Articles of Association, Mr. Vishnubhai M Patel has been appointed for a period of five years w.e.f. August 1, 2005. The Whole time Directors have been appointed for a period of five years w.e.f. July 1, 2004. The Non-Executive Independent Directors are required to retire by rotation.



Corporate Governance

We have complied with the requirements of the applicable regulations, including Clause 49 of the Listing Agreement to be entered with Stock Exchanges and the SEBI Guidelines, in respect of Corporate Governance.

Board Composition:

There are twelve Directors on our Board. There are six independent directors and balance six non-independent Directors on the Board. The Board of Directors are:

Name	Designation
Mr. Vishnubhai M. Patel	CEO & Managing Director
Mr. Chetankumar N. Patel	Whole time Director
Mr. Vikramkumar R. Patel	Whole time Director
Mr. Vasistha C. Patel	Whole time Director
Mr. Shashin V. Patel	Whole time Director
Mr. Nitinkumar R. Patel	Whole time Director
Mr. Amarsinh.J. Vaghela	Independent Non-Executive Director
Dr. Amrish.J. Parikh	Independent Non-Executive Director
Mr. Pravinkumar.M. Ganatra	Independent Non-Executive Director
Mr. Vipin O Modi	Independent Non-Executive Director
Mr. Keshavji K Vania	Independent Non-Executive Director
Mr. Prashantkumar.B. Raval	Independent Non-Executive Director

The statutory committees are:

Audit Committee

The Audit Committee was reconstituted on July 2, 2005 and continues functions as prescribed under Section 292(A) of the Companies Act, 1956, clause 49 of the Listing Agreement. The members are:

Name	Category
Mr Pravinkumar.M. Ganatra (Chairman)	Independent Non Executive
Mr Vipin O Modi	Independent Non Executive
Mr Amarsinh.J. Vaghela	Independent Non Executive

The terms of reference of the Audit Committee are broadly as under:

- Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fees and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - any changes in accounting policies and practices;
 - major accounting entries based on exercise of judgment by management;
 - qualifications in draft audit report;
 - significant adjustments arising out of audit;



- the going concern assumption;
- compliance with accounting standards;
- any related party transactions as per Accounting Standard 18;
- compliance with stock exchange and legal requirements concerning financial statements (upon listing of shares);
- reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- discussion with internal auditors of any significant findings and follow-up thereon.
- reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Remuneration Committee

The remuneration committee was formed on July 2, 2005 and the members are:

Name	Category
Mr Pravinkumar M. Ganatra	Independent Non Executive
Dr. Amrish J. Parikh	Independent Non Executive
Mr Keshavji K Vania	Independent Non Executive

Remuneration Policy:

Our remuneration policy is driven by the success and performance of the individual employee and the company. We seek to attract, retain, develop and motivate a high performance workforce through our compensation programme. We follow a compensation mix of fixed pay, benefits, Individual performance pay is determined by business performance and the performance of individuals measured through the annual appraisal process.

Terms of Reference

The broad terms of reference of the Committee are:

- To review the Company's remuneration policy on specific remuneration packages to executive directors including pension rights and any compensation payment while striking a balance with the interest of the Company and the shareholders.
- To approve the Annual Remuneration Plan of the Company

Shareholders/Investors Grievance Committee

Name	Category
Mr Prashantkumar B. Raval	Independent Non Executive
Mr Amarsinh J. Vaghela	Independent Non Executive
Mr Vipin O Modi	Independent Non Executive

A Shareholders/Investors' Grievance Committee of Directors has been constituted on 2nd July 2005 to specifically look into the redressal of complaints of investors such as transfer or credit of shares to demat accounts, non-receipt of dividend/notices/annual reports etc.

We have always valued our customer relationships. This philosophy will be extended to investor relationship and an investor relation department (IRD) is proposed to be set up in the



near future. The IRD will focus on servicing the need of retail investors, institutional investors, analysts, brokers and the general public.

Monitoring Committee

A Committee consisting of the Audit Committee, the auditor of the Company Mr. Rajesh B Shah and Mr. Nitinkumar R Patel one of our Directors has been formed on September 29, 2005 for the purpose of monitoring the utilisation of the proceeds of the Issue. Mr. Rajesh B. Shah will be the Chairman of this Committee.

Shareholding of our Directors in the Company

Sr. No.	Name	No. of shares	% of pre issue capital
1	Mr. Vishnubhai M Patel	1991580	24.89%
2	Mr. Chetankumar N. Patel	495000	6.19%
3	Mr. Vikramkumar R Patel	300000	3.75%
4	Mr. Vasistha C Patel	180000	2.25%
5	Mr. Sashin V Patel	480060	6.00%
6	Mr. Nitinkumar R Patel	3000	0.04%

Interest of Directors (other than Promoter Director)

Except as stated in "Related Party Transactions" on page ____ of the Draft Red Herring Prospectus, and to extent of shareholding in our Company, the Directors do not have any other interest in the business. The Directors are interested to the extent of shares allotted to them. Except to the extent of their compensation as mentioned on page ____ of the Draft Red Herring Prospectus, and their shareholding or shareholding of companies they represent, the Directors, other than the Promoter who is also the Managing Director, do not have any interest in the Company.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Except as stated, in the Draft Red Herring Prospectus, our Company has not entered into any contract, agreements, or arrangements during the preceding two years from the date of the Draft Red Herring Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Qualification shares

A Director need not hold any shares of our Company to qualify for the office of a Director of our Company

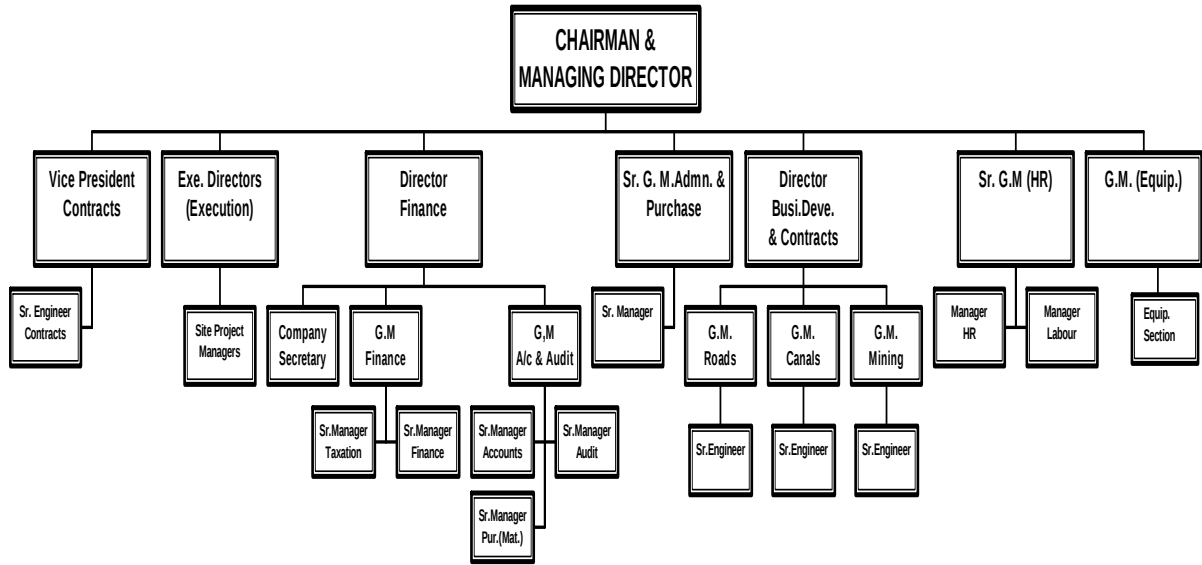
Changes in our Directors during the last three years

Name	Date of Appointment	Date of Cessation	Reason
Smt. Shantaben V. Patel	September 9, 1989	July 2, 2005	Resigned
Smt. Rajeshree P Patel	July 1, 2004	July 2, 2005	Resigned
Mr. Amarsinh J Vaghela	July 2, 2005	--	Appointed as Additional Director
Dr. Amrish J Parikh	July 2, 2005	--	Appointed as Additional Director
Mr. Keshavji K Vania	July 2, 2005	--	Appointed as Additional



			Director
Mr. Vipin. O. Modi	July 2, 2005	--	Appointed as Additional Director
Mr. Prashantkumar.B. Raval	July 2, 2005	--	Appointed as Additional Director
Mr. Arvind K Soni	April 1, 2000	May 31, 2004	Resigned

Organization Structure



Key Managerial Personnel

Sr. No.	Name	Designation	Qualification	Total Experience (Yrs.)
1	Mr. TH Bhaskaran	Sr. Vice President	BTE (Civil Engr.)	42
2	Mr. Narendra M. Patel	Sr. Management Executive - Accounts	ACA	15
3	Mr. B.G. Hooli	General Manager (Tech.)	B.E. (Civil Engr.)	20
4	Mr. Manoj Dwivedi	Project Manager	Bsc. B.E (Electrical)	29
5	Mr. Tarun H. Dutta	General Manager (Mech.)	Diploma in (Mech. Engr.)	29
6	Mr. Bhaskar Patel	Dy. Project Manager	B.E. (Civil Engr.)	30
7	Mr. Rajnish Saxena	Project Manager	B.E. (Civil Engr.)	15
8	Mr. P.K. Doshi	Chief. Proj. Manager	B.E. (Civil Engr.)	15
9	Mr. B. Chauhan	General Manager – Business Development	B.E. (Civil Engr.)	34
10	Mr. Vipul Patel	Project Incharge	B.E. (Civil Engr.)	6
11	Mr. Mr. Anant N. Batavi	Project Incharge	B.E. (Civil Engr.)	26
12	Mr. Nilesh Gohil	Company Secretary	ACA & ACS	1
13	Mr. D. V. Sapre	Construction Manager	DCE	30
14	Mr. G. R. Desai	Sr. General Manager (HR)	B.A., Bcom, LLB, Diploma in Labour Laws & Practice, Diploma in Industrial Relations & Personnel Management	50



The persons whose names appear as key managerial personnel are on the rolls of our Company as permanent employees. Employees of Group Companies have not been included in the above list. There is no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any person was selected as a member of senior management. None of the Key Managerial Personnel have any relationship with the Promoters or Directors of our Company. There is no bonus / profit sharing plan with the key managerial personnel.

The details of our key managerial personnel are as follows:

Mr. T H Bhaskaran, aged 62 years, Senior Vice President, is a Civil Engineer. He has 42 years of experience in the field of construction. During 1995-2004 he served as Project Manager in Hindustan Construction Company. He was incharge of 100 MW Diesel Plant, 1615 M long bridge and the U3 project. He has also handled the business development activity of Hindustan Construction Company. in the southern states. From 1963-1978 and 1984-1994 he was associated as a Quantity Supervisor in Mily Engineering Services at New Delhi, Kashmir, Jaipur, Cochin, Kannur and Chennai. During the year 1978-1981 he was on Lien services from Government of India to Federal Republic of Nigeria as the head of QS Department in the Ministry of Works, Housing & Transport of Bauchi State. He also was the co-ordinator of the three Mega General Hospital Projects and the construction of the State Assembly Building. He joined our Company on February 1, 2005. He is responsible for overall project execution, claims & arbitration. The amount of compensation paid to him during the last financial year was Rs. 1.20 lakhs.

Mr. Narendra M. Patel, aged 41 years, Sr. Management Executive Accounts, is a Chartered Accountant with 15 years of experience. He joined our Company on May 11, 2001. He is responsible for the accounts and audit function in our Company. He was earlier associated with Zora Pharma Limited, Ahmedabad as Assistant Manager – Finance & Accounts in the course of which he was involved in Accounts, Supervision & Control, Finalisation of Accounts, Taxation Planning, Costing and preparation of MIS Reports and Preparation of project reports. Prior to this he was with Source Financial Services Limited as a Chief Executive and as incharge of accounts, finance, taxation and corporate affairs. The amount of compensation paid to him during the last financial year was Rs. 1.80 lakhs.

Mr. B.G. Hooli, aged 47 years, General Manager- Technical, is a graduate in Civil Engineering. He has around 20 years of experience in the construction industry. He joined our Company on July 15, 2002. Prior to this, he was associated with Continental Construction Limited as Senior Deputy Manager. He was actively involved in canal projects at the site and also into project planning, preparation of tenders, procurement and project monitoring. He looks after business development of road projects, preparation of bid documents, preparation of project cost and analysis, project monitoring and planning. The amount of compensation paid to him during the last financial year was Rs. 2.40 lakhs.

Mr. Manoj Dwivedi, aged 56 years, Project Manager, is a graduate in Electrical Engineering with 29 years of experience. He was earlier associated with SLM Industries Ltd as Deputy General Manager – Administration and Maintenance. He has also worked with Mafatlal Group and Tata Iron & Steel Co. Limited in the course of which, he was responsible for maintenance of mining equipments, electrical installations and repairs. This also included responsibility of the repairs and maintenance schemes and annual budgeting and monitoring of earth moving equipments. He joined our Company on April 1, 1999. His areas of responsibility include business development of mining sector, preparation of bid documents, project execution and planning, compliance of Mining Regulations, geological analysis, qualitative and volumetric analysis, submission and certification of RA bills, etc. The amount of compensation paid to him during the last financial year was Rs. 2.40 lakhs.

Mr. Tarun H. Datta, aged 55 years, General Manager – Mechanical, holds a Diploma in Mechanical Engineering and has 29 years of experience. He joined our Company on August 11, 2003 and is in charge of overall monitoring of the Mechanical Division and workshop at Ognaj . His areas of responsibility include planning and purchase of equipment, spares and



consumables, inspection of mechanical department at all the project sites and maintenance of safety measures at various sites. Prior to joining our Company he was associated with Saurashtra Cement Limited and Gammon India Limited. He has considerable international experience. He was incharge of the installation, maintenance, repairs & overhauling of heavy earthmoving equipments, Pneumatic Sinking Plants and also fabrication work. He has undergone the practical training for Heavy Earth Moving Equipment and Light Vehicles at Kota. He was nominated for a special HRD Training programme conducted by CREDO Consulting Service conducted by the Cherion John & was also selected for Qualified Learning System (USA) programme. The amount of compensation paid to him during the last financial year was Rs.0.71 lakhs.

Mr. Bhaskar Patel, aged 55 years, Deputy Project Manager, is a Graduate in Civil Engineering and has 30 years of experience. He was managing his own business before joining our Company on April 1, 2002. He was actively involved in various canal projects namely, Kadana Dam, Karjan Dam, Deo Dam, Sukhi Dam, Shedi Canal, Kakrapar, etc. He also has successfully completed the Malanjkhanda rock excavation work and the Orissa-Sambalpur Rourkela Road project. He is in charge of the overall execution of the Karnataka State Highway Project. This involves planning, execution, monitoring, etc. The amount of compensation paid to him during the last financial year was Rs.2.40 lakhs.

Mr. Rainish Saxena, aged 38 years, Project Manager, is a Graduate in Civil Engineering and has 15 years of experience. He joined our Company on January 8, 2000. He is the project head of the Nasik-Bombay BOT project. He is in charge of planning, execution and monitoring the progress of the construction activity. He was associated with M/s R.D.D. K. Limited during the period 1997-2000. He was the project incharge of the National Highway Project involving construction of earth work of Samakhiali Gandhidham Highway- NH 8-A, Phase II). The other project handled by him was the construction of BG Gantry for BPCL at Kandla. Prior to this, he was associated with Artson Engineering Ltd as Senior Engineer during the period 1994-1997. He was incharge of the construction of Phosphoric Acid Storage Terminal at JNPT and construction of LPG Storage Terminal at Mahul. During the year 1992-94 he was with M/S. Architect & Associates as a project engineer and was incharge of the construction of commercial and factory building at Moradabad. He was actively involved in the supervision of civil and structural activities. The amount of compensation paid to him during the last financial year was Rs. 2.40 lakhs.

Mr. P. K. Doshi, aged 39 years, Chief Project Manager, holds a Masters Degree in Civil Engineering with 15 years of experience. He joined our Company on May 1, 2005. He is in charge of the Radhanpur Gagodhar Road Project. His areas of responsibility include planning, execution and monitoring the activities at his project site. He started his career in the year 1990 as a Junior Engineer with Rajasthan State Agriculture Marketing Board, Jodhpur. He was involved in the design and execution of R.C.C Structures. From 1994-2004, he was with the PWD, NH- sub divisions at Udaipur and Rajsamand. Some of the projects that he was incharge of are: National Highway works of Ajmer-Udaipur section, Udaipur Ratanpur Section, 4 laning of Udaipur Keshariyaji section, Maintenance and Rehabilitation of Udaipur-Ratanpur-Ahmedabad Section, Kishangarh-Bhilwara-Mangalwar-Udaipur Section. His functional areas included preparation of the DPR, implementation of civil works contract, monitoring field investigation and work carried out by design consultants. He has been in charge of the BOT Project of Udaipur Salumber Road wherein he was responsible for the preparation of the cost estimates and the bid document.

Mr. B. Chauhan, aged 59 years, General Manager, is a Graduate in Civil Engineering having industry experience of 34 years in the following areas: Flood Control Work, Drainage Structures, Bridge Design Work, Planning and Project Management, Open Foundation, Pile Foundation, Well Foundation, etc. He was associated with the Government of Gujarat since 1971. He has vast experience in irrigation projects. He has also been actively involved in the Machhu-II Dam Disaster Inquiry Commission Work and the Branch Canal Design works for Sardar Sarovar Nigam Limited. He was in charge of the Kalpasar Project works as a Joint Director. He joined our Company on July 2, 2005. He is in charge of Business Development



in the Irrigation & Mines sector. His functional areas include preparation of bid documents, project costing and analysis and project monitoring.

Mr. Vipul Patel, aged 29 years, Project In-charge, is a Graduate in Civil Engineering with six years of experience. He joined our Company on April 1, 2002 prior to which he was associated with Nitin Construction Limited. He was in charge of the Saurashtra Branch Canal of Narmada Nigam Pvt. Limited. His responsibilities included execution of earth work, brick lining, structural work, preparation of work measurements and material procurement. He is in charge of project execution in the upgradation of the Hattigudur to Bidar Road Project. His area of responsibilities include monitoring of the construction activity and structural work, maintaining environmental and safety measures, establishment of quarries, plants, site laboratories, site offices, etc. He is also responsible for the preparation of the documents for monthly Interim Payment Certificates, sub-contractors bill, etc. The amount of compensation paid to him during the last financial year was Rs. 1.44 lakhs.

Mr. Anant N. Batavi, aged 50 years, is a graduate in Civil Engineering. He joined us on February 01, 2004. He has around 26 years of experience in the construction industry. He is in charge of work relating to Rehabilitation and Upgrading of Gagodhar – Radhanpur Section of NH-15 in Gujarat. Before joining us, he has worked with various organisations engaged in construction line like Mahalinga Shetty & Co. Ltd., Hubli as a Project Manager, for Salauli Irrigation Canal at Aquaduct at Goa State, Narmada Main Canal as Senior Co-ordinating Engineer, Hasdeo Bango Project- Remodelling at Madhya Pradesh as Project Director, HDMC Corporation, Hubli as a Consulting Engineer, with R.S. Shetty & Co., Hubli as Senior Project Manager for construction of tunnels, road formations, track linking Project at Ratnagiri, Maharashtra etc. The amount of compensation paid to him during the last financial year was Rs. 0.40 lakhs from the date of joining.

Mr. Nilesh Gohil, aged 30 years, is a Chartered Accountant and a qualified Company Secretary. He started his career with Ashok Rajpara & Associates as a Senior Executive. He was in charge of finalisation of accounts and was actively involved in the reporting system. He joined our Company on February 3, 2005. He is the Company Secretary and in charge of the secretarial and compliance functions. The amount of compensation paid to him during the last financial year was Rs. 0.15 lakhs from the date of joining.

Mr. D. V. Sapre, aged 56 years, Construction Manager, holds a Diploma in Civil Engineering. He joined us on April 1, 2002. He has around 30 years of experience in this industry. He is in charge of the Viramgam-Dhrangadhra Halvad Road Project. His areas of function include man power planning at project sites, preparation of RA bills and qualitative reconciliation of material. He was associated with Karnavati Infrastructure Pvt. Limited and M/s. Vikram Stone Quarry as a Project Manager. He was involved in the 14 Lane RTO Check Post on NH-8 and other State Road Projects. He was with M/s Aashika Construction Pvt. Limited as a Project Manager during 1996-98. He was in charge of the Four Lane Road BOT Project on NH-8 in Gujarat. As a Project Engineer in M/s Vikram Stone Quarry he was in charge of the 4 laning Road Project on NH-8, Gujarat, Kantholi Kadi Bridge and approaches on NH-8 in Gujarat and the Vapi ROB Project. The amount of compensation paid to him during the last financial year was Rs. 1.95 lakhs.

Mr. G. R. Desai, aged 68 years, Senior General Manager, HR holds the B.A., B.Com and L.L.B degrees. He also holds a Diploma in Labour Laws and Practice and Industrial Relations and Personnel Management. He joined us on August 1, 2005. He has 50 years of experience in manpower planning, recruitment and appointment, General administration and is an expert in industrial relation matters. He was associated with Public Works Department, Western Railways, Oil & Natural Gas Corporation and Indian Farmers Fertilizer Co-op Limited. He has also written a book titled "Law relating to Child Labour" jointly with Mr. B.K. Soneji, an advocate which is yet to be published. They have jointly published many articles in magazines relating to Contract Labour matters. He is in charge of recruitment and appointment of personnel, manpower planning at various project sites, inspection of project sites, labour related matters and drafting of HR policies of our Company.



Shareholding of Key Managerial Personnel

Sr. No.	Name	No. of shares	% of pre issue capital
1	Mr. B.G. Hooli	2100	0.03%
2	Mr. Vipul Patel	15000	0.19%

Bonus or Profit Sharing Plan for the Key Managerial Personnel.

There is no Profit Sharing Plan for the Key Managerial Personnel. The Company makes bonus payments as per their terms of appointment.

Changes in our Key Managerial Personnel during the last three years

Name & Designation	Date of Joining/Resignation	Remarks
2005-06		
Mr. P.K. Doshi, Chief Project Manager	May 1, 2005	Joined
Mr. J.R. Patel, Project Manager	June 30, 2005	Resigned
Mr. R.K. Prajapati	July 15, 2005	Resigned
Mr. B.B. Chauhan, G.M. (Business Development)	July 2, 2005	Joined
Mr. G.R. Desai, Sr. G.M. (Human Resource)	August 1, 2005	Joined
2004-05		
Mr. T.H. Bhaskaran – Sr. Vice President (Contracts)	February 1, 2005	Joined
Mr. Nilesh Gohil, Company Secretary	February 3, 2005	Joined
2003-04		
Mr. Tarun Datta – G.M. -(Mechanical)	November 8, 2003	Joined
Mr. A.N. Batavi, Project Manager	February 1, 2004	Joined
Mr. Anil Kumar Shrivastav- Vice President (Construction)	March 31, 2004	Resigned

Stock option scheme / employees stock purchase scheme

There is no stock option scheme for the Employees, at present.

Payment of Benefit to Employees of the Company:

Our all eligible employees are covered under the Workmen Compensation Policy. Our employees are covered under the Employees Provident Funds and Miscellaneous Provisions Act, 1952. We provide free residential and canteen facilities to staff working at sites.



PROMOTERS

Mr. Vishnubhai M Patel

Mr. Vishnubhai M Patel, 63, our promoter, has been in the construction business for the last 37 years. He was incharge of his family business which was involved in construction activities. The family business was a partnership firm in the name of Bhavna Construction Co. The projects executed by the partnership firm under Mr. Vishnubhai's guidance were:

- Irrigation - Construction of an earthen dam, approach channel, masonry work of the spillway of Deo Irrigation Scheme, construction of earthwork and lining work on Damanganga Left Bank Main Canal.
- Mining Operations- Land development for heavy engineering complex for L&T, Filling work of Nhava Sheva Port Trust. Reclamation and site grading works of the iron plant site of Essar Gujarat Ltd. and site levelling work of Rourkela Steel Plant of SAIL.

Our Company was incorporated in 1988 on the initiative of Mr. Vishnubhai M Patel. The running business of Bhavna Construction Co. was taken over by our Company w.e.f October 1, 1989. In a span of 17 years we have executed a total of 29 projects in irrigation, mining operations and roads and highways under the guidance and foresight of Mr. Vishnubhai M Patel. Some of the projects executed are:

- Various canal, siphons, sub canals and canal earthwork has been done on the Narmada Main Canal at various rivers
- Rehabilitation of Kakrapar Left Bank Main Canal and Shedhi Branch Canal was also executed by our Company.
- Excavation of earth and hard rock formation was carried out at the Vastan Mines at GIPCL. The rock excavation at HCL was carried out for L&T
- In the year 1993 we ventured into Road projects and the first project to be executed was the Widening & Strengthening of Sambalpur- Rourkela Road.

Mr. Vishnubhai's vision has rewarded the Company with various projects and presently a consortium formed by Gammon India Ltd, B.E. Billimoria & Co. Ltd. and us has been awarded the Vadape-Gonde 4 Lane BOT project. The construction cost of the part sub contract to be executed by us is Rs. 48600 lakhs.

Our Promoter has been selected for the "Udyog Rattan Award" for outstanding performance in the field of Industrial Development of our country and our Company has been selected for the "Excellence Award". The award will be presented on October 6 2005.

Other details are as follows:

Voters I.D: Not Available

Driving License No: GJ01/916373/01



Ms. Shantaben Vishnubhai Patel

Ms. Shantaben V Patel, 61, our promoter, has been associated with our Company since incorporation. She was the Director in our Company from September 9, 1989 to July 2, 2005. Other details are as follows:

Other details are as follows:

Voters ID: Not Available

Driving License No. Not Available





We confirm that Permanent Account Number, Bank Account Number and Passport Number of the Promoters has been submitted to BSE and NSE at the time of filing the Draft Red Herring Prospectus with them.

Relationship between the Promoters, Directors and Key Managerial Personnel

Mr. Chetankumar N Patel, Mr. Vikramkumar R Patel and Mr. Vasistha C Patel, whole time directors are sons-in-law of the Promoters. Mr. Shashin V Patel is the son of the Promoters. Mrs. Shantaben Vishnubhai Patel is wife of Mr. Vishnubhai Patel. Mr. Vipul Patel is the nephew of the Promoters.

Except as stated, there is no relation between the Directors and key managerial personnel of our Company

Common Pursuits

There are no common pursuits in the business of the Company and other Companies promoted by the Promoter.

Interest of the Promoters

Our promoter may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arriving from their holding directorship in our Company.

One of the promoters Mr. Vishnubhai M Patel is also interested to the extent of rent received by him in his capacity as a Karta of HUF for the Ognaj property. Ms. Shantaben Patel is interested to the extent of rent being paid by us to her for the portion of "Sabhav House" being land owned by her.

Our Promoter is not interested in any property acquired by our Company within two years from the date of the Draft Red Herring Prospectus. except as stated under the section on Business on page _____

Our Promoter is not interested in any loan or advance given by our Company, neither are they beneficiary of any such loans or advances except as disclosed in Related Party Transaction given in the the Auditor's Report.

Payment or benefit to Promoter of the Company.

There is no payment or benefit to the Promoters except to the rent received by him in his capacity as a Karta of HUF for the Ognaj property, his remuneration and dividend to the extent of his shareholding. Ms. Shantaben Patel is interested to the extent of rent being paid by us to her for the portion of "Sabhav House" and dividend to the extent of her shareholding.

Related Party Transactions

The details of related party transactions are given on page _____ as annexure ____ to the Auditor's Report.

Currency of Presentation

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to the "US" or the "U.S." or the "USA" or the "United States" are to the United States of America. All references to Euro are to the official currency of the European Union.



Dividend policy

There is no written dividend policy. Dividend is intended to be declared based on the quantum and availability of future profits and will be disbursed based on the Shareholders' approval of the recommendation of the Board of Directors.



FINANCIAL INFORMATION

REPORT OF THE AUDITOR ON FINANCIAL INFORMATION

The Board of Directors,
Sadbhav Engineering Ltd,
“Sadbhav House”,
Opp. Law garden Police Chowki,
Ellisbridge,
Ahmedabad-380006.

- 1) We have examined the accompanying statement of adjusted Profit & Loss Account for the five financial years ended as on 31st March 2001, 2002, 2003, 2004, 2005 and the statement of adjusted assets and liabilities as on those dates, forming Part A of the “Financial Information” dealt with by this Report, detailed below. Both read together with the notes thereon, which are the responsibility of the company’s management, have been audited by us and made up.

In terms of the requirements of:

- (i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 and
 - (ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (‘the SEBI Guidelines’) issued by the Securities and Exchange Board of India (‘SEBI’) on January 19, 2000 in pursuance to Section 11 of The Securities and Exchange Board of India Act, 1992 and related amendments and
 - (iii) Our terms of reference with the Company letter dated August 1, 2005 requesting us to carry out work in connection with the Red Herring Prospectus as aforesaid.
- 2) We report as under:
 - (i) The Statements of adjusted Profits and Losses and the Assets and Liabilities of the company as at the end of each of the five financial years ended 31st March, 2005 reflect the profits and losses and assets and liabilities extracted from the Profit and Loss account and Balance Sheet for those years, audited by us, after making such adjustments regrouping and disclosures as were, in our opinion, appropriate and required have been prepared out of audited financial statements for the years.
 - (ii) In our opinion, read with the respective significant accounting policies and subject to/read together with the notes thereon and after making such adjustments, regrouping and disclosures as were, in our opinion appropriate and required, have been prepared in accordance with part-II of Schedule-II of the Companies Act, 1956 and the SEBI Guidelines.
 - 3) This report, is being provided solely for the use of Sadbhav Engineering Ltd, for the purpose of inclusion in the Red Herring Prospectus of the company.
 - 4) This report may not be used or relied upon by, or disclosed, referred to or communicated by yourself (in whole or in part) to, any third party for any purpose other than the stated use, except with our written consent in each instance, and which consent may be given, only after full consideration of the circumstances at that time.

**For RAJESH B. SHAH & CO.
CHARTERED ACCOUNTANTS**

Place: Ahmedabad.
Date: 22nd August, 2005

Sd/-
PROPRIETOR
Membership No. 33044.



“Financial Information” dealt with by this report:

PART- A

Annexure I	Statement of Assets and Liabilities as at March 31, 2005, 2004, 2003, 2002, 2001.
Annexure II	Statement of Profit & Loss Account for the years ended on March 31, 2005, 2004, 2003, 2002, 2001.
Annexure III	Significant Accounting Policies and Notes to Accounts as per the audited accounts.
Annexure IV	Statement of Accounting Ratios
Annexure V	Capitalisation Statement
Annexure VI	Statement of Change in Share Capital
Annexure VII	Statement of Rate of Dividend
Annexure VIII-A	Statement of Unsecured Loan as at March 31, 2005.
Annexure VIII-B	Statement of Unsecured Loan as at March 31, 2005, 2004, 2003, 2002 & 2001.
Annexure IX	Statement of Other Income
Annexure X	Statement of Tax Shelter
Annexure XI-A	Statement showing Age-wise Analysis of Sundry Debtors
Annexure XI-B	Statement showing details of Loans and Advances.
Annexure XII	Details of Secured Loans Outstanding as on March 31, 2005
Annexure XIII	Details of Contingent Liabilities
Annexure XIV	Cash Flow Statement
Annexure XV	Related Party Transactions for the years ended on March 31, 2005, 2004, 2003.



ANNEXURE - I

Statement of Assets & Liabilities, as Restated

Assets & Liabilities of the Company as at the end of each financial year read with significant accounting policies, after making adjustments as stated in notes to accounts are set out below along with the assets & liabilities as at

March 31, 2001 to March 31, 2005.

Particulars	As at Financial years Ended (Rs. in Lacs)				
	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
Fixed Assets					
Gross Block	14176.42	14461.17	13334.39	12070.06	9571.37
Less: Depreciation	6417.57	6207.04	5000.99	3953.67	2985.03
Net Block	7758.85	8254.13	8333.4	8116.39	6586.34
Capital Work in Progress			135.47	128.88	100.05
Total-A	7758.85	8254.13	8468.87	8245.27	6686.39
Investment – B	3.93	3.93	3.93	18.93	19.04
Current Assets, Loans & Advances					
i) Current Assets					
Work in Progress	2922.84	2988.56	1087.14	653.72	1430.59
Sundry Debtors	5795.33	4195.39	5817.51	6082.85	4935.89
Closing Stock	1066.34	862.94	471.21	673.46	410.96
Cash & Bank Balance	1328.46	1209.35	1021.80	1540.41	657.28
Other current Assets	41.23	54.50	66.72	59.57	22.42
ii) Loans & Advances	2420.67	1601.33	2097.27	1492.31	1094.28
Total C	13574.87	10912.07	10561.65	10502.32	8551.42
Total Assets(A+B+C)= D	21337.65	19170.13	19034.45	18766.52	15256.85
Less: Liabilities & provisions					
Secured Loans	6095.44	4786.65	4038.02	4596.26	6116.03
Unsecured Loans	712.12	1059.93	1011.42	1161.07	1245.12
Deferred Tax Liabilities	1075.57	1147.96	1115.71	-	-
Current liabilities	7377.45	8009.66	9195.42	8758.02	4307.78
Provision	46.19	24.18	22.76	0.50	22.24
Total Liabilities – E	15306.77	15028.38	15383.33	14515.85	11691.17
Net Worth (D-E)	6030.88	4141.75	3651.12	4250.67	3565.68
Net Worth Represented by					
Share Capital	800.00	100.00	100.00	100.00	100.00
Reserve & Surplus	5235.55	4041.75	3551.12	4150.67	3465.68
	6035.55	4141.75	3651.12	4250.67	3565.68
Less : Misc. Exp. To the extent not written off	4.67	0.00	0.00	0.00	0.00
Net Worth	6030.88	4141.75	3651.12	4250.67	3565.68
The accompanying Notes on account (Annexure -III) are an integral part of this statements.					



ANNEXURE - II

Statement of Profit & Loss Account, as Restated

The profit and loss statement of the Company for five financial years ended March 31, 2001 to 2005 read with significant accounting policies, after making certain regroupings for comparability and making adjustments as stated in notes to accounts are set out below :

Particulars	For the Financial years Ended (Rs. in Lacs)				
	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
INCOME					
Contract Receipts	20537.56	22822.02	21007.49	22175.19	18123.14
Increase/(Decrease) in work in progress	(65.72)	1901.42	433.41	(776.87)	696.68
Other Income	256.25	7.97	14.97	26.45	26.11
Total	20728.09	24731.41	21455.87	21424.77	18845.93
EXPENDITURE					
Material Consumed	4870.57	7019.86	5070.59	6780.37	5133.04
Construction Expenses	11218.12	13008.19	11848.58	10228.69	10009.58
Administrative & Other Expenses	1914.33	1932.57	1443.64	1155.76	813.17
Total	18003.02	21960.62	18362.81	18164.82	15955.79
Operating Profit before Finance Cost, Amortisation & Depreciation and Prior period expenses	2725.07	2770.79	3093.06	3259.95	2890.14
Interest & Financial Charges	661.82	753.59	1230.19	1257.87	1022.75
Depreciation	1333.81	1251.56	1169.42	972.60	912.16
Preliminary Expenses Written Off	1.17				0.05
Operating Profit before Prior Period Expenditure	728.27	765.64	693.45	1029.48	955.18
Add(Less): Taxes relates to previous years written back/(off)	(0.02)	(1.67)	5.51	(0.10)	(0.67)
Profit before Tax	728.25	763.97	698.96	1029.38	954.51
Less: Current Tax	61.81	227.08	145.54	300.30	252.2
Deferred Tax	(72.39)	32.25	126.87		
Profit after Tax	738.83	504.64	426.55	729.08	702.31
Impact of material adjustment for restatement in corresponding years	-	8.55	(14.71)	(22.05)	(6.09)
Net Profit after Tax	738.83	513.19	411.84	707.03	696.22
Add: Balance of Profit brought forward from previous year	1066.43	675.80	386.52	201.53	527.35*
	1805.26	1188.99	798.36	908.56	1223.57
Less: Appropriation					
General Reserve	100.00	100.00	100.00	500.00	1000.00
Interim Dividend/Proposed dividend	39.45	20.00	20.00	20.00	20.00
Tax on Dividend	5.58	2.56	2.56	2.04	2.04
	1660.23	1066.43	675.80	386.52	201.53
Add: Transfer from General Reserve	-	-	988.83	-	-
Less: Deferred Tax Liability Provision for earlier years	-	-	988.83	-	-
Balance of Profit carried forward to Balance Sheet	1660.23	1066.43	675.80	386.52	201.53

The accompanying Notes on account (Annexure -III) are an integral part of this statements.

* Balance of profit brought forward from previous year have been adjusted for giving effect of prior period item.



ANNEXURE - III

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting:

1. The Company follows the mercantile system of accounting and recognizes income and expenditure on an accrual basis except in case of significant uncertainties.
2. The financial statements have been prepared under the historical cost convention and on the basis of going concern.
3. In case of construction contracts received in the name of Joint Ventures the income and expenditure are included in financial statements of the company to the extent of share of the company in the joint ventures.

b) Revenue Recognition:

1. Income from construction contracts which are item rate contracts are recognized and accounted for at the contract rate on the basis of actual measurement of the work executed in respect of each of the contracts.
2. Expenditure on temporary structures for work sites except Radhanpur site and items of capital nature such as furniture, laboratory equipments are charged to revenue account.
3. All other income and expenditures are recognized and accounted for on accrual basis.
4. Insurance claims are accounted for on cash basis.

c) Fixed Assets:

Fixed Assets are carried at cost less depreciation.

d) Depreciation:

1. Depreciation is provided for all assets except for vehicles on straight-line method and depreciation on vehicles is provided on written down value method at the rates specified in schedule XIV of The Companies Act, 1956 as amended by Notification No. G.I.R. 756(E) dated 16th December, 1993.
2. Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on prorata basis up to date on which such assets are sold, discarded or demolished.

e) Valuation of Inventories:

Stock of materials, spare-parts, diesel oil is valued at cost.

f) Valuation of Work in progress:

Work in progress is valued at tendered rate.

g) Retirement benefits:

1. The company has taken group gratuity scheme of Life Insurance Corporation of India and company is paying the amount as per the Scheme to Life Insurance Corporation of India.
2. Provident Fund is accrued on monthly basis in accordance with the terms of contract with the employees and is deposited with the 'Statutory Provident Fund'. The company's contribution is charged to Profit and Loss Account.
3. Leave encashment is paid to employees on annual basis and is charged to Profit and Loss Account.



h) Investments :

Investments are stated at cost.

i) Foreign Currency transaction

1. Import purchase of Machinery spare parts Diesel and Raw material are recorded at the exchange rate prevailing on the date of transaction and exchange rate difference arises on account of payment and foreign currency rate on balance-sheet date are adjusted against value of import purchase of Machinery Spare Parts and Raw Material.
2. Advance received in foreign currency for construction project in India, the exchange rate difference arises on account of repayment of advance received from customers are debited to foreign exchange rate difference account and charged to Profit & Loss Account.
3. Any foreign currency exchange rate difference arises on account of deemed exports are debited to foreign exchange rate difference account and charged to Profit & Loss Account.
4. Exchange rate difference arises on account of payment made during current year for outstanding liability as on 31/03/2004 on account of imported spare parts & Raw-material are debited to foreign exchange rate difference account and charged to Profit & Loss Account.

j) Direct Taxes:

In respect of the infrastructures projects undertaken the company has been advised by Senior tax counsel that following the decisions of Income Tax Appellate Tribunal of Mumbai, the company is eligible for deduction u/s 80IA in respect of profits from such projects. Accordingly, the company has made provision under the minimum Alternate Tax u/s 115 JB of Income Tax Act. The income tax provisions already made for the earlier year for such infrastructure projects will be reviewed in the future years based on revised claims filed.

k) Contingent liabilities:

Contingent Liabilities are not provided for and are disclosed by way of Notes.

2. CONTINGENT LIABILITY

	Rs.				
Particulars	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
Disputed Sales Tax Matters	12,55,390	4,55,707	NIL	NIL	NIL
Disputed Income Tax Matters	58,96,268	NIL	NIL	NIL	NIL
Disputed Wealth Tax Matters	45,240	NIL	NIL	NIL	NIL
Disputed Custom Duty Matters	1,70,49,734	1,31,41,809	NIL	NIL	NIL
Outstanding Capital Contracts	6,25,05,518	2,82,60,625	2,12,80,700	2,72,80,750	NIL
Guarantees, Bill Discounted and Letter of Credits issued by Banks	1,24,81,92,913	1,57,16,86,626	1,57,48,72,429	1,70,80,48,206	76,55,66,636

3. During the year 2004-05 company has changed the method for providing depreciation on vehicles from straight-line method to written down value method from the date of



purchase of vehicles and accordingly additional depreciation of Rs.58,59,904/-relates to previous years is charged to Profit & Loss account.

4. Issued and paid up share capital includes 25,000 Equity Shares of Rs. 100/- each allotted as fully paid bonus share during the year 1993-94, subsequently sub-divided in to share of Rs. 10/- each and 50,00,000 Equity Shares of Rs. 10/- each allotted as fully paid bonus shares during the year 2004-05 by capitalization of General Reserve.
5. Balances of debtors, creditors, loans and advances, deposits are subject to the confirmation by the parties.
6. The Company has not given any loans or advances in the nature of loans, which are required to be disclosed pursuant to Clause 32 of the Listing Agreement.
7.
 - a. All Credit facilities from The Karur Vysya Bank Ltd. is secured by Hypothecation of stock of construction materials lying at sites, first charge by way of creating mortgage of immovable property (Sadbhav House) along with furniture, fixture etc. owned by the company, first charge on machineries purchased out of term loan given by the bank (now adjusted) and second charge on certain machineries owned by the company.
 - b. Term Loan from Industrial Development Bank of India is secured by hypothecation of machineries purchased from term loan.
 - c. All Credit facilities from Oriental Bank of Commerce are secured by way of first charge on machineries purchased out of term loan given by bank (now adjusted) and Book Debts and other receivables at present and equitable mortgage of certain immovable properties owned by the directors.
 - d. All credit facilities from Indian Overseas Bank are secured by way of exclusive second charge on specific machineries.
 - e. All the above loans are secured by corporate guarantee of the company and personal guarantees of promoter directors.
 - f. Mobilisation/ Machinery Advances from clients are secured against Bank Guarantee.
 - g. Loans from Finance Companies/Banks are secured by hypothecation of Machineries and vehicles purchased from respective loans and personal guarantee of Managing Director Shri Vishnubhai M. Patel.
8. Based on information available with the company regarding the status of suppliers there were no dues outstanding to Small Scale Industrial undertaking exceeding Rs.1 lacs, each outstanding for more than 30 days, within the agreed terms.
9. Company being engaged in construction business is neither a manufacturing company nor trading company. Therefore the information required by clause 3(i)(a), 4(c) and 4(d) of Part II of Schedule VI to the Companies Act, 1956 are not given.
10. Remuneration to Managing Director is paid on monthly basis and therefore statement showing computation of net profit U/s.349 of the Companies Act, 1956 is not given.

Managerial Remuneration paid to the Directors

	2004-05	2003-04
i) Remuneration	20,85,000	14,55,000
ii) Perquisites	52,800	52,800
Total	21,37,800	15,07,800



11. In the opinion of the Board, the Current Assets, Loans and Advances are approximately of the value stated if realised in ordinary course of business. Provision for known liabilities are adequate and not in excess of the amount reasonably necessary.
12. As per Accounting Standard-17, "Segment Reporting" issued by The Institute of Chartered Accountants of India, the company who is dealing in multiple products/service and operates in different geographical areas are required to report under this Accounting Standard. Hence no disclosure is required as the company operates in a single primary business segment namely construction activities and at single geographical area namely India.
- 13 Related Party Disclosures

(As identified and certified by the Management)

A. As per Accounting Standard 18, "Related Party Disclosure" issued by The Institute of Chartered Accountants of India, the disclosures of transactions with the Related Parties as defined in the Accounting Standard for the year ended **March 31, 2005** are given below:

I. List of Related Parties

Associate Companies/Entities

Sadbhav Finstock Pvt. Ltd., Sadbhav Quarry Works Pvt. Ltd., Sadbhav Public Charitable Trust

Key Management Personnel

Shri Vishnubhai M. Patel, Shri Chetankumar N. Patel, Shri Vikram R. Patel, Shri Vasistha C. Patel, Shri Arvind K. Soni, Shri Nitin R. Patel, Shri Shashinbhai V. Patel, Rajeshriben Patel

Relatives of Key Management Personnel

Shantaben Patel, Mamtaben Patel, Bhavnaben Patel, Alpaben Patel, Truptiben Patel, Rekhaben Patel, Nandubhai Patel, Vinubhai Patel, Veer Trans, Bhavna Engineering Co., Montecarlo Const.Pvt.Ltd.

Joint Ventures:

Sadbhav-Prakash JV, Sadbhav-PBA J.V., HCC-SEL Joint Venture, Jillin-Sadbhav J.V.

II. Transactions with Related Parties

(Rs.in lacs)

Transactions	Associates	Key Management personnel	Relative of key Management personnel	Joint ventures
Sub Contracting Income	-	-	0.20	5186.93
Sub Contracting Expenditure	-	-	685.13	278.51
Sale of Fixed Assets	-	-	29.02	-
Remuneration paid	-	20.85	-	-
Interest Income	-	-	15.54	1.92
Interest paid	-	20.90	44.67	22.78
Rent & Service charges paid	-	4.00	4.74	-
Receiving of Services	-	-	85.22	-
Deposit Received during the year	-	146.41	305.41	1153.42
Deposit Repaid during the year	-	363.59	471.71	1752.49
Opening Bal. of deposits received	-	399.63	882.71	2292.95
Closing Bal. of Deposits Received	-	203.34	732.04	1693.87



B. As per Accounting Standard 18, "Related Party Disclosure" issued by The Institute of Chartered Accountants of India, the disclosures of transactions with the Related Parties as defined in the Accounting Standard for the year ended **March 31, 2004** are given below:

I. List of Related Parties

Associate Companies/Entities

Sadbhav Finstock Pvt. Ltd., Sadbhav Quarry Works Pvt. Ltd., Sadbhav Public Charitable Trust

Key Management Personnel

Shri Vishnubhai M. Patel, Shri Chetan N. Patel, Shri Vikram R. Patel, Shri Vasistha C. Patel, Shri Arvind K. Soni, Shri Nitin R. Patel, Shri Shashinbhai V. Patel

Relatives of Key Management Personnel

Shantaben Patel, Mamtaben Patel, Bhavnaben Patel, Alpaben Patel, Truptiben Patel, Rekhaben Patel, Nandubhai Patel, Vinubhai Patel, Rajeshreeben Patel, Bhavna Engineering Co., Montecarlo Const.Pvt.Ltd.

Joint Ventures:

Sadbhav-Prakash JV, HCC-SEL Joint Venture,

II. Transactions with Related Parties

Rs. Lacs

Transactions	Associates	Key Management personnel	Relative of key Management personnel	Joint ventures
Sub Contracting Income	-	-	-	6385.67
Sub Contracting Expenditure	-	-	825.26	198.84
Sale of Fixed Assets	-	-	-	-
Remuneration paid	-	14.55	-	-
Interest Income	-	-	-	-
Interest paid	-	27.09	40.94	1.55
Rent & Service charges paid	-	4.25	5.28	-
Receiving of Services	-	-	-	-
Deposit Received during the year	6.00	115.45	228.72	1517.33
Deposit Repaid during the year	6.00	230.07	186.42	1083.46
Opening Bal.of deposits received	-	487.16	778.86	1859.07
Closing Bal. of Deposits Received	-	399.63	882.71	2292.95

C. As per Accounting Standard 18, "Related Party Disclosure" issued by The Institute of Chartered Accountants of India, the disclosures of transactions with the Related Parties as defined in the Accounting Standard for the year ended **March 31,2003** are given below:



I. List of Related Parties

Associate Companies/Entities

Sadbhav Finstock Pvt. Ltd., Sadbhav Quarry Works Pvt. Ltd., Sadbhav Public Charitable Trust

Key Management Personnel

Shri Vishnubhai M. Patel, Shri Chetan N. Patel, Shri Vikram R. Patel, Shri Vasistha C. Patel, Shri Arvind K. Soni, Shri Nitin R. Patel, Shri J.R.Patel.

Relatives of Key Management Personnel

Shantaben Patel, Mamtaben Patel, Bhavnaben Patel, Alpaben Patel, Truptiben Patel, Rekhaben Patel, Shashinbhai Patel, Rajeshriben Patel, Savitaben Patel, Nandubhai Patel, Vinubhai Patel, Sanjay Soni, Bhavna Engineering Co. Montecarlo Const.Pvt.Ltd.

Joint Ventures:

Sadbhav-Prakash JV, HCC-SEL Joint Venture,

II. Transactions with Related Parties

(Rs.in lacs)

Transactions	Associates	Key Management personnel	Relative of key Management personnel	Joint ventures
Sub Contracting Income	-	-	51.10	1678.40
Sub Contracting Expenditure	-	-	728.05	50.51
Sale of Fixed Assets	-	-	-	-
Remuneration paid	-	14.55	0.51	-
Interest Income	-	-	-	-
Interest paid	-	44.05	74.75	-
Rent & Service charges paid	-	3.63	20.17	-
Receiving of Services	-	-	3.99	-
Deposit Received during the year	4.00	101.45	242.48	447.96
Deposit Repaid during the year	4.00	123.39	452.76	366.97
Opening Bal.of deposits received	-	417.10	704.85	1778.08
Closing Bal. of Deposits Received	-	439.21	826.82	1859.07

14. As per Accounting Standard - 22 on "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, Deferred Tax Liabilities arising are as follows:

	March 31,2005 Deferred Tax Liabilities	March 31,2004 Deferred Tax Liabilities
On Account of Timing Difference Depreciation	10,75,57,209	11,47,95,817
Total Rs.	10,75,57,209	11,47,95,817



Deferred tax is recognised on timing difference being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets subject to the consideration of prudence are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realised. The tax effect is calculated on the accumulated timing difference at the year end based on the tax rates and laws enacted or substantially enacted on Balance Sheet date.

15. Sales Tax/works Contract Tax is accounted on payment basis.
16. As per Accounting Standard - 27 'Financial Reporting of Interest in Joint Venture' issued by The Institute of Chartered Accountants of India, Joint Ventures entered in to by the Company are as follows:

Sr. No.	Name of the Joint Venture	Description of Interest	% of Involvement
01	SADBHAV-PRAKASH JOINT VENTURE	Jointly Controlled Operation	50%
02	SADBHAV-PRAKASH J.V.	Jointly Controlled Operation	50%
03	SADBAHV-PBA JV	Jointly Controlled Operation	50%
04	HCC-SEL JOINT VENTURE	Jointly Controlled Operation	35%
05	JILLIN-SADBHAV J.V.	Jointly Controlled Operation	48%
06	GAMMON-SADBHAV BILLIMORIA CONSORTIUM	Jointly Controlled Operation	20%
07	GAMMON-SADBHAV	Jointly Controlled Operation	25%
08	MADHUCON-SADBHAV J.V.	Jointly Controlled Operation	50%
09	GIL-SEL J.V.	Jointly Controlled Operation	48%
10	SADBHAV-JMC	Jointly Controlled Operation	50%
11	SEL-MBE	Jointly Controlled Operation	60%
12	SADBHAV-RAJLAXMI	Jointly Controlled Operation	75%
13	SADBHAV-JMC-PBA MONTECARLO	Jointly Controlled Operation	50%
14	GAMMON-VIDEOCON- SADBHAV	Jointly Controlled Operation	12%
15	SADBHAV-JMC-BTPATIL JOINT VENTURE	Jointly Controlled Operation	50%

17. There was no impairment Loss on fixed assets on the basis of review carried out by the management in accordance with Accounting Standard – 28 'Impairment of Assets' issued by The Institute of Chartered Accountants of India. Further we have been informed by the management that during the review of assets of the company, those assets which were found to be having NIL market value have been written off in the accounts.

18.

Payment to Auditors		
	2004-05	2003-04
	(Rs.)	(Rs.)
(i) Audit fees	3,50,000	3,50,000
(ii) Tax Audit Fees	1,00,000	2,00,000
(iii) Certification fees	1,00,000	-
(iv) Others	NIL	7,500

19. CIF Value of Imports

	2004-05	2003-04
	(Rs.)	(Rs.)
(i) Spares & Tyres	27,54,034	6,28,270
(ii) Raw Material - Bitumen	4,23,64,746	8,66,23,964
(iii) Capital goods – (Machineries)	NIL	54,40,558



20. Expenditure in Foreign Currencies

	2004-05	2003-04
	(Rs.)	(Rs.)
(i) Travelling Expenses	NIL	88,705

21. Remittance in foreign currency on account of dividend Rs. Nil (Previous year Rs. Nil)
22. Earning of foreign exchange on account of exports Rs. Nil (Previous year Rs. Nil), deemed exports Rs.230.30 Lacs (Previous year Rs.144.89)
23. Figures of previous year have been regrouped and rearranged wherever it is necessary.
24. Profit for the year has been arrived after adjusting prior debits of Rs.72,63,251/- (P.Y.Rs.7,30,196/-) and prior period credits of Rs.33,46,161/- (P.Y.Rs.23,613/-)
25. Earning Per Share:

Calculation of Earning Per Share – Basic & Diluted

Sr.No.	Particulars	Equivalent No.of Shares	
		Year ended March 31,2005	Year ended March 31,2004
1.	Opening number of shares	10,00,000	10,00,000
2.	Allotted during the year (Including Bonus Shares)	70,00,000	-
3.	Outstanding number of shares At the year end	80,00,000	10,00,000
4.	Adjusted number of shares	60,05,479	60,00,000*
5.	Net Profit after Tax (Rs.)	7,38,83,451	5,13,19,719
6.	Earning Per Share (Rs.)	12.30	8.55
	*Including Bonus Shares Issued during the financial Year 2004-05		



ANNEXURE - IV
SADBHAV ENGINEERING LIMITED
STATEMENT OF ACCOUNTING RATIOS

PARTICULARS		March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
Earning per Share (EPS)						
Profit After Tax (Rs. In Lacs)	(a)	738.83	513.19	411.84	707.03	696.22
No. of Shares Outstanding as per Audited Accounts	(b)	8000000	1000000	1000000	1000000	1000000
EPS (in Rupees)	(a)/(b)	9.24	51.32	41.18	70.70	69.62
No. of Shares after adjustment for Bonus	(c)	6005479	6000000	6000000	6000000	6000000
EPS (in Rupees)	(a)/(c)	12.30	8.55	6.86	11.78	11.60
RETURN ON NETWORTH						
Profit after Tax (Rs. In Lacs)	(a)	738.83	513.19	411.84	707.03	696.22
Net Worth (Rs. In Lacs)	(b)	6030.88	4141.75	3651.12	4250.67	3565.68
RETURN ON NETWORTH-%	(a)/(b)	12.25	12.39	11.28	16.63	19.53
NET ASSETS VALUE PER SHARE						
Total Assets (Rs. In Lacs)	(a)	21337.65	19170.13	19034.45	18766.52	15256.85
Total Liabilities (Rs. In Lacs)	(b)	15306.77	15028.38	15383.33	14515.85	11691.17
Net Assets Value (a)-(b) (Rs. In Lacs)	(c)	6030.88	4141.75	3651.12	4250.67	3565.68
No. of Shares (in Lacs)	(d)	80	10	10	10	10
Net Assets Value Per Share (Rs.)	(c)/(d)	75.39	414.18	365.11	425.07	356.57

Definitions:

1) EARNING PER SHARE=NET PROFIT AFTER TAX / NUMBER OF PAID UP SHARES

2) RETURN OF NET WORTH = NET PROFIT AFTER TAX / NET WORTH

a. where NET WORTH = SHARE CAPITAL + RESERVES AND SURPLUS - PRELIMINARY EXPENSES

3) NET ASSETS VALUE = NET WORTH / NUMBER OF EQUITY SHARES

a. where NET WORTH = SHARE CAPITAL + RESERVES AND SURPLUS - PRELIMINARY EXPENSES



ANNEXURE - V
SADBHAV ENGINEERING LIMITED
CAPITALISATION STATEMENT

		(Rs. In Lacs)
PARTICULARS	PRE-ISSUE (As on March 31, 2005)	POST ISSUE*
Loans-Secured & Unsecured	6807.56	
Working Capital Loan	2836.30	
Short Term Debt	600.67	
Long Term Debt	3370.59	
Shareholder's funds:		
Share Capital	800.00	
Reserves & Surplus	5235.55	
Miscellaneous Expenditure not Written off	(4.67)	
Total Shareholder's funds	6030.88	
Long Term Debt/Shareholder's fund	1.13 : 1	

* Share Capital & Reserves post-issue can be ascertained only after the conclusion of book building process

ANNEXURE - VI
SADBHAV ENGINEERING LIMITED
STATEMENT OF CHANGE IN SHARE CAPITAL

PARTICULARS	BALANCE SHEET AS AT	
	March 31, 2005	March 31, 2004
Share Capital		
Authorised Share Capital		
No of Shares of Rs. 10 Each	10000000	1000000
Amount (Rs. In Lacs)	1000	100
Issued Subscribed & Paid Up		
No. of Shares of Rs. 10 Each	8000000	1000000
Amount (Rs. Lacs)	800	100

ANNEXURE - VII
SADBHAV ENGINEERING LIMITED
STATEMENT OF RATE OF DIVIDEND

PARTICULARS	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
EQUITY SHARES					
Rate of Dividend	20%	20%	20%	20%	20%
Dividend Amount (Rs. In Lacs)	39.45	20	20	20	20
No of Equity Shares of Rs. 10 Each	8000000	1000000	1000000	1000000	1000000



ANNEXURE - VIII(A)

SADBHAV ENGINEERING LIMITED

STATEMENT OF UNSECURED LOANS AS ON MARCH 31, 2005

PARTICULARS	AMOUNT (Rs. In Lacs)	RATE OF INTEREST	TERMS OF REPAYMENT
A - Loan from -			
- Promoter Group/Directors	346.22	3% to 7%	Payable on demand
- Shareholders	257.87	6% to 7%	2 Years or more but less than 3 Years
B - Public Deposits	108.04	9%	3 Years

Particulars		Rs. In Lacs
1. Shri Vishnubhai M. Patel	Promoter Group	0.19
2. Santokba Trust (Represented by Shri Vishnubhai M. Patel)	Promoter Group	62.75
3. V.M. Patel HUF(Karta - Vishnubhai M. Patel)	Promoter Group	65.86
4. Shri Chetankumar N. Patel	Director & Promoter Group	4.35
5. Rajeshriben V. Patel	Director & Promoter Group	35.19
6. Shantaben V. Patel	Director & Promoter Group	142.87
7. Shashin V. Patel	Director & Promoter Group	24.03
8. Vasisthakumar C. Patel	Director & Promoter Group	1.59
9. Vikramkumar R. Patel	Director & Promoter Group	9.39
TOTAL		346.22

ANNEXURE-VIII(B)

SADBHAV ENGINEERING LIMITED

STATEMENT OF UNSECURED LOANS

(Rs. In Lacs)

PARTICULARS	As at March 31,2005	As at March 31,2004	As at March 31,2003	As at March 31,2002	As at March 31,2001
A - Loan from -					
- Promoters/Directors	346.22	603.62	692.02	643.47	614.10
- Shareholders	257.87	348.37	319.40	283.01	289.80
B - Public Deposits	108.04	107.94	-	130.32	147.15
C – Bank	-	-	-	104.27	194.07



**ANNEXURE IX
STATEMENT OF OTHER INCOME -(IF>20% OF PROFIT BEFORE TAX)**

(Rs. In Lacs)

PARTICULARS	For the Financial Year ended				
	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
Profit Before Tax	728.25	763.97	698.96	1029.38	954.51
20% of Profit Before Tax	145.65	152.79	139.79	205.88	190.90
Other Income during the period / year	256.25	7.97	14.97	26.45	26.11

PARTICULARS	For the Financial Year ended					Nature of income
	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001	
Other Income Details						
Miscellaneous Income	36.13	7.96	9.07	18.44	4.73	Recurring
Dividend	0.00	0.01	2.45	2.51	3.76	Non-recurring
Surplus on Sale of Assets / Investments	220.12	0	3.45	5.50	17.62	Non-Recurring
TOTAL	256.25	7.97	14.97	26.45	26.11	

**ANNEXURE - X
SADBHAV ENGINEERING LIMITED
STATEMENT OF TAX SHELTER**

(Rs. In Lacs)

PARTICULARS	For the Financial Year ended				
	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
Profit as per Books of Account-Before Tax	728.25	763.97	698.96	1029.38	954.51
Tax Rate (including surcharge) %	36.59	35.88	36.75	35.70	39.55
Notional Tax Payable -(A)	266.48	274.07	256.87	367.49	377.51
B) Permanent Difference					
1- Impact in respect of Profit on Infrastructure Project u/s 80-IA of Income Tax Act, 1961	(254.28)	(219.07)	(141.09)	-	-
2- Impact in respect of Depreciation on Fixed Assets	-	-	-	-	-
3- (Profit) / Loss on Sale of Assets (Different treatment in tax)	(115.17)	14.76	12.14	19.65	8.16
4- Other Adjustments	4.90	4.08	4.66	4.14	7.96
Total- (B)	(364.55)				
Tax Burden/ (Savings) thereon		(200.24)	(124.29)	23.79	16.12
TOTAL	(98.06)	73.84	132.58	391.27	393.63



ANNEXURE - XI(A)
SADBHAV ENGINEERING LIMITED
STATEMENT SHOWING AGE-WISE ANALYSIS OF SUNDRY DEBTORS

	Rs. In lacs				
PARTICULARS	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
Sundry Debtors (Unsecured, Considered Goods) (Unless otherwise stated)					
Exceeding Six Months**	1840.77	1572.78	792.55	1101.15	391.79
Others	3954.56	2622.61	5024.96	4981.7	4544.10
Total	5795.33	4195.39	5817.51	6082.85	4935.89

** BREAK UP OF SUNDRY DEBTORS OUTSTANDING FOR MORE THAN SIX MONTHS

	Rs.in lacs	
DESCRIPTION	March 31,2005	March 31,2004
Debtors outstanding for a period exceeding 6 months But less than 12 months	100.75	1120.48
Debtors outstanding for a period exceeding 12 months But less than 18 months	416.79	289.35
Debtors outstanding for a period exceeding 18 months But less than 24 months	874.17	3.71
Debtors outstanding for a period exceeding 24 months But less than 30 months	289.35	7.37
Debtors outstanding for a period exceeding 30 months But less than 36 months	3.71	44.18
Debtors outstanding for a period exceeding 36 months	156.00	107.69
Total	1840.77	1572.78

DEBTORS INCLUDES RECEIVABLES FROM RELATED PARTY AS SET OUT BELOW

	Rs. In lacs				
PARTICULARS	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
Sundry Debtors (Unsecured, Considered Goods) (Unless otherwise stated)					
Sundry Debtors outstanding for a period exceeding six months *	-	-	-	-	-
Sundry Debtors outstanding for a period not exceeding six months					
Sadbhav - HCC J.V.	399.03	190.87	245.29	-	-
Sadbhav Prakash JV	114.82	644.57	311.37	38.40	-
Total	513.85	835.44	556.66	38.40	-

*There are no dues from Related Parties outstanding for a period exceeding six months



ANNEXURE - XI(B)
SADBHAV ENGINEERING LIMITED
STATEMENT SHOWING DETAILS OF LOANS & ADVANCES

Rs. In lacs					
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
Loans & Advances, Unsecured, Good (Unless otherwise stated)					
Advances recoverable in cash or in kind or for value to be received	1164.86	537.24	502.30	329.99	132.34
Prepaid Expenses	94.73	105.62	128.92	130.81	54.80
Deposit	747.25	493.83	1121.01	795.71	546.82
Advances Income Tax (Net)	363.77	396.00	276.95	138.03	325.07
Other Advances	50.06	68.64	68.09	97.77	35.25
TOTAL	2420.67	1601.33	2097.27	1492.31	1094.28

Note: There are no loans and advances given to related parties and key management personnel.



ANNEXURE - XII

DETAILS OF SECURED LOAN OUTSTANDING AS ON MARCH 31,2005

1. TERM LOANS FROM FINANCE COMPANIES/BANKS

(Rs. In lacs)

SR. NO.	PARTICULARS OF MACHINERIES/VEHICLES	SANCTIONED AMOUNT	RATE OF INTEREST %	AMOUNT OUTSTANDING	MONTHLY INSTALLMENT	SECURITIES OFFERED
ICICI BANK LTD.						
1	Wmm Plant - 1 No Drum Mix Plant -1 No Crushing Plant- 1no	191.29	9.90	43.63	6.48	Hypothecations of Machinery, Vehicle acquired out of the proceeds of the loan.
2	Ford Ikon Car	5.54	5.00	5.30	0.24	
3	Inova Car	7.00	4.15	6.70	0.31	
TOTAL		203.83		55.63	7.03	

GE CAPITAL TFS

1	Soil Compactor 2 Nos.	36.78	9.20	5.62	1.13	Hypothecations of Machinery, Vehicle acquired out of the proceeds of the loan.
2	Tata Tipper Sk1613 (2 Nos.)	14.75	10.30	3.87	0.50	
3	Tata Tipper 2516 8 Nos.	75.00	10.70	24.38	2.55	
4	Asphalt Compactor Idd-90	20.01	0.00	6.67	0.60	
5	Ingersoll Rand Dd90 Agree.#Z 800621 Ingersoll Rand Dd90 Agree.#Z 800622	18.49 18.49	8.70	16.38	1.23	
6	Inger Rand Sen Pav-3 Agree.#Z800675	86.00	8.25	36.89	2.77	
7	Gap Finance on Machineries	450.00	7.80	233.75	20.31	
8	Tata Tipper Lpk-5nos.	51.30	7.00	38.11	1.58	
9	Gap Finance on Machineries	500.00	7.50	480.29	22.50	
10	Motor Grader 1 No.	34.00	12.20	3.50	1.19	
TOTAL		1304.82		849.46	54.36	



CITICORP FINANCE LTD.

1	Vibratory Soil Compactor -Isd 100	15.91	3.25	2.38	0.48	Hypothecations of Machinery, Vehicle acquired out of the proceeds of the loan.
2	Gap Finance on Machineries	97.00	8.00	50.77	4.42	
3	Roller Idd-90 2nos. Roller Ptr. 1nos. Vibr.Roller Isd100 Roller Isd-00 2nos.	37.76 21.16 18.41 31.81	0.97	3.25	3.26	
4	Sk1615 Tippers 4nos.	30.21	12.75	1.01	1.06	
	TOTAL	252.26		57.41	9.22	

KOTAK MAHINDRA BANK LTD.

1	Hydraulic Excavator Ex-70	17.15	8.50	13.74	1.11	Hypothecations of Machinery, Vehicle acquired out of the proceeds of the loan.
	Hydraulic Excavator Ex-70	17.15				
2	Soil Compactor -IR ISD 100 Soil Compactor -IR IDD 24	15.60 7.96	8.78	9.45	0.76	
3	Grader-Caterpillar-140HP	37.31	9.00	13.93	1.22	
4	IDD-24 Vibratory Compactor (3 Nos.)	27.60	27.60	14.15	2.40	
	PTR Tyre Roller (2 Nos.)	48.60				
5	Kerb Machine MKM-351 - Paver (1 No.)	20.00	10.50	3.88	0.67	
6	Tippers (2 Nos.)	14.75	10.00	3.76	0.49	
7	Hydrostatic sensor paver - finisher (1 No.)	28.08	7.50	14.40	0.90	
8	Hindustan 20212 front end Loader (1 No.)	20.12	7.50	10.90	0.64	
9	Tandem Vibratory Roller	16.20	7.10	8.75	0.51	
10	Bolero Camper Jeep 8 Nos.	28.00	6.50	15.64	0.88	
	TOTAL	298.52		108.60	9.58	



CITIBANK

1	Hindustan 2021 Z Bar Loader (1 Nos.)	20.12	8.75	8.35	0.68	Hypothecati ons of Machinery, Vehicle acquired out of the proceeds of the loan.
2	L&T Komatsu -Excavator TD1-931-0006315	29.84	8.75	12.37	1.00	
3	Appolo Paver TD1-CFL-0006449	28.00	8.75	12.46	0.94	
4	Roller-Rtr-250 Pneumatic	22.76	6.50	15.52	0.92	
5	Vibratory Soil Compactor 5 Nos.	79.56	6.50	54.25	2.52	
6	Sensor Paver Finisher 1 Nos. [Appollo]	28.00	6.50	20.01	0.86	
7	Ingersoll Rand Tandam Roller-Idd90 - 2nos.	26.97	6.50	29.87	0.89	
8	Pneumatic Tyre Toller Rtr 250	20.90	6.50	17.71	0.50	
9	Tipper -5 Nos.	55.75	6.50	41.33	1.71	
10	Excavator Pc300 1 No.	67.50	6.50	62.36	1.62	
11	Tipper -Lpk-2516 Nos.10	113.90	6.15	113.90	2.73	
12	Tipper -Lpk-2516 Nos.10	113.90	6.15	113.90	2.73	
13	Tipper -Lpk-2516 Nos.4	45.56	6.15	45.56	1.09	
TOTAL		652.76		547.59	18.19	



HDFC BANK LTD.

1	Caterpillar motor grader 1 No.	35.50	8.25	17.29	1.14	Hypothecations of Machinery, Vehicle acquired out of the proceeds of the loan.
2	Vibrator Roller	17.00	8.25	8.28	0.55	
3	Crusher Plant - Kamalapur Gulbarga	80.00	7.50	43.27	2.55	
4	Motor Grader 5 Nos.	181.22	6.50	129.66	5.71	
5	Tipper 3 Nos.	35.52	7.00	22.17	1.12	
6	Tipper 3 Nos.	35.52	7.00	22.17	1.12	
7	Drum mix plant	30.42	7.00	19.83	0.96	
8	Drum mix plant	30.42	7.00	21.52	0.96	
9	Tata Hitachi Ex-600V Excavator	106.00	6.50	91.87	2.56	
10	Excavator PC-300 no.1	71.25	6.15	65.83	1.71	
11	Excavator PC-200 no.1	36.50	6.50	35.82	0.88	
12	Scoda Car - 1 No.	10.82	7.50	5.04	0.47	
TOTAL		670.17		482.75	19.73	

SREI INTERNATIONAL FINANCE LTD.

1	Finance on old machineries	300.00	9.00	207.37	9.78	Hypothecations of Machinery, Vehicle acquired out of the proceeds of the loan.
2	Finance on old machineries	400.00	8.00	316.59	12.85	
TOTAL		700.00		523.96	22.63	



ABN AMRO BANK

						Hypothecations of Machinery, Vehicle acquired out of the proceeds of the loan.
1	Bolero Camper Jeep-4 Nos.	12.00	4.50	6.08	0.37	
TOTAL		12.00		6.08	0.37	

	TOTAL	4,094.36		2,631.47	141.11	
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2 FACILITY FROM INDIAN OVERSEAS BANK

Sr. No.	Particulars of Loan	Sanctioned Amount (Rs. in Lacs)	Amount outstanding (Rs. in Lacs)	Rate of interest	Repayment Terms	Securities Offered
1	Short Loan - 1	600	323.04	11%	Repayable in 30 equal monthly installments. Interest should be serviced every month.	Collateral Security : 1) Second charge on machineries with WDV of Rs.1181 lacs as on 31.03.04(Original Value Rs.2586 lacs) 2) Second charge on machineries with WDV of Rs.556 lacs as on 31.03.04(Original Value Rs.1650 lacs) 1 Accepted bills by respective corporation along with written undertaking to pay the proceeds directly to the bank. 1.Margin 5%
2	Short Loan - 2	300	277.63	11%	Repayable in 12 equal monthly installments. Interest should be serviced every month.	
3	Bills Discounting (Drawn on reputed State/Central Govt. Corporations like SSNNL, GIPCL, NHAI, Etc.	1000	147.43	11%	Usage period 60 to 90 days	
4	Bank Guarantee	2000	1508.99	Performance Guarantee - 1% Financial Guarantee - 1.5%		
	Total	3900	2257.09			

Note : All the above credit facilities are secured by personal guarantee of 1) Shri Vishnubhai M.Patel 2) Shantaben V.Patel 3) Chetan N.Patel 4) Vikram R Patel



3 FACILITY FROM THE KARUR VYSYA BANK LTD.

Sr. No.	Particulars of Loan	Sanctioned Amount (Rs. in Lacs)	Amount outstanding (Rs. in Lacs)	Rate of interest	Repayment Terms	Securities Offered
1	Cash Credit	250	256.69	12.50%	On Demand	Prime Security : Hypothecation of stock of construction materials such as Steel, Cement etc. Collateral Security : 1) Hypothecation of 9 Nos. Hindustan 773B Rear Dumpers acquired out of bank finance at a total cost of Rs.1413 lacs. 2) Equitable mortgage on the 'Sadbhav House', on the land admeasuring 711 sq.mtrs. at Final Plot No.438/5, T.P.S.No.3 situated at Village Changisapur, Dist. Ahmedabad valued at Rs.212.13 lacs as per valuation report dated 27.03.2004 3) Second charge on the specific machineries valuing Rs.1955.39 lacs.
2	Bills Discounting	2000	828.91	12.50%		Prime Security : Work order bills passed for payment by the respective E.E.SSNNL Project under SSNNL Scheme. (Bill Agreement, Letter of undertaking cum guarantee from respective authority of SSNNL to pay the proceeds of the bill direct to bank) Collateral Security : As stated above
3	Bank Guarantee (Sub limit of L/C)	2500 (300)	1533.81	Bid Bond - 0.60% Performance/ Financial Guarantee - 1%		1.Margin 5%
	Total	4750	2619.41			

Note : All the above credit facilities are secured by personal guarantee of 1) Shri Vishnubhai M.Patel 2) Shantaben V.Patel 3) Chetan N.Patel 4) Virkam R. Patel



4 FACILITY FROM ORIENTAL BANK OF COMMERCE

Sr. No.	Particulars of Loan	Sanctioned Amount (Rs. in Lacs)	Amount outstanding (Rs. in Lacs)	Rate of interest	Repayment Terms	Securities Offered
1	Cash Credit (Book -Debt)	3000	2579.60	PLR(Present PLR of Bank is 11%) 11%	On Demand	1. Receivables/ Book Debts not older than 180 days and work in Progress of the Company. 2. Hypothecation of Machineries, Vehicles and other furniture and fixtures of the company charged to the Bank against Bank Term Loan(now adjusted). 3. Equitable Mortgage of House property and other Property in the name of Mr. Vishnubhai M. Patel and his family members.
2	Bank Guarantee (Sub limit of L/C)	12500 (1500)	9970.06	Performance Guarantee - 1% Financial Guarantee - 1%		
	Total	15500	12549.66			1.Margin 5%

Note : All the above credit facilities are secured by personal guarantee of 1) Shri Vishnubhai M.Patel 2) Shantaben V.Patel 3) Chetan N Patel. 4) Vikram R.Patel

5 FACILITY FROM INDUSTRIAL DEVELOPMENT BANK OF INDIA

Sr. No.	Particulars of Loan	Sanctioned Amount (Rs. in Lacs)	Amount outstanding (Rs. in Lacs)	Rate of interest	Repayment Terms	Securities Offered
1	Term Loan	900	27.00	13.50%	The loan shall be repaid in 20 quarterly installment commencing from October 1, 2000 & ending on July 1, 2005	Hypothecation of Machineries acquired out of the proceeds of the term loan.
	Total	900	27.00			

Note : All the above credit facilities are secured by personal guarantee of 1) Shri Vishnubhai M.Patel 2) Shantaben V.Patel 3) Chetan N. Patel 4) Vikram R.Patel



6 FACILITY FROM ICICI BANK LTD.

Sr. No.	Particulars of Loan	Sanctioned Amount (Rs. in Lacs)	Amount outstanding (Rs. in Lacs)	Rate of interest	Repayment Terms	Securities Offered
1	Bank Guarantee	7600	4328.18	Performance/ Financial 1% with minimum Commission of Rs.10,000/- per guarantee		1. Margin 5% 2. Exclusive first charge on Machineries of Rs. 707 lacs 3. Exclusive Second Charge on Equipment of Rs. 3930 lacs 4. Second Charge by way of hypothecation on the current assets of the company.
	Total	7600	4328.18			

Note : All the above credit facilities are secured by personal guarantee of 1) Shri Vishnubhai M.Patel 2) Shantaben V.Patel 3) Chetan N. Patel 4) Vikram R.Patel

ANNEXURE :- XIII

DETAILS OF CONTINGENT LIABILITY

Rs. In lacs

	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Disputed Sales Tax Matters	12.55	4.56	NIL	NIL	NIL
Disputed Income Tax Matters	58.96	NIL	NIL	NIL	NIL
Disputed Wealth Tax Matters	00.45	NIL	NIL	NIL	NIL
Disputed Custom Duty Matters	170.50	131.42	NIL	NIL	NIL
Outstanding Capital Contracts	625.06	282.61	212.81	272.81	NIL
Counter Guarantees given to the banks,	11505.59	14669.45	12389.20	12024.81	5335.71
Bill Discounted and Letter of Credits issued by Banks	976.34	1047.42	3359.52	5055.67	2319.95



ANNEXURE-XIV

CASH FLOW STATEMENT

	Rs.in lacs							
	2004-05		2003-04		2002-03		2001-02	
A. CASH FLOW FROM OPERATING ACTIVITIES :								
Net Profit after Tax as per Profit and loss account		699.68		500.91		404.84		729.69
Adjustments For :								
Interest Expenses	661.82		753.59		1,230.20		1,257.87	
Depreciation	1,333.81		1,251.56		1,169.42		972.60	
Depreciation on Vehicle of Earlier Years	58.60		-		-		-	
Preliminary Expenses	1.17		-		-		-	
Profit on sale of Assets	(372.81)		(16.00)		(3.45)		(5.50)	
Loss on sale of Assets	58.08		57.13		33.03		60.54	
Dividend Income	-		(0.01)		(2.45)		(2.51)	
Written off Assets	94.60		-		47.24		-	
Income Tax Provision	60.61		225.46		145.34		300.00	
Wealth Tax Provision	1.23		1.62		0.20		0.30	
Deferred Tax Liabilities /(Assets)	(72.39)	1,824.72	32.25	2,305.60	126.87	2,746.40	-	2,583.30
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		2,524.41		2,806.51		3,151.24		3,312.98
Adjustment For :								
Trade & other Receivable	(1,586.66)		1,634.34		258.18		(1,184.10)	
Inventories	(203.40)		(391.73)		202.26		(262.50)	
Work in Progress	65.72		(1,901.42)		(433.41)		776.87	
Trade Payable	(651.66)	(2,376.00)	(1,160.51)	(1,819.32)	448.21	475.24	4,433.53	3,763.80
Cash generated from Operations		148.40		987.18		3,626.48		7,076.78
Net Prior Year Adjustment			(0.83)		5.17		(0.10)	
Interest Paid	(426.06)		(531.76)		(867.18)		(1,207.44)	
Interest Received	8.72		0.24		-		-	
Tax Paid	(30.01)	(447.34)	(345.54)	(877.89)	(284.42)	(1,146.44)	(112.96)	(1,320.50)
Net Cash From Operating Activities		(298.94)		109.29		2,480.05		5,756.29
B. CASH FLOW FROM INVESTMENT ACTIVITIES :								
Purchase Of Fixed Assets	(1,254.47)		(1,159.44)		(1,492.69)		(2,696.97)	
Sales of Fixed Assets								



DRAFT RED HERRING PROSPECTUS

	636.06		70.20		13.53		104.61	
Sales of Investments	-		-		15.00		0.11	
Dividend Income	-	(618.41)	0.01	(1,089.24)	2.45	(1,461.71)	2.51	(2,589.75)
Net Cash From Investing Activities		(618.41)		(1,089.24)		(1,461.71)		(2,589.75)
C. CASH FLOW FROM FINANCING ACTIVITIES :								
Proceeds From Borrowings	4,418.43		2,916.18		2,980.49		2,024.36	
Repayment of Borrowings	(3,457.45)		(2,119.04)		(3,688.38)		(3,628.18)	
Proceeds From issue of Shares	1,200.00		-		-		-	
Preliminary Expenses	(5.84)		-		-		-	
Loans & Advances	(851.58)		615.00		(466.04)		(585.07)	
Interest Paid	(324.89)		(300.80)		(471.73)		(188.51)	
Interest Received	80.40		78.72		108.72		138.08	
Dividend Paid	(20.00)		(20.00)		-		(40.00)	
Dividend Tax Paid	(2.61)	1,036.46	(2.56)	1,167.50	-	(1,536.95)	(4.08)	(2,283.41)
Net Cash From Financing Activities		1,036.46		1,167.50		(1,536.95)		(2,283.41)
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)		119.11		187.55		(518.61)		883.13
OPENING BALANCE OF CASH & CASH EQUIVALENTS		1,209.35		1,021.80		1,540.41		657.28
CLOSING BALANCE OF CASH & CASH EQUIVALENTS		1,328.46		1,209.35		1,021.80		1,540.41

Note :- Disclosure is not made for March 31, 2001 since Accounting Standard 3 on Cash Flow Statements was introduced with effect from financial year April 1, 2001.



ANNEXURE-XV RELATED PARTY TRANSACTIONS

List of Related Parties

A. Associate Companies/ Entities :

Sadbhav Finstock Pvt. Ltd, Sadbhav Quarry works Pvt. Ltd.,Sadbhav Public Charitable Trust

B. Key Management Personnel

Shri Vishnubhai M. Patel, Shri Chetankumar N. Patel, Shri Vikram R. Patel, Shri Vasistha C. Patel, Shri Arvind K. Soni, Shri Nitin R. Patel, Shri Shashinbhai V. Patel, Rajeshriben V. Patel

C. Relative of Key Management Personnel and Enterprise over which Relative Of Key Management Personnel exercise significant Influence

Shantaben V. Patel, Mamtaben Patel, Bhavnaben Patel, Alpaben Patel, Truptiben Patel, Rekhaben Patel, Nandubhai Patel, Vinubhai Patel, Veer Trans, Bhavna Engineering Co., Monte Carlo Construction Pvt. Ltd.

D. Joint Ventures: Sadbhav-Prakash JV, Sadbhav-PBA J.V., HCC-SEL Joint Venture, Jillin-Sadbhav J.V.

Rs. Lacs													
Sr. No.	Nature of Transactions	2004-2005				2003-2004				2002-2003			
		A	B	C	D	A	B	C	D	A	B	C	D
1	Sub contracting Income	-	-	0.20	5186.93	-	-	-	6385.67	-	-	51.10	1678.40
2	Sub contracting Expenditure #			685.13	278.51			825.26	198.84			728.05	50.51
3	Sale of Fixed Assets	-	-	29.02	-	-	-	-	-	-	-	-	-
4	Remuneration Paid	-	20.85	-	-	-	14.55	-	-	-	14.55	0.51	-
5	Interest Received	-	-	15.54	1.92	-	-	-	-	-	-	-	-
6	Interest Paid	-	20.9	44.67	22.78	-	27.09	40.94	1.55	-	44.05	74.75	-
7	Dividend Paid	1.14	12.01	6.68		1.14	12.01	6.68					
8	Rent & Service Charges paid	-	4.00	4.74	-	-	4.25	5.28	-	-	3.63	20.17	-
9	Payment made for services received	-	-	85.22	-	-	-	-	-	-	-	3.99	-
10	Advances received during the year				1153.42				1517.33				447.96
11	Advances repaid during the year				1752.49				1083.46				366.97
12	Closing Balance of Advances received				1693.87				2292.95				1859.07
13	Loan received during the year	-	146.41	305.41		6.00	115.45	228.72		4.00	101.45	242.48	
14	Loan repaid during the year	-	363.59	471.71		6.00	230.07	186.42		4.00	123.39	452.76	
15	Closing Balance of Loan received	-	203.34	732.04		-	399.63	882.71		-	439.21	826.82	

includes Royalty, Sales Tax, Exchange rate difference, Safety Expenses, Bank Commission, Arbitration Expenses, Consultation Expenses and Work Expense.



COMPANIES PROMOTED BY THE PROMOTER

1. SADBHAV FINSTOCK PRIVATE LIMITED

The company was incorporated as an NBFC on May 18, 1994 vide certificate no. 04-22083. The present registered office of the company is situated at "Sadbhav House", Opp. Law Garden Police Chowki, Ellisbridge, Ahmedabad – 380 006. Mr. Vishnubhai M Patel and Ms. Shantaben V Patel are the promoters of the company. The company was incorporated to carry on investment activities. RBI had issued directives making it compulsory for NBFC to have a Net Owned Fund (NOF) of Rs.25 lakhs. On failure of compliance, the company was prohibited from doing business as NBFC and the company ceased to be a NBFC. The company amended its main objects at the Extra ordinary General Meeting of the shareholders held on July 1, 2000. The new objects permitted the company do software/hardware business.

However the company has not done any business till date.

The Directors of the company are Mr. Vishnubhai M Patel and Smt. Shantaben Vishnubhai Patel.

The shareholding pattern of the company is:

Sr. No.	Name of shareholders	No. of shares held	% to total
1	Vishnubhai M Patel	40	4.00%
2	Shantaben Vishnubhai Patel	10	1.00%
3	Sashin V Patel	50	5.00%
4	Mamtaben Patel	150	15.00%
5	Bhavnaben Patel	150	15.00%
6	Truptiben Patel	150	15.00%
7	Alpaben Patel	150	15.00%
8	Rajshreeben Patel	150	15.00%
9	Rekhaben Patel	150	15.00%
	Total	1000	100.00%

Brief Financials

Particulars	Rs. Lakhs		
	2004-05	2003-04	2002-03
Equity Capital (Issued & paid-up)	1.00	1.00	1.00
Reserves & Surplus	7.06	5.97	4.87
Miscellaneous Expenses not written off	0.00	0.01	0.02
Total Income	1.14	1.14	0.00
Profit/(Loss) after tax	1.09	1.09	(0.05)
Earnings Per Share (EPS)(Rs)	109.07	109.48	--



Net Asset Value (per share Rs.)	805.90	695.68	585.05
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There are no litigations/dispute pending by/ against the Company.

2. SADBHAV QUARRY WORKS PRIVATE LIMITED (SQWPL)

The company was incorporated on August 16, 1994 vide certificate no. 04-22771. The Company was incorporated to carry on the quarry business. Mr. Vishnubhai M Patel and Ms. Shantaben V Patel are the promoters of the company. The present registered office of the company is situated at "Sadbhav House", Opp. Law Garden Police Chowki, Ellisbridge, Ahmedabad – 380 006. The Directors of the company are: Mr. Vishnubhai M Patel and Smt. Shantaben Vishnubhai Patel. SQWPL has its quarry at Sevalia, Gujarat, spread over 110 acres. The main activity is manufacturing greet, kapchi and metal from rubble. 70% of the production is for captive consumption by Sadbhav Engineering Limited. The site has an estimated mineral yield capacity of 30-35 lac brass.

The shareholding pattern of the company is as follows:

Sr. No.	Name of shareholders	No. of shares held	% to total
1	Vishnubhai M Patel	930	18.60%
2	Shantaben Vishnubhai Patel	2760	55.20%
3	Sadbhav Engineering Limited	1240	24.80%
4	Sashin V Patel	10	0.20%
5	Mamtaben Patel	10	0.20%
6	Bhavnaben Patel	10	0.20%
7	Truptiben Patel	10	0.20%
8	Alpaben Patel	10	0.20%
9	Rajshreeben Patel	10	0.20%
10	Rekhaben Patel	10	0.20%
	Total	5000	100.00%

Brief financials:

Particulars	Rs. Lakhs		
	2004-05	2003-04	2002-03
Equity Capital (Issued & paid-up)	5.00	5.00	5.00
Reserves & Surplus	108.43	102.06	99.80
Miscellaneous Expenses not written off	0.00	0.00	0.02
Total Income	49.50	246.84	258.64
Profit/(Loss) after tax	(10.67)	1.48	9.86



Earnings Per Share (EPS)(Rs)	--	29.51	197.29
Net Asset Value (per share Rs.)	2268.55	2141.15	2095.63

For litigations/dispute pending by/ against the company refer to page _____ under the head "OUTSTANDING LITIGATIONS"

ASSOCIATE COMPANY

1. MUMBAI NASIK EXPRESSWAY LIMITED

Mumbai Nasik Expressway Limited was incorporated on July 22, 2005 with its registered office at Gammon House, Veer Savarkar Marg, Prabhadevi, Mumbai – 400 025. The Company is a Special Purpose Vehicle for execution of the Four Laning of Vadape-Gonde Road BOT Project. The authorised capital is Rs. 5.00 lakhs.

The Directors of Mumbai Nasik Expressway Limited are: Mr. Himanshu Parikh, Mr. Parvez K. Umrigar, Mr. Vijay Agarwal and Mr. Vishnubhai M Patel.

The subscribers to the Memorandum & Articles of Association are as follows:

	No. of shares
Gammon Infrastructure Projects Limited	49930
Himanshu V Parikh	10
Rajul A Bhansali	10
Parvez K Umrigar	10
Vijay Agarwal	10
Parag Parikh	10
Kalpesh Pathak	10
Varadraj Kibe	10
TOTAL	50,000

On infusion of funds by the Consortium, the shareholding pattern is expected to be as follows:

	% to total
Gammon India Limited	70%
B.E. Billimoria & Co. Limited	10%
Sadbhav Engineering Limited	20%
TOTAL	100%

There are no litigations filed against or by Mumbai Nasik Expressway Limited

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS**

(All the figures used in this section, unless stated otherwise, have been derived from the audited restated financial statements of Sadbhav Engineering Ltd.)

Overview of the business

Our Company was incorporated on October 3, 1988 as a private company. It took over the running business of M/s. Bhavana Construction Co., a partnership firm, engaged in construction business since 1968.

The main focus areas of our Company are:

- **Irrigation** – Constructing earthen dams, canals, syphon, remodelling and improving canals
- **Roads & Highways** – Rehabilitating, upgrading, widening and strengthening of roads and highways
- **Mining Operations** – Excavation of minerals

The order book status as on September 1, 2005 is Rs. 112320.67, break up of which is as follows:

Project	No. of projects	Tendered Amount	Amount of work done	Net work on hand
		Rs. Lakhs		
Irrigation	4	25583	3605.91	21977.09
Roads & Highways	4	100589.9	15858.85	84731.02
Mining Operations	1	6500	887.44	5612.56
TOTAL	9	132672.87	20352.20	112320.67

Significant developments subsequent to the last financial year

- A consortium of Gammon India Ltd, B.E. Billimoria & Co. Limited and our Company has been awarded the Vadape-Gonde 4 Lane BOT project. The Mumbai Nasik Expressway Ltd., a Special Purpose Vehicle was incorporated on July 22, 2005 for executing the BOT project. We have been part sub-contracted the work to the extent of Rs. 48600 lakhs by Gammon India Limited.

Factors that may affect the operations

- Any change in the government policy or its budgetary allocation to the infrastructure sector will have a major impact on our business.
- Change in political and regulatory environment
- Increase in prices of any of the raw materials namely steel, cement, diesel, etc. will affect the bottom line as the increase in prices in a BOT project is not be covered by escalation provisions.
- Changes in the tax structure of sales tax, entry tax, RTO tax etc.
- Increasing competition from large national and international players



Discussion on results of operation

A summary of past financial results are given below:

Particulars	For the Financial years Ended (Rs. in Lacs)				
	March 31,2005	March 31,2004	March 31,2003	March 31,2002	March 31,2001
INCOME					
Contract Receipts	20537.56	22822.02	21007.49	22175.19	18123.14
Increase/(Decrease) in work in progress	(65.72)	1901.42	433.41	(776.87)	696.68
Other Income	256.25	7.97	14.97	26.45	26.11
Total	20728.09	24731.41	21455.87	21424.77	18845.93
EXPENDITURE					
Material Consumed	4870.57	7019.86	5070.59	6780.37	5133.04
Construction Expenses	11218.12	13008.19	11848.58	10228.69	10009.58
Administrative & Other Expenses	1914.33	1932.57	1443.64	1155.76	813.17
Total	18003.02	21960.62	18362.81	18164.82	15955.79
Operating Profit before Finance Cost, Amortisation & Depreciation and Prior period expenses	2725.07	2770.79	3093.06	3259.95	2890.14
Interest & Financial Charges	661.82	753.59	1230.19	1257.87	1022.75
Depreciation	1333.81	1251.56	1169.42	972.60	912.16
Preliminary Expenses Written Off	1.17				0.05
Operating Profit before Prior Period Expenditure	728.27	765.64	693.45	1029.48	955.18
Add(Less): Taxes relates to previous years written back/(off)	(0.02)	(1.67)	5.51	(0.10)	(0.67)
Profit before Tax	728.25	763.97	698.96	1029.38	954.51
Less: Current Tax	61.81	227.08	145.54	300.30	252.2
Deferred Tax	(72.39)	32.25	126.87		
Profit after Tax	738.83	504.64	426.55	729.08	702.31
Impact of material adjustment for restatement in corresponding years	-	8.55	(14.71)	(22.05)	(6.09)
Net Profit after Tax	738.83	513.19	411.84	707.03	696.22

The following table illustrates the trend in the growth of revenues and margins during the past 3 years:

The contribution to turnover from each of the above mentioned divisions is as follows:

Activity	2001-02		2002-03		2003-04		2004-05	
	Turnover	% to total	Turnover	% to total	Turnover	% to total	Turnover	% to total
	(Rs. Lakhs)		(Rs. Lakhs)		(Rs. Lakhs)		(Rs. Lakhs)	



Roads & Highways	6072.97	27.39%	9400.29	44.75%	18775.98	82.39%	14910.80	72.60%
Irrigation	11140.39	50.24%	6854.85	32.63%	2612.43	11.46%	4689.90	22.84%
Mining Operations	4961.82	22.38%	4752.35	22.62%	1401.69	6.15%	936.88	4.56%
TOTAL	22175.18	100.00%	21007.49	100.00%	22790.10	100.00%	20537.58	100.00%

Comparison of significant items of Income and Expenditure

Comparison of performance for year 2004-05 vis-à-vis 2003-04

Contract Receipts

There has been an overall decrease of 10% in the turnover in the year 2004-05 as compared to the previous year. During the year the turnover from roads has decreased since no tenders for road construction were floated by NHAI in the last two years. Four irrigation projects were completed during the year resulting in an increase of 79.52% in the irrigation turnover. We were awarded an excavation contract by GMDC in January 2004 which was stalled due to environmental issues.

Other Income

Other income has increased by Rs. 248.28 lakhs over the previous year due to profit on sale of machinery which were mainly related to mining operations.

Materials Consumed

In the year 2003-04, the materials consumed was Rs.7019.86 lakhs which decreased to Rs. 4870.57 lakhs in 2004-05 due to reduction in contract receipts. The cost cutting endeavours of the management further reduced the material costs by 7% of contract receipts.

Construction Expenses

The construction expenses comprise of sub-contract expenses, road work expenses, structural work expenses, excavation expenses, diesel expenses, machinery spares and repairs, machinery rent expenses, etc. During the year 2004-05, the expenses reduced by 13.76% over the previous year due to reduction in turnover and cost saving measures of the management.

Interest & Finance Charges

Interest charges have reduced by 12 % from Rs. 753.59 lakhs in 2003-04 to Rs. 661.82 lakhs in 2004-05. This decrease is due to reduction in the bill discounting charges from Rs. 245 lakhs to Rs. 78 lakhs and a gradual reduction in the interest rate structure.

Depreciation

Depreciation has increased from Rs. 1251.56 lakhs in 2003-04 to Rs. 1333.81 lakhs in 2004-05 inspite of a decrease in the amount of fixed assets. This is on account of the fact that around 80% of the assets sold were sold at the year end thereby entailing a depreciation provision for the whole year. Assets costing Rs.239 lacs were written-off at the end of the year which led to a decrease in the amount of fixed assets without reducing the depreciation provision significantly.

Operating profit before tax, prior period and extraordinary items

There is no significant decrease in the taxable profits before extraordinary items as compared to the previous year despite a 10% reduction in the turnover due to a substantial rise in the other income.

Comparison of performance for year 2003-04 vis-à-vis 2002-03

Contract Receipts



There has been an increase of Rs. 1814.53 lakhs during the year over the previous year due to doubling of revenues from road projects. Income from road projects increased from 45% of the total turnover to 82% portraying our increased focus on the road sector. We also earned bonus of Rs. 160 lakhs for early completion of the NH-79 project.

Materials Consumed

The raw materials consumed has increased by 6% as a percentage of contract receipts over the year 2002-03 due to sharp increase in price of raw materials like diesel, steel, cement and other materials.

Construction Expenses

The construction expenses have increased from Rs. 11848.58 lakhs to 13008.19 lakhs on account of a proportionate increase in the turnover.

Administrative & Other Expenses

The increase of administrative and other expenses by 33.87% over 2002-03, is mainly due to rise in RTO tax, sales tax, entry tax, commission paid to banks and increase in personnel expenses on account of new projects taken up.

Interest & Finance Charges

The interest and finance charges have reduced from Rs. 1230.19 lakhs in 2002-03 to 753.59 lakhs in 2003-04 on account of a reduction in the bill discounting charges by Rs.445 lakhs.

Depreciation

Depreciation has increased from Rs. 1169.42 lakhs in the year 2002-03 to Rs. 1251.56 lakhs in 2003-04 due to a proportionate increase in fixed assets.

Profit before tax

The rise in profits is in tune with the increase in the contract receipts for the year.

Comparison of performance for year 2002-03 vis-à-vis 2001-02

Contract Receipts

There is a decrease of 5.27% in the contract receipts received during the year 2002-03 as compared to its previous year. The road projects have contributed 45% to the turnover while mining operations have been stagnant. The turnover from irrigation has reduced from 11140.39 lakhs to 6854.85 lakhs since no new contracts were awarded by SSNNL during the year.

Materials Consumed

Consumption of raw materials has reduced from Rs. 6780.37 lakhs to Rs. 5070.59 lakhs due to a fall in contract receipts.

Construction Expenses

Construction expenses have increased from Rs. 10228.69 lakhs to Rs. 11848.58 lakhs. This increase of 15% can be attributed to the change in revenue mix, increase in sub contracts during the year and rise in diesel and oil expenses, etc.

Administrative & Other Expenses

The administrative expenses have increased from Rs. 1155.75 in 2001-02 to Rs. 1443.63 lakhs in 2002-03. This increase of 25% is mainly due to execution of contracts in different states and their diverse tax rates, increase in commission paid to the banks and increase in salaries and recruitment particularly for the road projects.



Interest & Finance Charges

There is no significant change in the interest and finance charges due to the set-off between the decrease in interest on loans and increase in the bill discounting charges.

Depreciation

Depreciation has increased to Rs. 1169.42 lakhs in 2002-03 from Rs. 972.60 lakhs in its previous year. This increase is attributable to the huge investment made in road construction machinery during the year.

Profit before tax, prior period and extraordinary items

The reduction in the operating profits is primarily due to the decrease in the contract receipts for the year and an increase in the depreciation provision.

INFORMATION AS PER CLAUSE 6.10.5.5 OF SEBI DIP GUIDELINES

1. Unusual or infrequent events or transactions

Our Company was awarded the Lignite Mining Project at Surat for a period of 4 years w.e.f January 31, 2004. However, the same has been stalled as GMDC had not obtained an Environmental Clearance Certificate from Government of India.

2. Significant economic changes that materially affected or likely to affect income from continuing operations.

- Any major change in Government Policies will have an impact on the operations of the our Company
- Changes in prices of raw materials and consumables such as petroleum products in case of BOT project

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.

Delay and Non payment of dues by SSNNL & GIPCL for work completed by us

4. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales price.

There has been no material increase in net sales in the last three years.

5. Future changes in relationship between costs and revenues. In case of events such as future increase in labour or material costs or prices that will cause a material change are known:

We are focussing on the road sector where projects are awarded by the competitive bidding process. This can result in the reduction of profit margins for our company.

6. Total turnover of each major industry segment in which the Company operates

Our Company operates only in one industry segment – Construction.

7. The extent to which business is seasonal

Our business is not seasonal in nature. However the construction activities are affected by monsoon and extreme weather conditions.

8. Any significant dependence on single or few suppliers or customers



Most of the irrigation projects are from SSNNL and road projects are secured from NHAI. However we have been participating in tenders floated by State Governments also.

9. Competitive conditions

There is tough competition from other players in the market. However with a proven track record and financial capability we have been able to procure large projects. Recently, a road project on BOT basis has been awarded to a consortium of Gammon India Ltd., B.E. Billimoria & Co. Limited. and our company. Most of the contracts of our Company are procured by way of bidding. For this purpose there are certain pre qualifications to be satisfied. These pre qualifications are based on the bid capacity, past projects done, financial capability, etc.

**LEGAL AND OTHER INFORMATION****OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS**

Save as stated herein under, based on records available, there are no outstanding/pending litigations, suits, criminal/civil prosecutions, proceedings initiated for offences (including past cases, economic offences etc) irrespective of whether specified in paragraph (1) of part 1 of Schedule XIII of the Companies Act and litigations for tax liabilities against Sadbhav, its group companies, Promoters, its directors and group concerns and there are no defaults/non-payment/overdues of statutory dues, institutional/bank dues and dues towards holders of debentures, bonds and fixed deposits and arrears of Preference Shares etc, other than unclaimed liabilities of Sadbhav and other group concerns.

CONTINGENT LIABILITY AGAINST THE COMPANY

As on March 31, 2005 the contingent liability outstanding against our Company is as follows:

(Rs. in Lakhs)	
Particulars	March 31, 2005
Counter Guarantee	11505.59
Outstanding Capital Contract	625.06
Outstanding Liability for Bill Discounted with Bank	976.34
Demand under Orissa Sales Tax Act	11.81
Demand under Orissa Sales Tax Act for Entry Tax	0.75
Demand of Customs Duty towards import of Machineries	170.50
Demand under Income Tax Act	58.96
Demand under Wealth Tax Act	0.45
Total	13349.46

LITIGATIONS:**LITIGATIONS AGAINST THE COMPANY**

There are no litigations filed against the Company.

LITIGATIONS FILED BY THE COMPANY**Civil Disputes**



1. The Company has filed a suit against Sardar Sarovar Narmada Nigam Limited (SSNNL) in the Court of Civil Judge (S.D.), Nadiad Special Civil Suit No. 90/2003) claiming an amount of Rs. 32.82 Crores. SSNNL had invited bids for constructing a canal syphon across river Watrak on the Narmada Main Canal at Ch. 196.18 Km. The Company was invited to construct the syphon worth Rs. 54.78 Crores. The Company incurred costs and expenses for additional works, excessive dewatering, desilting, monsoon damages, constructing river diversion, wrong deduction of rebate, loss of profits and overheads, idle charges for men and machinery, bank guarantee charges, interest costs and such other costs to the tune of Rs. 32.82 Crores. The Company claimed the above amount from SSNNL but the same was rejected. The Company then filed this suit for recovering the above amount from SSNNL. By an interim order dated April 28, 2004 the Nadiad Court held that it had jurisdiction to entertain the suit as works regarding syphon construction were outside the purview of Gujarat Public Works Contracts Disputes Arbitration Tribunal Act, 1992. SSNNL has appealed against the order passed by the Nadiad Court in the Gujarat High Court, and the same is pending for hearing.
2. The Company has filed a Winding Up Petition (No. 166 of 2004) under Section 433 and 434 of the Companies Act, 1956 in the Gujarat High Court against Gujarat Industries Power Company Limited (GIPCL) for default in payment of admitted dues amounting to Rs. 9.01 Crores due and payable by GIPCL for excavation work of its lignite mines at Vastan, Gujarat carried out by the Company. The next date of the hearing of the matter in Court is on September 29 2005.

Arbitrations

1. The Company has filed Arbitration proceedings against Sardar Sarovar Narmada Nigam Limited (SSNNL) in the Hon'ble Gujarat Public Works Contracts Disputes Arbitration Tribunal at Ahmedabad claiming an amount of Rs. 31.11 Crores. SSNNL had invited bids for constructing a part of the Narmada Main Canal (Km 155.030 to Km 168.436) known as "Package II". The Company was awarded the contract for the construction of Package II worth Rs. 70.22 Crores. SSNNL issued the work order on June 4, 1994 and the Company was required to commence work immediately. The work was to be completed within a period of 48 months i.e. June 3, 1998. Due to various delays on the part of SSNNL, the project was given an extension due to which the cost of the project escalated to Rs. 89.04 Crores. The Company incurred extra costs and expenses to the tune of Rs. 31.11 Crores for additional works, desilting due to rains, delay in conversion of security deposit into bank guarantee by SSNNL, overhead costs due to extension of contract, interest and such other costs. The Company included these costs in the Final Bill submitted to SSNNL, but these costs were not approved for payment. The Company accepted payments for other works included in the Final Bill under protest and initiated arbitration proceedings for recovering the above amount from SSNNL. The Statement of Claim has been filed by the Company on September 10, 2002 with the Arbitration Tribunal. The matter is pending with the Arbitration Tribunal.
2. The Company has filed Arbitration proceedings against Sardar Sarovar Narmada Nigam Limited (SSNNL) in the Hon'ble Gujarat Public Works Contracts Disputes Arbitration Tribunal at Ahmedabad claiming an amount of Rs. 10.57 Crores. SSNNL had invited bids for constructing a part of the Shedhi Branch Canal (Km 0.000 to Km 46.030). The Company was awarded the tender to construct the canal worth Rs. 20.28 Crores. SSNNL issued the work order on July 1, 1992 and the Company was required to commence work immediately. The work was to be completed within a period of 36 months i.e. June 30, 1995. The Company in fact completed the canal work on January 17, 1995 well before time. Since the Company incurred various other costs and expenses for carrying out additional works, idle charges for men and machinery, damages due to release of water in



the canal, difference in rates of bricks, curing of slope lining, interest costs and such other costs to the tune of Rs. 10.57 Crores, the Company claimed the above amount from SSNNL, which was rejected forthwith. The Company initiated arbitration proceedings claiming Rs. 10.57 Crores. The Statement of Claim has been filed by the Company on May 6, 2003 with the Arbitration Tribunal. The matter is pending before the Arbitration Tribunal.

3. The Company had entered into a joint venture consortium lead by Amar Construction Company for constructing a part of the Narmada Main Canal (Km 108 to Km 144.5). The joint venture consortium was invited by SSNNL to construct the canal worth Rs. 49.45 Crores. SSNNL issued the work order on January 29, 1990 and the work was to be completed within a period of 48 months i.e. January 28, 1994. The joint venture consortium completed the canal work on April 30, 1998 as the project suffered various delays on the part of SSNNL. The joint venture consortium incurred various costs and expenses out of which the Company's costs for additional works, spoil bank raising, excess rebate, loss of profits and overheads, idle charges for men and machinery, bank guarantee charges, price escalation due to Gulf War, interest costs and such other costs were to the tune of Rs. 31.72 Crores. The joint venture consortium claimed these amounts from SSNNL, but the same were rejected. The joint venture consortium then initiated arbitration proceedings against SSNNL. The Statement of Claim has been filed on December 13, 2004 in the Arbitration Tribunal.
4. Gujarat Industries Power Company Limited (GIPCL) appointed the Company to excavate its lignite mines at Vastan, Gujarat for a period six (6) years in the year 1997. The Company mobilized equipments and finance to carry out the excavation work. Throughout the period of the contract GIPCL was inconsistent in paying the RA Bills submitted by the Company, but the Company ensured that the excavation of the lignite mines was not affected due to such payment delay's as GIPCL's power plant was dependant on the lignite excavated and supplied by the Company. The contract ended on December 25, 2003. Meanwhile, the Company invoked Arbitration and the Gujarat High Court appointed a Tribunal to adjudicate the matter. The Company filed its Statement of Claim in June 2005 claiming Rs. 50.58 Crores along with interest from GIPCL. The next date of hearing is October 22, 2005.
5. Gujarat Industries Power Company Limited (GIPCL) appointed the Company to excavate its hard rock/ limestone mines at Vastan, Gujarat for a period of 36 months in the year 1999. The Company was required under the contract to transport the material upto three (3) Kms. where the power plant stacking area of GIPCL was situated. However, the Company had to supply the materials through an alternate route which was at a distance of six (6) Kms. from the stacking area as GIPCL was unable to hand over the land for construction of the 3 Kms. road to be constructed by the Company. The Company has also claimed damages from GIPCL for delayed payments of RA Bills, reduction in quantity of limestone, wrongful withholding of retention money and unjustified recovery of liquidated damages. Meanwhile, the Company invoked Arbitration and the Gujarat High Court appointed a Tribunal to adjudicate the matter. The Company has filed its Statement of Claim in June 2005 claiming Rs. 4.81 Crores from GIPCL. The next date of hearing is on October 22, 2005.
6. The Company had entered into a joint venture agreement with Hindustan Construction Company Limited (HCC) for the execution of the upgradation of a road from Hattigudar to Bidar (Contract Package U-3) in the State of Karnataka funded by the World Bank. The Karnataka State Highway Improvement Projects (KSHIP), A Government of Karnataka Undertaking, had awarded the work to the Joint Venture on January 23, 2002. During the execution of the project various disputes arose between the Joint Venture and KSHIP on matters such as withdrawal of the work of routine maintenance, non-issue of essentiality certificates for exemption from customs/excise duties, work of internal pavement



edge drains. The joint venture has claimed an amount of Rs. 9.19 Crores with interest. The Company is to receive the whole amount stated above as this forms part of the actual work carried out by the Company under the joint venture. The joint venture has also filed its written submissions before the Tribunal on July 27, 2005.

7. The Company was awarded the work of rehabilitation and upgrading to 4/6 lane divided carriageway from Kishangarh (Km. 363.90 of NH-8) to Nasirabad project (Km. 15.0 of NH-79) in Rajasthan (Package-KU-1) by the National Highways Authority of India (NHAI) on November 17, 2001. The Company completed the project on March 15, 2004, two months before the scheduled date of completion and earned a bonus of Rs. 1.60 Crores. During execution of the project disputes arose with the NHAI regarding market price of a flyover bridge at Nasirabad, use of modified bitumen with crumb rubber modified bitumen in bituminous concrete (BC), price escalation of bitumen, payment of skin reinforcement and other costs amounting to Rs. 23.69 Crores. The Company raised the matter with the Engineer, but the same was rejected. The Company has recently invoked Arbitration and submitted its Statement of Claim before the Arbitration Tribunal on August 25, 2005. The next date of meeting of the Arbitration Tribunal is November 24, 2005.
8. The Company had entered into a joint venture agreement with PBA Infrastructure Limited for the execution of rehabilitation and upgrading to 4/6 lane divided carriageway from Pratapnagar Junction (Km. 113.825 of NH-76) to Mangalwar (Km. 172.0 of NH-76) in Rajasthan (Package-KU-6) by the National Highways Authority of India (NHAI) on October 22, 2001. The project has been recently completed by the joint venture (wherein the Company is a 50% partner). During execution of the project, various disputes arose between the joint venture and NHAI on matters such as compensation loss of overheads and profits, reduced productivity from machinery and equipment deployed, cost of deployment of additional resources, bonus lost and extra works aggregating to Rs. 50.38 Crores. The Statement of Claim has been filed with the Arbitral Tribunal by the joint venture.
9. The Company was awarded the work of construction of roads in the refinery and township of Reliance Industries Limited (RIL) at Jamnagar, Gujarat in July 1997. The Company successfully completed the road construction work in August 1998 within the stipulated period of completion. However, certain disputes arose between the Company and RIL due to the reduction in the quantum of work, mobilization of men and equipments. The Company invoked Arbitration and the Arbitral Tribunal passed an Award dated April 29, 2004 in favour of the Company and directed RIL to pay an amount of Rs. 70.00 Lakhs with interest to the Company. RIL has preferred an appeal against the Award passed by the Arbitral Tribunal in the District Court, Jamnagar and the next date of hearing in the Court is October 10, 2005.

Note: The Company has approached Sardar Sarovar Narmada Nigam Limited (SSNNL) claiming certain payments amounting to Rs. 16.91 Crores for various works related to the Narmada Main Canal and Saurashtra Branch Canal completed by the Company. In case SSNNL rejects the claims, the Company intends to invoke arbitration under the Gujarat Public Works Contracts Disputes Arbitration Tribunal Act, 1992.

Direct Tax Disputes

Income Tax

1. The Company has filed an Appeal in the ITAT on September 19, 2005 against an order passed in Appeal by the Commissioner of Income Tax (Appeals) XIV, Ahmedabad on April 25, 2005 on a demand of Rs. 12.14 Lakhs for the A.Y. 2001-



2002 and Rs. 75.84 Lakhs for the A.Y. 2002-2003 made by the Asst. Commissioner of Income Tax due to the disallowance of TDS claimed on mobilization/machinery advances received by the Company. The matter is pending for hearing.

Wealth Tax

1. The Asst. Commissioner of Wealth Tax, Circle – 8, Ahmedabad, passed an order imposing a penalty of Rs. 16,334 for the A.Y. 1997-98 and Rs. 28,906 for the A.Y. 1998-99 on the Company for non-inclusion of utility vehicles (Jeeps) in wealth tax returns filed by the Company. The above order was confirmed by the Commissioner of Wealth Tax, Circle – 8, Ahmedabad on October 15, 2004 and December 7 2004, respectively. The Company has filed Appeals on December 21, 2004 and January 5, 2005 against the two orders in the Income Tax Appellate Tribunal (ITAT). The ITAT has not completed the hearing of the Appeals.

Indirect Tax Disputes

Customs Duty matters

- a. The Company had imported one Ashphalt Mixing Plant valued at Rs. 2.29 Crores by claiming nil rate of customs duty in terms of Notification No. 17/2001. However, the Dy. Commissioner of Customs demanded a payment of Rs. 1.17 Crores customs duty on the import of the plant by the Company. The Company filed a Special Civil Application (No. 10779 of 2004) on March 4, 2005 in the Gujarat High Court for a stay against the demand made by the Asst. Commissioner. The Gujarat High Court passed an order requiring the Company to deposit ten percent (10 %) of the customs duty (i.e. Rs. 0.12 Crores), demanded by the department and remanded the matter to the Commissioner of Customs (Appeals) for adjudication. The Commissioner of Customs (Appeals) thereafter on June 27, 2005 passed an interim order directing the Company to deposit 50 % (fifty per cent) of the duty demanded and furnish a bank guarantee for the balance amount to the lower authority. Balance outstanding liability after the amount deposited is Rs. 1.05 Crore. The Company has filed an Application before the Commissioner of Customs (Appeals) for waiver of the order. The proceedings before the Dy. Commissioner of Customs have not yet commenced.
- b. The Company had imported four (4) Motor Graders and claimed nil rate of customs duty in terms of Notification No. 20/1999. The Company further imported two (2) Motor Graders and claimed nil rate of customs duty in terms of Notification No. 23/1998. The Dy. Commissioner of Customs denied the benefit of the Notifications to the Company and demanded payment of customs duty of Rs. 106.00 Lakhs with interest and penalty. The Company appealed against the above demand to the Commissioner of Customs, Nhava Sheva. Commissioner of Customs confirmed the order of the lower authority. The Company thereafter filed a further appeal in the Customs, Excise and Service Tax Appellate Tribunal (CESTAT). The Company has already paid Rs. 75.88 Lakhs against the above demand and the present outstanding amount is Rs. 65.54 Lakhs (with interest and penalty). The Appeal is pending for hearing.



Sales Tax

1. The Company has filed an Appeal which is pending before the Sales Tax Tribunal, Bhuvneshwar, Orissa in relation to A.Y. 1993-94 to 1997-98. The amount of liability in dispute is Rs. 4.55 Lakhs. The Appeal is pending for hearing.
2. The Company has two Appeals which are pending before the Jt. Commissioner of Commercial Taxes (Appeal), Gulbarga, Karnataka in relation to A.Y. 2002-2003 and A.Y. 2003-2004. The amount of liability in dispute is Rs. 3.23 Crores. The Company has already deposited the above amount with the Asst. Commissioner. The Appeal is pending for hearing.
3. The Company has filed an Appeal which is pending before the Asst. Commissioner of Sales Taxes (Appeal), Jajpur, Orissa in relation to A.Y. 2002-2003. The amount of liability in dispute is Rs. 7.25 Lakhs. The Appeal is pending for hearing.

Service Tax

4. The Deputy Commissioner of Service Tax, Ambavadi, Ahmedabad has served a notice dated August 2, 2005 upon the Company for wrongful utilization of cenvat credit in the payment of service tax for the half year ending March 31, 2005. The authority is of the view that the Company was not providing "output service" as defined in rule 2(p) of the Cenvat Credit Rules, 2004 and that as per Rule 3 of the Cenvat Credit Rules, 2004 a provider of taxable service is allowed to take credit in respect of duty/service tax/education cess paid on any input or capital goods received in the premises of the provider of output service on or after September 10, 2004 and of any input services utilised by the provider of output services for providing output service. Since the Company was not the actual provider of any output service nor was the Company utilising any input services/input/capital goods for providing any output service, the Company was not eligible to make payment of service tax on goods transport agency (GTA) services by way of utilisation of credit. The authority has demanded a payment of Rs. 11,01,861/- (including education cess) from the Company. The Company by its reply dated August 16, 2005 again disputed the demand of the authority and cited above provisions and explanations to rule 2(p) read with 2 (r) of the Cenvat Credit Rules, 2004 a person liable for paying service tax is a provider of taxable service and is eligible to make payment of service tax by utilising Cenvat. The Dy. Commissioner of Service Tax by a further letter dated August 18, 2005 has reaffirmed disallowance of Cenvat Credit on Goods Transport Service but has now directed the Company to make service tax payment on 25% of the freight charges. The Company by a further reply dated September 19, 2005 has disputed the above demand also. This dispute may lead to litigation with the authority in the near future.

Other Tax Disputes

Entry Tax

1. The Company executed a road construction project in the State of Orissa. The Sales Tax Officer, Cuttack III Circle, passed an order under Entry Tax Regulations of the state directing the Company to pay Rs. 1.69 Lakhs for the year 2000-2001. The Company has already deposited Rs.0.95 Lakhs against the above demand. The hearing of the matter has not yet commenced before the authority.



Motor Vehicles Tax

- a. The Company was carrying out excavation of mines around Surat when the Regional Transport Officer, Surat (RTO) issued a notice for payment of road tax and penalty under the Bombay Motor Vehicles Act, 1958 on forty (40) dumpers used by the Company at the site. The Company disputed the demand made by the RTO and filed a Special Civil Application No. 3147 of 2004 in the Gujarat High Court against the Commissioner of Transport and the RTO. The Gujarat High Court by an interim order dated March 11, 2004 directed the Company to deposit the road tax (without penalty) under the Bombay Motor Vehicles Act, 1958 for the period July 28, 2000 to March 31, 2004 in equal monthly installments. The Company has complied with the order and has deposited Rs. 49.20 Lakhs. The hearing of the matter has not yet commenced in the Gujarat High Court.

Labour Disputes

- i. A labourer, Shri Ganshyam Pandya, working at the Orissa site submitted his resignation to the Company and thereafter filed a case (No. 934/96-LC) in the Labour Court, Ahmedabad alleging termination of services by the Company and for reinstatement along with back wages. The matter is pending for hearing in the Labour Court, Ahmedabad.
- ii. A labourer, Shri Narendra Sinha, working at the GIPCL site at Surat as a store keeper availed for leave without permission of the Company. The Company terminated his services. The labour thereafter filed a case (No. 65/2000) in the Labour Court, Surat alleging termination of services by the Company and for reinstatement along with back wages. The matter is pending for hearing in the Labour Court, Surat.
- iii. A labourer, Shri Pravin Shah, working at the Company's central workshop at Oganaj, Dist. Ahmedabad as a Store Keeper filed a case (No. 1285/03) in the Labour Court, Ahmedabad alleging termination of services by the Company and for reinstatement along with back wages. The matter is pending for hearing in the Labour Court, Ahmedabad.

Workman's Compensation Act

1. A watchman of the Company, Shri Madholal Dhobhi, working at the Udaipur site suffered cardiac arrest during his employment and expired on January 22, 2004. The nominee of the deceased workman filed a claim (Case No. 2/2005) in the Labour Court, Udaipur for compensation of Rs. 2.30 Lakhs along with interest at the rate of 12% per annum from the Company. The Company has an insurance policy covering workman's compensation claims. The insurance company has also been made a party to the proceedings. The hearing of the matter has commenced on March 14, 2005.
2. A dumper driver of the Company, Shri Ganesh Mohato, working at the Bachao site suffered serious injuries during his employment on September 19, 2000. The driver filed a claim (Case No. 2539/2000) with the Dy. Labour Commissioner cum WC Commissioner, Hazari Bagh, Jharkhand and was paid compensation of Rs. 1.47 Lakhs by the insurance company. The dispute regarding payment of interest on the compensation amount from the date of the accident is pending before the Commissioner.



3. A workman of the Company, Shri Nagendra Prasad Gaud, working at the Satnama site suffered serious injury during his employment which led to the amputation of his right hand. The workman filed a claim (Case No. 54/93-94) in the Labour Court, Nadiad for compensation of Rs. 3.00 Lakhs with penalty and interest at the rate of eighteen percent (18%) per annum. The Company is covered by an insurance policy for workman's compensation claims. The insurance company has also been made a party to the proceedings. The hearing of the matter is pending before the Labour Court.

Criminal Case against the Managing Director under Contract Labour (Regulation & Abolition) Act, 1970

1. The Labour Enforcement Commissioner, Central, Gandhidham, Kuchh, (LEO) filed a criminal complaint (No. 1695/2001) in the 1st Class Judicial Magistrate Court, Gandhidham, Kuchh, under Section 24 of the Contract Labour (Regulation & Abolition) Act, 1970. The Company was required to submit half yearly returns as required under Rule 82 (1) of the Contract Labour (Regulation & Abolition) Central Rules, 1971 for the period ended June 30, 2001 with the Licensing Officer and the Assistant Commissioner (Central), Adipur (Kutch) by July 30, 2001. The Company did not comply with this requirement and the LEO filed this complaint which is pending before the Magistrate Court.

Other Cases/Claims

Motor Accident Claims

1. The Company had sold a vehicle to some third person but the transfer of the vehicle was delayed. The vehicle met with an accident due to which some persons sustained serious injuries resulting in a claim of Rs. 25.00 Lakhs (approx.). The matter is pending before the District Court, Nadiad.

LITIGATIONS AGAINST GROUP COMPANIES

Sadbhav Quarry Works Private Limited

Tax Disputes

Sales Tax

1. There are certain Appeals pending before Gujarat Sales Tax Tribunal, Ahmedabad for Sales Tax Liabilities for the A.Y. 1996-97, A.Y. 1997-98, A.Y. 1998-99, A.Y. 1999-2000, A.Y. 2000-01 (upto May 30, 2000). The liability arises on account of outstanding sales tax payable by the Company on the construction material. The Company however has submitted that only 4% sales tax is payable on the construction materials. The total liability involves an amount of Rs. 2.02 Lakhs.

Material Developments

In the opinion of the Board of Directors, there have not arisen, since the date of the last financial statements disclosed in the Draft Red Herring Prospectus, any circumstance that materially or adversely affect or are likely to affect the profitability of the Company and its subsidiaries taken as a whole or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months other than as disclosed in the DRHP.



GOVERNMENT APPROVALS/LICENSING ARRANGEMENTS

We have received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for our business and no further approvals are required by us for carrying on the present as well as proposed business activities of the Company. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

Registration details for Sales Tax and Central Sales Tax Act:

Sr. No.	Name of the Company	Issuing Authority	License No.	Nature of Licence
1	Sadbhav Engineering Limited	Sales Tax Department Ahmedabad, Gujarat	0734025289 July 1, 2002	Certificate of Registration Form-2 under Rule 9 of the Gujarat Sales Tax sub Rules, 1969.
2	Sadbhav Engineering Limited	Central Sales Tax, Ahmedabad, Gujarat	Guj.10R 3835 July 10, 1991	Certificate of Registration Form-B under Rule 5 (1) of Central Sales Tax (Registration and Turnover) Rules, 1957
3	Sadbhav Engineering Limited	Value Added Tax Department, Hyderabad, Andhra Pradesh	28430143643 April 1, 2005	Certificate of Registration Form-VAT105 under Andhra Pradesh Value Added Tax Act, 2005
4	Sadbhav Engineering Limited	Commercial Tax Department of Central Sales Tax, Hyderabad, Andhra Pradesh	PJT/10/1/287 3/2004-05 February 16, 2005	Certificate of Registration Form-B under Rule 5 (1) of Central Sales Tax (Registration & Turnover) Rules, 1957
5	Sadbhav Engineering Limited	Value Added Tax Department, Jabalpur, Madhya Pradesh	23376004838 July 1, 2003	Certificate of Registration under Value Added Tax Act.
6	Sadbhav Engineering Limited	Central Sales Tax Department, Jabalpur, Madhya Pradesh	07/03/35/319 5-C January 7 2003	Certificate of Registration Form-B under Rule 5 (1) of Central Sales Tax (Registration and Turnover) Rules, 1957
7	Sadbhav Engineering Limited	Sales Tax Department, Jajpur Road, Orissa	CU-III-4202 February 13, 2001	Certificate of Registration Form-3 under Section 9A of Orissa Sales Tax Act 1947
8	Sadbhav Engineering Limited	Central Sales Tax Department Jajpur Road, Orissa	CU-III-C-1578 February 13, 2001	Certificate of Registration Form-B under Rule 5 (1) of Central Sales Tax (Registration and Turnover) Rules, 1957
9	Sadbhav Engineering Limited	Sales Tax Department Udaipur, Rajasthan	2754/01090 September 18, 2001	Certificate of Registration Form ST-4 under Rajasthan Sales Tax Act, 1994
10	Sadbhav Engineering Limited	Central Sales Tax Department Udaipur, Rajasthan	2754/01090 September 21, 2001	Certificate of Registration Form-B under Rule 5 (1) of Central Sales Tax (Registration and Turnover) Rules, 1957
11	Sadbhav Engineering	Commercial Taxes	29060257999 April 1, 2005	Certificate of Registration under Value Added Tax Act.



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	Limited	Department , Gulbarga, Karnataka		
12	Sadbhav Engineering Limited	Commercial Taxes Department , Gulbarga, Karnataka	60353090	Certificate of Registration under Central Sales Tax Act
13	Jilin-Sadbhav Joint Venture	Sales Tax Department Ahmedabad, Gujarat	0734042701 February 11,2005	Certificate of Registration Form-2 under Rule 9 of Gujarat Sales tax Subrules, 1969
14	Jilin-Sadbhav Joint Venture	Central Sales Tax Ahmedabad, Gujarat	GUJ9991585 6 February 11,2005	Certificate of Registration Form-B under Rule 5 (1) of Central Sales Tax (Registration and Turnover) Rules, 1957

Details of other Registrations in Gujarat and other States:

Sr. No.	Description	Category	Certificate No. /Date of Issue	Valid upto
1	Registration renewal as approved contractor in "AA" Class with the Government of Gujarat	"AA" Class	AB/TC/3057/2003 June 17, 2003	December 31, 2005
2	Narmada Ghati Vikas Pradhikaran, Bhopal, Madhya Pradesh	A-5	2698/2-55/NGVP/y/S/02 December 7, 2002	December 6, 2007
3	Irrigation & CAD (PPMU) Department, Andhra Pradesh	Category II	G.O.R. No. 958 December 28, 2004	-

Details of Labour Licenses obtained by the Company:

Sr. No.	Project	Issuing Authority	Certificate No. /Date of Issue	Valid upto
1	GHSP Project, Phase IIB - Contract Package GSP/12 strengthen and paving of shoulders of SH07 Viramgam-Dhrangadhara and Ahmedabad Dhrangadhara to Halvad	Additional Labour Commissioner & Licensing Officer Government of Gujarat, Ahmedabad	LC/8/CLA/17/04 January 8, 2004	October 26, 2005
2	Construction of Road and Bridge of Gagodar-Radhanpur Road Section NH-15 Km. 245.00 to Km. 138.80 in the State of Gujarat	Office of the Regional Labour Commissioner (Central), Ahmedabad	ALC/ADI/46LIC(34)/2005 March 28, 2005	March 27, 2006
3	Narmada Main Canal Package-I Km. 388.140 to Km.421.927	Assistant Labour Commissioner and Licensing Authority, Patan, Government of Gujarat.	ALC/PTN/CLA/7/2005 February 11, 2005	February 10, 2006
4	Narmada Main Canal Package-II Km. 362.011 to Km. - Syphon Works, Banas	Assistant Labour Commissioner and Licensing Authority, Patan, Government of Gujarat.	ALC/PTN/CLA/Li c/6/2005 February 11, 2005	February 10, 2006
5	Kachchh Branch Canal Package	Assistant Labour	ALC/PTN/	April 25, 2006



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	No. I 8.82	Ch. No. 0.00 to	Commissioner and Licensing Authority, Patan, Government of Gujarat.	CLA/LIC/ 14/2005 April 26, 2005	
6	Kachchh Branch Canal Package No. II 20.01	Ch. No. 8.82 to	Assistant Labour Commissioner and Licensing Authority, Patan, Government of Gujarat.	ALC/PTN/ CLA/LIC/ 15/2005 April 26, 2005	April 25, 2006
7	Khadasaliya Lignite Mines at Village Khadasaliya, Bhavnagar, Gujarat of GHCL		, Assistant Labour Commissioner (C), Ahmedabad	ALC/ADI/46LIC(1 45)/ 2004 July 12, 2004	July 11, 2006.
8	Karnataka State Highway improvement Project- Upgradation of road from Hattigudur to Bidar		Office of Licensing Officer & The Assistant Labour Commissioner, Gulbarga Division-Gulbarga	ALC/CLA/GD- 12/2002 March 26, 2002	March 25, 2006

Government Approvals /Licensing Arrangements for new projects.

For the projects presently undertaken/awarded, the Company has obtained all approvals and licenses. For new projects, the Company and/or the Joint Venture shall obtain such approvals and permissions, on a case to case basis, as may be required by the Authority awarding the contract.

**OTHER REGULATORY AND STATUTORY DISCLOSURES****Authority for the issue and details of the resolution passed for the issue.**

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide a Special Resolution passed at the Annual General Meeting of the Company held on July 27, 2005 and at the Board Meeting of the Company held on September 29, 2005.

Prohibition by SEBI

The Company, its directors, its Promoters, other companies/ ventures promoted by our Promoters and companies with which the Company's Directors are associated as directors or promoters have not been prohibited from accessing the capital markets or restrained from buying, selling or dealing in securities under any direction or order passed by SEBI.

Eligibility of the Issuer Company to enter the Capital market

In terms of clause 2.2.1 of the SEBI (DIP) Guidelines, 2000 an unlisted company may make an initial public offering (IPO) of equity shares or any other securities which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

(a) The company has net tangible assets of at least Rs. 3 crores in each of the preceeding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets.

Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business / project.

(b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;

(c) The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);

(d) In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and

(e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue network as per the audited balance sheet of the last financial year.)

In terms of a certificate issued by M/s Rajesh Shah & Co., Chartered Accountants dated August 22, 2005, the Company satisfies the above eligibility criteria as follows:

Particulars	Rs. Lakhs				
	2004-05	2003-04	2002-03	2001-02	2000-01
Net Tangible Assets	13911.66	11172.94	9866.86	10060.10	10956.26
Monetary Assets	1329.90	1210.79	1023.23	1556.84	673.71
Distributable profits	758.30	500.91	404.84	729.69	705.36
Networth	6031.33	4180.90	3704.22	4305.26	3597.72



Further the company shall ensure that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.

Net Tangible assets is defined as the sum of all the net assets of the company, excluding "intangible assets"; as defined in Accounting Standard 26 (AS-26) issued by the Institute of Chartered Accountants of India.

Monetary Assets include cash on hand and bank.

In addition to these, the company shall ensure that the number of allottees getting Equity Shares is not less than one thousand in number.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS DRAFT PROSPECTUS HAS BEEN SUBMITTED TO SEBI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE 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 DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, KARVY INVESTOR SERVICES LIMITED AND INGA ADVISORS PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, KARVY INVESTOR SERVICES LIMITED AND INGA ADVISORS PRIVATE LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED _____ IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- I. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE OFFER DOCUMENT PERTAINING TO THE SAID ISSUE.**
- II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**



WE CONFIRM THAT:

- a THE DRAFT RED HERRING PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- b ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- c THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.**
- d WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.**
- e ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MUMBAI, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.**

THE FILING OF OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY 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 LEAD MANAGER (S) (MERCHANT BANKERS) ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.

GENERAL DISCLAIMER

Investors may note that the Company and the Book Running Lead Managers accept no responsibility for statements made otherwise than in the Draft Red Herring Prospectus or in the advertisements or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

The Lead Manager accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Lead Manager and the Company.

All information shall be made available by the Company and the Lead Manager to the investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including in research or sales reports.

JURISDICTION

This Issue is made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks and regional rural banks, co-operative banks (subject to RBI permission), Trusts (registered under Societies Registration Act, 1860, or any other Trust law and are authorized under their constitution to hold and invest in shares), permitted insurance companies and to NRIs and FIIs as defined under the Indian Laws. The Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession the Draft Red Herring Prospectus comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of courts 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



submitted to the SEBI. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and the 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 the Draft Red Herring Prospectus nor any, under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

A copy of the Draft Red Herring Prospectus, had been filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021 and SEBI vide its letter no. dated,2005 has given its comments.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, Gujarat at Ahmedabad at ROC Bhavan, Opposite Rupal Park Society, Near Ankur Bus Stand, Naranpura, Ahmedabad - 380 013. and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies.

Investors may please note that Central Government/RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in this Draft Red Herring Prospectus.

DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED (BSE)

As required, a copy of this Draft Red Herring Prospectus has been submitted to the BSE. The Stock Exchange, Mumbai ("the Exchange") has given vide its letter No. _____ dated _____, permission to the Company to use the Exchange's name in this Draft Red Herring Prospectus as one of the Stock Exchange on which the Company's securities are proposed to be listed. The Exchange has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner-

- a. Warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring prospectus; or
- b. Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- c. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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

Disclaimer Clause of the National Stock Exchange of India Limited

As required, a copy of this Draft Red Herring Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter _____ dated _____, granted permission to the Company to use the Exchange's name in this Draft Red Herring Prospectus as one of the Stock Exchanges on which the Company's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital (i.e. the paid up capital shall not be less than 10 Crores and market capitalisation shall not be less than Rs. 25 Crores at the time of listing). The Exchange has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE



should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does not 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 the Company's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Company, its promoter, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to an 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 or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

The Issuer accepts full responsibility for the accuracy for the information given in the Draft Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which makes any statement in the Draft Red Herring Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The issuer further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the equity shares are offered or for the correctness of the statement made or opinions expressed in this Draft Red Herring prospectus. The promoters/directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Draft Red Herring Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/ misrepresentation, the promoters/directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

FILING

A copy of this Draft Red Herring Prospectus, has been filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021.

A copy of this Draft Red Herring Prospectus, along with documents required to be filed under Section 60 of the Act would be delivered for registration to the Registrar of Companies, Gujarat.....address and copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies.

LISTING

Applications have been made to BSE and NSE for permission to deal in and for an official quotation of the equity shares of the Company. BSE will be the Designated Stock Exchange for the Issue.

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 shall 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 eight days after the Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the 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 expiry of eight days, will be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act, 1956.



The Company with the assistance of the Lead Manager shall ensure that all steps for the completion of necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the basis of allotment for the Issue.

CONSENTS

The written consents of Promoters, Directors, Company Secretary, Book Running Lead Managers to the Issue, Legal Advisor to the Issue, Registrar to the Issue, Auditors, Bankers to the Company and Bankers to the Issue to act in their respective capacities, No Objection Certificate (NOC) for the issue from the Bankers to the Company have been obtained and filed along with a copy of the Draft Red Herring Prospectus with the Registrar of Companies, Gujarat at Ahmedabad as required under Section 60 of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Draft Red Herring Prospectus for registration.

EXPERT OPINION

The Company has not obtained any expert opinion apart from whatever is already mentioned in the Draft Red Herring Prospectus.

EXPENSES OF THE ISSUE

The expenses payable by us including brokerage, fees payable to BRLMs to the Issue, Registrar to the Issue, Legal Advisors to the Issue, Auditors, Underwriting Commission, Selling Commission, Escrow Bankers' charges Printing and Stationery, Advertising Expenses and all other incidental and miscellaneous expenses for listing of the Equity Shares on the Stock Exchanges. The total estimated expenses will not exceed Rs. [•] Lakhs and will be met out of the proceeds of the present Issue

DETAILS OF FEES PAYABLE

Sr. No.	Particulars	Amount Rs. Lakhs	% of total issue expenses	% of total issue size
1	Fees to Book Running Lead Managers	[•]	[•]	[•]
2	Fees to Registrar to the Issue	[•]	[•]	[•]
3	Fees to Legal Advisors to the Issue	[•]	[•]	[•]
4	Fees to Auditors	[•]	[•]	[•]
5	Underwriting Commission	[•]	[•]	[•]
6	Selling Commission	[•]	[•]	[•]
7	Escrow Bankers' charges	[•]	[•]	[•]
8	Printing & Stationery	[•]	[•]	[•]
9	Advertising Stationery	[•]	[•]	[•]
10	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	[•]	[•]	[•]
11	Contingencies	[•]	[•]	[•]
	Total	[•]	[•]	[•]



UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and the selling commission for the Issue is as set out in the Syndicate Agreement amongst the Company, the BRLMs and the Syndicate Members.

The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue price and the amount underwritten in the manner mentioned on page ____ of the Draft Red Herring Prospectus.

PREVIOUS PUBLIC OR RIGHTS ISSUES

This is the first public issue of the Company. The company has not made any public issue previously.

PREVIOUS ISSUES OF SHARES OTHERWISE THAN FOR CASH

On March 01, 1994, the company allotted 25,000 Equity Shares of face value of Rs. 100 each as bonus shares in the ratio of 1 share for every 2 shares held in the Company by capitalisation of Rs. 25.00 lakhs from the free reserves.

On January 20, 2005, the Company allotted 50,00,000 Equity Shares of face value of Rs. 10 each as bonus shares in the ratio of 5 shares for every 1 share held in the Company by capitalisation of Rs. 500 lakhs from the free reserves.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

The Company has not made any public or rights Issue since its inception and has not paid any commission or brokerage.

PARTICULARS IN REGARD TO THE ISSUER COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING SECTION 370 (1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL, ISSUE DURING THE LAST THREE YEARS.

There are no listed Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956, which made any capital issues during the last three years.

PROMISE VIS-À-VIS PERFORMANCE

We have not made any public issue of shares since its incorporation. There is no group Company, which has made any public issue.

OUTSTANDING BONDS/ DEBENTURES

There are no outstanding debentures or bonds or redeemable preference shares or any other instruments issued by the issuer company outstanding as on the date of Draft Red Herring Prospectus.

STOCK MARKET DATA

This being the first public issue by the Company, no stock market data is available.

MECHANISM EVOLVED FOR REDRESSAL OF INVESTOR GRIEVANCES

The Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Registrar and the Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the



letters of allotment, demat credit and 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, Intime Spectrum Registry Limited, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances

The Company estimates that the average time required by it or the Registrar to the Issue for the redressal of routine investor grievances will be seven working days from the date of receipt of the complaint. In the case of non-routine complaints and complaints where external agencies are involved, the Company/ Registrar will strive to redress these complaints as expeditiously as possible.

We have appointed Mr. Nilesh Gohil, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. Nilesh Gohil
Sadbhav House,
Opposite Law Garden Police Chowki,
Ellisbridge, Ahmedabad 380 006
Tel.: +91-79-26463384, Fax: +91-79-26400210
E-mail: sadbhavad1@sancharnet.in

CHANGES IN THE AUDITORS DURING THE LAST THREE YEARS, AND REASONS, THEREOF

There has been no change in the Auditors of the Company during the last 3 years.

CAPITALISATION OF RESERVES OR PROFITS DURING LAST FIVE YEARS

Pursuant to a resolution passed by the members of the Company at Extraordinary general meeting held on January 6, 2005, the Company has capitalized a sum of Rs. 500,00,000 out of balance in reserves account which has been applied for the issue and allotment of 50,00,000 fully paid bonus shares of Rs. 10 each to the holders of the then existing Equity Shares of the Company in the ratio of every five shares for every one share held on January 6, 2005.

REVALUATION OF ASSETS, IF ANY DURING LAST FIVE YEARS

The Company has not revalued its assets during the last five years



OFFERING INFORMATION

Terms of the Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws 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, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the issue and details of the resolution passed for the issue.

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide a Special Resolution passed at the Annual General Meeting of the Company held on July 27, 2005 and Board meeting held on September 29, 2005.

Ranking of Equity Shares

The Equity Shares being offered 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 including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by us after the date of Allotment.

Mode of Payment of Dividend

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion and will depend on number of factors including but not limited to our earnings, capital requirements and overall financial condition.

Face Value and Issue Price

The equity shares with a face value of Rs. 10 each are being offered in terms of the Red Herring Prospectus at a Price Band of Rs. ____ to Rs. _____ per equity share. At any given point of time, there shall be only one denomination for the Equity Shares of the company, subject to applicable laws.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

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

- Right to receive dividend, if declared;
- Right to 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 our Memorandum and Articles of Association.



For a detailed description of the main provisions of our 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 of the Company” 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 dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of the Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share.

Allocation and allotment of Equity Shares through this Offer will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of [●] Equity Shares to the successful bidders. For details of allocation and allotment, see “Other Regulatory and Statutory Disclosure – Basis of Allotment and Allocation”.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, 1956, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, 1956, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale / transfer / alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office or at the registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, 1956, 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:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, 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 90 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.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized 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 changing the nomination, they are requested to inform their respective Depository Participant.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years.”

**Minimum Subscription**

If we do not receive the minimum subscription of 90% of the net issue to public, including devolvement of Underwriters / members of Syndicate 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 eight days after we, and every officer in default, become liable to pay the amount (i.e., 60 days from the Bid/Issue Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue after the bidding. In case the Company decides so, it shall issue a public notice within two days of the closure of bidding, indicating the reasons for withdrawal of offer in the newspapers in which the bid advertisement appeared earlier. We shall also inform the Stock Exchanges on which the shares are proposed to be listed.

Arrangements for disposal of odd lots

The Company's shares will be traded in dematerialized form only and the marketable lot is "one" share. Therefore, there is no possibility of odd lots.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall despatch 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 SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Despatch of refund orders shall 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 despatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company 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 centres will be payable by the Bidders.

Restriction on Transfer and Transmission of Shares

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.



Application by Non Residents/NRIs/FIIs

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of the RBI, Overseas Corporate Bodies cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (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 of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.



ISSUE PROCEDURE

(The Issue Procedure may change w.r.t to the amended DIP Guidelines)

ISSUE STRUCTURE

	Employee Reservation	QIBs	Non Institutional Bidders	Retail Individual Bidder
Number of Equity Shares	1,00,000	1400000	420000	980000
Percentage of Issue size available for allocation	Upto 0.92% of the Issue Size	Upto 50% of the Net Issue to the Public	Minimum 15% of the Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Retail Individual Bidders	Minimum 35% of the Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Non Institutional Bidders
Basis of Allocation or Allotment if respective category is oversubscribed	Proportionate	Proportionate as follows: (a) 70,000 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 13,30,000 Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	[•] Equity Shares and in multiple of [•] Equity Shares	Such number of Equity Shares and in multiple of [•] Equity Shares thereafter, that the Bid Amount exceeds Rs.100,000	Such number of Equity Shares and in multiple of [•] Equity Shares thereafter, that the Bid Amount exceeds Rs.100,000	[•] Equity Shares and in multiple of [•] Equity Shares
Maximum Bid	Not exceeding 1,00,000 Equity Shares	Not exceeding size of the issue subject to regulations as applicable to the Bidder	Not exceeding size of the issue	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000
Allotment Mode	Compulsory in Dematerialized mode	Compulsory in Dematerialized mode	Compulsory in Dematerialized mode	Compulsory in Dematerialized mode
Trading Lot/ Market Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Permanently	Public financial	Resident Indian	Individuals



	employee of the Company as on one day prior to Bid / Issue Opening Date	institutions as specified in Section 4A of the Companies Act, FIs registered with SEBI, Scheduled Commercial Banks, Mutual Funds registered with SEBI Multilateral and Bilateral development Financial institutions, Venture Capital funds registered with SEBI, Foreign Venture Capital investors registered with SEBI, state industrial development corporations, insurance companies registered with insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 25 crores and pension funds with minimum corpus of Rs. 25 crores.	individuals, HUF (in the name of Karta), Companies, Corporate Bodies, NRIs, scientific institutions societies and trusts.	(including NRIs and HUFs) applying for an amount up to Rs. 1,00,000 amount.
Terms of Payment	Full Bid Amount on Bidding unless waived by the Syndicate	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Full Bid Amount on bidding unless waived by the Syndicate	Full Bid Amount on bidding unless waived by the Syndicate
Margin Amount	Full Bid Amount on Bidding	10%	Full Bid Amount on Bidding	Full Bid Amount on Bidding

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.



Subject to valid bids received at or above the issue Price, under-subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories, at the discretion of the Company, and the BRLMs.

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue to the Public shall be available for allocation on a proportionate basis to QIBs.(of which 5% shall be allocated for Mutual Funds). Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. In case of QIB Bidders, the Company in consultation with the BRLMs may reject Bids at the time of acceptance provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Bids under the Non-Institutional Portion, Bids under the Retail Portion and Bids under Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed in this Draft Red Herring Prospectus.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised us to make the necessary changes in this 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, NRIs applying on a non-repatriation basis	White
NRI or FII or Foreign Venture Capital Investors or Multilateral or Bilateral Financial Institutions applying on a repatriation basis	Blue
Permanent Employees	Green

Who can Bid

1. Indian nationals resident in India who are majors 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 XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws.
4. Companies and corporate bodies registered under the applicable laws in India and authorised to invest in equity shares;
5. Trusts / societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
6. Scientific and/or industrial research organisations authorised to invest in equity shares;
7. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
8. Mutual funds registered with SEBI;
9. FIIs registered with SEBI on a repatriation basis;



10. Multilateral and bilateral development financial institutions;
11. Venture capital funds registered with SEBI;
12. Foreign venture capital investors registered with SEBI;
13. State industrial development corporations;
14. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
15. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares; and Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares.

Note: The BRLMs, and the Syndicate Members and any associate of the BRLMs and the Syndicate Members (except asset management companies on behalf of mutual funds, insurance companies, Indian financial institutions and public sector banks) will not be eligible to participate in the QIB portion. Further, the BRLM, the Co-BRLMs and the 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 applicable law.

As per the current regulations, OCBs are not eligible to participate in the Issue.

Bids by Mutual Funds

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 for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus.

Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Bids by Eligible NRIs

NRI Bidders should comply with the following:

1. Individual NRIs can obtain the Bid cum Application Forms from our Registered Office, members of the Syndicate or the Registrar to the Issue.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through NRO Accounts shall use the Bid cum Application Form meant for resident Indians (White in color).



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 (i.e. 10% of [●] Equity Shares of Rs. 10 each). 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 BRLMs 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 and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

- For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter and it must be ensured that the Bid Amount (including revision of Bids, if any) payable by the Bidder does not exceed Rs. 100,000. Only the Retail Individual Bidders have the option to bid at Cut-off Price, indicating their agreement to Bid and purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.
- For Other Bidders (i.e. Non-Institutional Bidders and QIB Bidders):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of a revision of Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or downward revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

- For Employee Reservation Portion:** The Bid must be for a minimum of [●] Equity Shares and in multiple [●] Equity Shares. The maximum Bid in this category cannot exceed [●].



Information for the Bidders:

- a. We will file the Red Herring Prospectus with the RoC atleast three days before the Bid / Issue opening Date.
- b. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- c. Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our Registered Office or from any of the members of the Syndicate.
- d. Investors who are interested in subscribing for the Company's Equity Shares should approach the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.
- e. 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.

Method and Process of Bidding

- a. Our Company, the BRLMs shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date and publish the same in an English national newspaper, a Hindi national newspaper and a Gujarati newspaper with wide circulation. This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- b. Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.
- c. The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding/Issue Period will be published in an English national newspaper, a Hindi national newspaper and a Gujarati newspaper with wide circulation and also by indicating the change on the website of the BRLMs and at the terminals of the members of the Syndicate and the Bidding/Issue Period may be extended, if required, by an additional three working days, subject to the total Bidding/Issue Period not exceeding 10 working days.
- d. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see "Issue Procedure - Bids at Different Price Levels" on page [•]) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- e. The Bidder cannot bid on another Bid cum Application Form after his or her Bid(s) on one Bid cum Application Form have been submitted to a 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 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 "Issue Procedure - Build up of the Book and Revision of Bids" on page [•] of this Draft Red Herring Prospectus
- f. During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.
- g. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Issue Procedure - Terms of Payment" on page [•] of this Draft Red Herring Prospectus.
- h. The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form



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 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 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.
- (c) In case of a revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in an English national newspaper, a Hindi national newspaper and a Gujarati newspaper, with wide circulation, and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.
- (d) We in consultation with the BRLMs can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
- (e) The Bidder can bid at any price within the Price Band in multiples of Rupee [●]. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (f) Retail Individual Bidders who bid at Cut-off Price agree that they shall purchase the Equity Shares at the Issue Price. Retail Individual Bidders bidding at Cut-Off Price shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the respective Refund Account.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at the 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 members 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 Portion 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 downwards for the purpose of allotment, 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 Price.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Refund Account.
- (i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall be within the range of Rs. 5,000 to Rs. 7,000. The issuer company, in consultation with the merchant banker, shall stipulate the minimum application size (in terms of number of shares) falling within the aforesaid range of minimum application value.



Option to Subscribe

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only. Bidders **will not have** the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Escrow Mechanism

Escrow Account for the Issue:

We shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders shall write 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 would be deposited in the Escrow Account. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Banks for and on behalf of the Bidders. The Escrow Collection Banks 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 and the Refund Account as per the terms of the Escrow Agreement.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall pay the applicable Margin Amount with the submission of the Bid cum Application Form by drawing a cheque or demand draft for the such margin amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Banks (for details refer to the paragraph "Issue Procedure - Payment Instructions" on page ____ 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 shall not be accepted. The margin amount based on 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 Banks, which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account. The balance amount after transfer to the Issue Account shall be transferred to the Refund Account.

Each category of Bidders i.e. QIB Bidders, Non-Institutional Bidders, Employee Reservation portion and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page ____ of this Draft Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not 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 allotment, will be refunded to such Bidder in terms of this Draft Red Herring Prospectus.



Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. The members of the Syndicate 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 on a regular basis.
- (c) The consolidated demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be displayed on-line at all bidding centres, on a regular basis. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the first/sole Bidder;
 - Investor category – individual, corporate, Eligible NRI, FII, 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; and
 - Depository participant identification no. and client identification no. of the beneficiary account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) The members of the Syndicate has also right to accept the Bid or reject it without assigning any reason, in case of QIB. In case of Non-Institutional Bidders, Retail Individual Bidders and Employee 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 the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM or the Co-BRLMs are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.
- (b) The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten working days. 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 Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus
- (c) 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 (Gujarati) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate
- (d) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
 - (e) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form which is a part of the Bid cum Application Form.
 - (f) 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. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
 - (g) The Bidder can make this revision any number of times during the Bidding/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. 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.
 - (h) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft at the time of one or more revisions by the QIB Bidders.
 - (i) 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.
 - (j) Only Bids that are uploaded to the online IPO system of NSE/BSE shall be considered for allocation/allotment. In the event of a discrepancy in data between the Bids registered on the online IPO system and the physical Bid cum Application Form, the decision of the Bank in consultation with the BRLMs based on the physical Bid cum Application Form shall be final and binding on all concerned.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.
- (b) We in consultation with the BRLMs, shall finalise the "Issue Price", the number of Equity Shares to be allocated in each investor category.
- (c) The allocation for QIBs for up to 50% of the Net Issue would be on a proportionate basis in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price in the manner as described in the section titled "Basis of Allotment". The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue, respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLMs.
- (e) The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (f) Allocation to QIBs, Non-Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them
- (g) **We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.**



- (h) In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

- (a) We, the BRLM, the Co-BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation to the QIB 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 and Issue size and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLMs or the 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. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.
- (b) In such cases, the BRLM, the Co-BRLMs or the members of the Syndicate 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 by the Pay-in Date specified in the CAN.
- (c) Bidders who have been Allocated 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 realisation of their cheque or demand draft paid into the Escrow Account of the Company. The despatch of a CAN shall be deemed to be 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) We shall 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 and the Refund 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) All allottees will receive credit for the Equity Shares directly in their depository account. As per the SEBI Guidelines, Equity Shares will be issued and allotted only in the dematerialised 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
- (d) 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) Ensure that you Bid within the Price Band;
- (c) Read all the instructions carefully and complete the Bid cum Application Form (White or Blue or Green in colour) as the case may be;
- (d) Ensure that the details about your Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only;
- (e) Ensure that the DP account is activated
- (f) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- (g) Ensure that you have been given a TRS for all your Bid options;
- (h) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- (i) 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 or PAN allotment letter 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.);
- (j) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not Bid/revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (d) Do not pay the Bid Amount in cash, through stockinvest, by money order or by postal order;
- (e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- (f) Do not Bid at the Cut-off Price (for QIB Bidders and Non-Institutional Bidders); and
- (g) Do not Bid 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.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs, 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 or Blue or Green colour).
- (b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (c) 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.
- (d) The Bids from the Retail Individual Bidders must be for a minimum of _____ Equity Shares and in multiples of _____ Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of _____ Equity Shares. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the



- investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (f) 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 Permanent Employees of the Company

For the purpose of the Employee Reservation Portion, Eligible Employee means Permanent Employees/directors of our Company who are Indian Nationals, are based in India during the period commencing from the date of filing the Red Herring Prospectus with RoC and the Issue closing date.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Green colour Form).
- Eligible Employees, as defined above, should mention the following at the relevant place in the Bid cum Application Form:
 - Employee Code
 - The sole/ first bidder should be Eligible Employees as defined above.
- Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid amount exceeds Rs. 100,000.
- The maximum bid in this category by any Eligible Employee cannot exceed Rs. [•].
- Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- Undersubscription in this category would be added back to the Net Issue to Public.
- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to paragraph “Basis of Allotment” on page _____ of this Draft Red Herring Prospectus.
- Employees without demat can apply. Their shares would be held in a separate Escrow account whose nominees would be two independent Directors of our Company.

Bidder’s Depository Account Details and Bank Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders 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 advices and printing of bank particulars on the refund orders. 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, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/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 BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, 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, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of the 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 the 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 the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company 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 and conditions that we and the BRLMs may deem fit.

Bids by Non-Residents, including Eligible NRIs and FIIs, on a repatriation basis
NRI, FIIs and Foreign Venture Capital funds Bidders to comply with the following:



- a) Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office at Sadbhav House, Opposite Law Garden Police Chowki, Ellisbridge, Ahmedabad 380 006 or from members of the Syndicate or the Registrar to the Issue.
- b) NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.
- c) NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid Cum Application form meant for Resident Indians (white in colour).

Bids and revision to the Bids must be made:

1. 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.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation. Other Non-Resident Bidders should bid 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.
4. In the names of individuals, or in the names of FIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non-Residents, including Eligible NRIs and FIs, and all Non-Resident Bidders will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue. Further, NRIs, who are not Eligible NRIs, are not permitted to participate in this Issue.

Payment Instructions

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account to the Issue:

- i. The Bidders for whom the applicable margin is equal to 100% or 10% as the case may be shall, with the submission of the Bid cum Application Form draw a payment instrument for the Margin Amount in favour of the Escrow Account of the Company and submit the same to the members of the Syndicate.
- ii. In case no Margin Amount has been paid by the Bidders during the Bidding Period, on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder or the balance amount, in case the Margin Amount is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, shall



- be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
- iii. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
- In case of Resident Bidders: **“Escrow Account – SEL Public Issue”**
 - In case of Non Resident Bidders: **“Escrow Account – SEL Public Issue-NR”**
 - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
 - In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- iv. 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 of the Company.
- v. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.
- vi. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.
- vii. 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

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 banker's clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/Money Orders/Postal Orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

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 during the Bidding/Issue Period. At the time of submission of the Bid cum Application Form and Revision Form each member of the Syndicate shall collect the 10% or 100% Margin Amount as may be applicable.

Separate receipts shall not 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 case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication 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 cum Application Form for bidding in this Issue. More than one Bid cum Application Form submitted by the same sole/first Bidder will be deemed to be multiple Bids and liable to be rejected.

Procedure for Application by Mutual Funds

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 for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids.

Permanent Account Number ('PAN')

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. 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 Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form.

Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), 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 of the Income Tax Rules, 1962), 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 licence (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the 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

In case of QIB Bidders, the Bank, in consultation with the BRLMs may reject Bids at the time of acceptance of the bid provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, we have a right to reject Bids 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.



GROUND FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. 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;
5. Bids by minors;
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 Bidders and QIB Bidders;
11. Bids for number of Equity Shares, which are not in multiples of 200;
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, the Co-BRLMs or the Syndicate Members;
18. Bid cum Application Form does not have the Bidder's depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum Application Form;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in section titled "Issue Procedure – Bids at Different Price Levels" at page ----- of this Draft Red Herring Prospectus;
22. Bids by OCBs;
23. Bids by U.S. persons other than entities that are both "qualified institutional buyers" as defined in Rule 144A of the Securities Act and "qualified purchasers" under the Investment Company Act; and

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 our Company, the respective Depositories and the Registrar to the Issue:

- (a) an agreement dated _____ between NSDL, us and Registrar to the Issue;
- (b) an agreement dated _____ between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with 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 with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
- (e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- (f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- (g) 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.
- (h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.
- (i) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue

As this Issue comprises of Fresh Issue, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Issue.

In case of pre issue or post issue related problems such as non-receipt of letters of allotment/ refund orders etc., the investors can contact the Compliance Officer.

COMMUNICATIONS

All future communication 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, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the 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. Nilesh Gohil, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. Nilesh Gohil
Sadbhav House,
Opposite Law Garden Police Chowki,
Ellisbridge, Ahmedabad 380 006
Tel.: +91-79-26463384, Fax: +91-79-26400210
E-mail: sadbhavad1@sancharnet.in

Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money

The company reserves, at their absolute and uncontrolled discretion and without assigning any reason therefor, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. We will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.



DISPOSAL OF APPLICATIONS AND INTEREST IN CASE OF DELAY

We shall ensure dispatch of allotment advice, 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 finalisation 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 finalisation of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines we further undertake that:

- allotment of Equity Shares shall be made only in dematerialised 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 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 the 15 days time prescribed above as per the guidelines issued by the MoF pursuant to its 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.

The company shall provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

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 record of the Bidder.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of Allotment or Allocation

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 successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation 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 allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation, 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 allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] 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, allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

- (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
- (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
- (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

(b) In the second instance allocation to all QIBs shall be determined as follows:

- (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
- (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
- (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

The aggregate allocation to QIB Bidders shall not be less than 14,00,000 Equity Shares.



D. For our Permanent Employees and Directors during the period commencing from the date of filing the Red Herring Prospectus with the RoC, Gujarat, Dadra and Nagar Haveli upto the Issue Closing Date (the “Employees” for purposes of this paragraph)

- In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
- Bids received from the Employees at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Offer Price.
- If the aggregate demand in this category is less than or equal to 1,00,000 Equity Shares aggregating Rs. [•] at or above the Offer Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 1,00,000 Equity Shares aggregating Rs. [•] at or above the Offer Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Share. For the method of proportionate basis of allocation, refer below.
- Only Permanent Employees and directors of Our Company during the period of commencing from the date of filing the Red Herring Prospectus with RoC and the Offer Closing Date are eligible to apply.

Procedure and Time Schedule for Transfer of Equity Shares

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non- Institutional Bidders and Retail Individual Bidders, the Company has a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure allotment/transfer of the Equity Shares within 15 days from the Bid/Issue Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Method of Proportionate basis of allocation in the QIB, Retail and Non Institutional categories

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalized by the company, in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner. The allocation shall be made in multiples of one share, on a proportionate basis as explained below subject to minimum allocation being equal to the (•):

- a) The subscription in the Retail and the Non-Institutional portion will be computed separately.
- b) Bids which are eligible for pure proportionate allotment as provided in the SEBI (DIP) Guidelines, 2000 shall be those which have applied for a minimum shares arrived at by multiplying the minimum shares to be allotted by the number of time the category is subscribed. Allotment to such bidders will be calculated as shares applied for divided by the number of time the category is subscribed.
- c) If the pure 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.
- d) The balance of the bids will be those, which will not be directly entitled for allotment of minimum shares. Such bidders will be allotted shares by a drawal of lots in a fair manner to ensure that each successful bidder (determined by drawal of lot) gets the minimum number of shares to be allotted.



- e) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Interest in case of delay in Despatch of Allotment Letters/Refund Orders in case of Public Issues

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of the public issue. The Company further agrees that it shall pay interest @ 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the date of closure of the Issue.

Despatch of Refund Orders

The Company shall ensure despatch of refund orders of value over Rs. 1,500 by registered post or speed post only and refund orders of value upto Rs. 1,500 by under Certificate of Posting and adequate funds for the purpose shall be made available to the Registrar to the Issue by the Company.

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Undertaking by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us 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 the refund orders or allotment advice to the Eligible NRIs or FIIs shall be despatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested; and
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.



Pending utilisation of net proceeds of the Fresh Issue as specified under the section “Objects of the Issue” the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India (“FIPB”) and the RBI. Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, and Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.



DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and or their consolidation/splitting are detailed below.

Article 5 The Company may increase the Authorised Capital which may consist of Equity and/or Preference Shares as the Company in General Meeting may determine in accordance with the law for the time being in force relating to Companies with power to increase or reduce such capital from time to time in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions and to vary, modify and abrogate the same in such manner as may be determined by or in accordance with these presents.

Increase in Capital

Article 9 The Company may from time to time by special resolution, subject to confirmation by the court and subject to the provisions of Sections 78, 80 and 100 to 104 of the Act, reduce its share capital and any Capital Redemption Reserve Account or premium account in any manner for the time being authorised by law and in particular without prejudice to the generality of the foregoing power may be :

- (a) extinguishing or reducing the liability on any of its shares in respect of Share Capital not paid up;
- (b) either with or without extinguishing or reducing liability on any of its shares, cancel paid up share capital which is lost or is unrepresented by available assets; or
- (c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company;

and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.

Article 10 Subject to the provisions of Section 94 of the Act, the Company in general meeting may by an ordinary resolution alter the conditions of its Memorandum as follows, that is to say, it may:

Consolidation, Sub-Division, Conversion and Cancellation of Shares

- (a) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;
- (b) sub-divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act in that behalf and so however that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced



share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the holders of the shares resulting from such subdivision one or more of such shares may, subject to the provisions of the Act, be given any preference or advantage over the others or any other such shares.

- (c) convert, all or any of its fully paid up shares into stock, and re-convert that stock into fully paid up shares of any denomination.
- (d) cancel, shares which at the date of such general meeting have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 15 Register of Members and Debenture holders

**SHARES &
CERTIFICATES**

- (a) The Company shall cause to be kept a Register of Members and an Index of Members in accordance with Sections 150 and 151 of the Act and Register and Index of Debenture holders in accordance with Section 152 of the Act. The Company may also keep a foreign Register of Members and Debenture holders in accordance with Section 157 of the Act.
- (b) The Company shall also comply with the provisions of Sections 159 and 161 of the Act as to filing of Annual Returns.
- (c) The Company shall duly comply with the provisions of Section 163 of the Act in regard to keeping of the Registers, Indexes, copies of Annual Returns and giving inspection thereof and furnishing copies thereof.

Register of
Members and
Debenture
holders

- Article 6** (b) 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 whether out of the unissued capital or out of the increased share capital then :

**Further Issue of
Capital**

- (i) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as 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 is 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.
- (c) 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 resolutions is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in 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.
- (d) Noting is sub-clause (c) of (1) hereof shall be deemed :
 - (i) To extend the time within which the offer should be accepted; or
 - (ii) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (e) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
 - (i) To convert such debentures or loans into shares in the Company; or
 - (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:



- (i) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that Government in this behalf; and
- (ii) 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.

Article 19	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 either as right or bonus and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 and other related provisions 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 any 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.	Shares at disposal of Directors
Article 38	The joint holders of a share shall be severally as well as jointly liable for the payment of all instalment and calls due in respect of such shares.	Liability of joint holders of shares
Article 64	[B] Notwithstanding anything contained in these Articles the company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depository Act, 1996.	DEMATERIALISATION OF SECURITIES

Option for Investors

- [C] Every holder of or subscriber to securities of 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 option out of a Depository, if permitted, by the law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall in the manner and within the time prescribed, issued to the beneficial owner the required Certificates for the Securities.

If a person options to hold its Security with a Depository, the Company shall intimate such depository the details of allotment of the Security.



Securities in Depository to be in fungible form

- [D] All securities of the Company held by the Depository shall be dematerialised and be in fungible form.

Nothing contained in Sections 153, 153A, 153B, 187C and 372A of the Act shall apply to a Depository in respect of the Securities of the Company held by it on behalf of the beneficial owners.

Rights of Depositories and Beneficial Owners

- [E] (i) Notwithstanding anything to the contrary contained in the Act a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of Security of the Company on behalf of the beneficial owner.
- (ii) Save as otherwise provided in (i) 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.
- (iii) Every person holding Securities of the Company and whose name is entered as the beneficial owner in the record 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.

Service of Documents

- [F] Notwithstanding anything contained in the Act to the contrary, where Securities of the Company are held in depository, the records of the beneficial ownership may be served by such depository to the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

- [G] Nothing contained in Section 108 of the Act, shall apply to a transfer of Securities effect by a transferor and transferee both of whom are entered as beneficial owners in the record of a depository.

Allotment of Securities dealt with in a depository

- [H] Notwithstanding anything contained in the Act, where Securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Register and Index of Members

- [I] The company shall cause to be kept at its Registered Office or at such other place as may be decided, Register and Index of Members in accordance with Sections 150 and 151 and other applicable provisions of the Act and the Depositories Act, 1996 with the details of Shares held in physical and dematerialised forms in any media as may be permitted by law including in any form of electronic media.

The Register and Index of beneficial owners maintained by a depository under Section 11 of the Depositories Act, 1996 shall be deemed to be the Register and Index of Members for



the purpose of this Act. The Company shall have the power to keep in any state or country outside India, a Register of Members for the residents in that state or Country.

Applicability of the depositories Act

- [J] In case of transfer of shares, debentures and other marketable securities, where the Company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form with a Depository, the provisions of the Depositories Act, 1996 shall apply.

Article 4	(i) The Company shall not have power to buy its own shares, otherwise then the manner flowed under section 77 (A) of the Act, and unless the consequent reduction of capital is effected and sanctioned in pursuance of Sections 100 to 104 or Section 402 of the Act. (ii) The Company shall not give whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the Company or in its holding Company.	Company's funds may not be applied in purchase of or lent for shares of the Company
Article 29	Where any shares are issued for the purposes of raising money to defray the expenses of the construction of any works or building or the provisions of any plant, which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of cost of construction of the work or building or the provision of the plant.	Interest out of Capital
Article 59	The Company shall keep a book to be called the "Register of transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.	TRANSFER AND TRANSMISSION OF SHARES Register of transfers
Article 60	The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies ACT, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.	Instrument of transfer
Article 61	Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of members in respect thereof.	<i>Instrument of transfer to be executed by transferor and transferee</i>



- Article 62 Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.
- Directors may refuse to register transfer
- (b) Nothing in Sections 108, 109 and 110 of the Act shall prejudice this power to refuse to register the transfer of, or the transmission on legal documents by operation of law of the rights to, any shares or interest of a member in, any shares or debentures of the Company.
- Article 63 (a) An application of registration of the transfer of shares 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 and subject to the provisions of Clause (d) of this Article, 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 of members the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.
- Transfer of shares
- (b) For the purpose of clause (a) above notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered to him in the ordinary course of post.
- (c) It shall not be lawful for the Company to register a transfer of any shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the Company alongwith the Certificate relating to the shares and if no such Certificate is in existence, alongwith the letter of allotment of shares. The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer register the transfer on such terms as to indemnity as the Directors may think fit.
- (d) Nothing in clause (c) above shall prejudice any power of the company to register as share holder any person to whom the



right to any share has been transmitted by operation of law.

(e) The company shall accept all applications for transfer of shares/debentures, however, this condition shall not apply to requests received by the company;

(A) for splitting of a share or debenture certificate into several scripts of very small denominations;

(B) proposals for transfer of shares/debentures comprised in a share/debenture certificate to several parties involving, splitting of a share/debenture certificate into small denominations and that such split/transfer appears to be unreasonable or without any genuine need.

(i) transfer of Equity shares/debentures made in pursuance of any statutory provision or an order of a competent court of law;

(ii) the transfer of the entire Equity shares/debentures by an existing shareholder/debenture holder of the Company holding under one folio less than 10 (ten) Equity Shares or 10 (ten) debentures (all relating to the same series) less than in market lots by a single transfer to a single or joint transferee.

(iii) the transfer of not less than 10 (ten) Equity shares or 10 (ten) debentures (all relating to the same series) in favour of the same transferee(s) under two or more transfer deeds, out of which one or more relate(s) to the transfer of less than 10 (ten) Equity Shares/10 (ten) debentures.

(iv) the transfer of less than 10 (ten) Equity shares or 10 (ten) debentures (all relating to the same series) to the existing share holder/debenture holder subject to verification by the Company.

Provided that the Board may in its absolute discretion waive the aforesaid conditions in a fit and proper case(s) and the decision of the Board shall be final in such case(s).

(e) Nothing in this Article shall prejudice any power of the Company to refuse to register the transfer of any share.

Article 78 The Board of Directors shall not, except with the consent of the Company in general meeting and subject to Article 172 of the Articles of Association of the Company:

BORROWING
POW
ERS

(a) sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.

Restriction on
powers of
the Board

(b) remit, or give time for the repayment of any debt due by a Director.



- (c) invest, otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition alter the commencement of this Act, of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it can not be carried on or can be carried on only with difficulty or only after a considerable time.
- (d) borrow monies where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose.
- (e) contribute, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five percent, of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

Explanation : Every resolution passed by the Company in general meeting in relation to the exercise of the power referred to in clause (d) or in clause (e) shall specify the total amount upto which money may be borrowed by the Board of Directors under clause (d) or as the case may be, the total amount which may be contributed to charitable and other funds in any financial year under clause (e).

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|------------|---|---|
| Article 79 | The Directors may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of bonds, perpetual or redeemable, debenture or debenture stocks or any mortgage or charge or other security on the undertaking of the whole or any part of the property of the company (both present and future) including its uncalled capital for the time being. | Conditions on
which
money may
be
borrowed |
| Article 84 | If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or person so becoming liable as aforesaid from any loss in respect of such liability. | Indemnity may be
given |



Article 93	Subject to the provisions contained in Sections 166 and 210 of the Act, as far as applicable, the Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting, and shall specify, the meeting as such in the Notice calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Provided that if the Registrar for any special reason, extends the time within which any annual general meeting shall be held, then such annual general meeting may be held within such extended period. Summary of Annual General Meeting The Company may in any one general meeting fix the place for its any annual general meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any general meeting which he attends on any part of the business which concerns him as Auditor. At every annual general meeting of the Company, there shall be laid on the table, the Director's report, the audited statements of accounts and auditor's report (if any, not already incorporated in the audited statements of accounts). The proxy registered with the Company and Register of Director's Share holdings of which latter register shall remain open and accessible during the continuance of the meeting. The Board shall cause to prepare the Annual list of members, summary of Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.	MEETINGS OF MEMBERS Annual General Meeting
Article 95	Sections 171 to 186 of the Act with such adaptations and modifications, if any, as may be prescribed shall apply with respect to meetings of any class of members or debenture holders of the Company in like manner as they apply with respect to general meetings of the Company.	Sections 171 to 186 of the Act shall apply to meetings
Article 101	Five members personally present shall be the quorum for a general meeting of the company.	Quorum for meeting
Article 104	(a) No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien. (b) Where the shares of the Company are held in trust, the voting power in respect of such shares shall be regulated by the provisions of Section 187 B of the Act.	VOTES OF MEMBERS Restrictions on exercise of voting rights of members who have not paid calls
Article 105	A member is not prohibited from exercising his voting right on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 104.	Restriction on exercise of voting right in other cases to be void



Article 106	Any shareholder whose name is entered in the Register of members of the Company shall enjoy the same rights and be subject to the same liabilities as all other shareholders of the same class.	Equal rights of share holders
Article 178	The profits of the Company subject to any special rights relating thereto created or authorised to be created by these presents shall be divisible among the members in proportion to the amount of Capital paid up or credited as paid up on the shares held by them respectively.	DIVIDENDS Division of Profits
Article 179	nd shall be paid by the Company in respect of any share except to the registered holder of such share or to his order or to his banker.	Dividend payable to registered holder
Article 180	Where a dividend has been declared by the Company it shall be paid within the period provided in Section 207 of the Act.	Time for payment of dividend
Article 181	Where the Capital is paid up in advance of calls upon the footing that the same shall carry interest, such Capital shall not, whilst carrying interest confer a right to dividend or to participate in profits.	Capital paid up in advance and interest not to earn dividend
Article 182	(a) The Company shall pay dividends in proportion to the amounts paid up or credited as paid up on each share, when a larger amount is paid up or credited as paid up on some shares than on others. Nothing in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act. (b) Provided always that any capital paid up on a share during the period in respect of which a dividend is declared, shall unless the terms of issue otherwise provide, only entitle the holder of such share to an apportioned amount of such dividend proportionate to the capital from time to time paid during such period on such share, but if any share is issued on terms providing that it shall rank for dividends as from a particular date, such share shall rank for dividend accordingly.	Dividends in proportion to amount paid up
Article 183	The Company in Annual general meeting may declare a dividend to be paid to the members according to their respective rights and interests in the profits and may fix the time for payment.	<i>Company in Annual General Meeting may declare dividends</i>
Article 183	No larger dividend shall be declared than is recommended by the Directors but the Company in general meeting may declare a smaller dividend.	Power of Directors to limit dividends
Article 185	No dividend shall be declared or paid by the Company otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both or out of moneys provided by the Central Government or a State Government for the payment of dividend in pursuance of the guarantee given by that Government provided that:	Dividends only to be paid out of profits
	(a) If the Company has not provided for depreciation for any	



previous financial year or years, it shall before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of that financial year or out of the profits of any other previous financial year or years;

- (b) If the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid for any financial year out of the profits of the Company for that year arrived at after providing for depreciation as above, except after the transfer to the reserves of the Company of such percentage of its profits for that year as may be prescribed in accordance with Section 205 of the Act or such higher percentage of its profits as may be allowed in accordance with that Section

Nothing contained in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.

Article 186	The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.	Directors' declaration as to net profits conclusive
Article 187	The Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.	Interim Dividends
Article 188	The Directors may retain the Dividends payable upon shares in respect of which any person is under the Transmission clause of these Articles entitled to become a member or which any person under that clause is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.	Retention of Dividend until completion of transfer under Article
Article 189	Subject to the provisions of the Act, no member shall be entitled to receive payment of any interest or dividend in respect of his share(s) whilst any money may be due or owing from him to the Company in respect of such share(s) or debenture(s) or otherwise however either alone or jointly with any other person or persons and the Directors may deduct from the interest or dividend payable to any member, all sums of moneys so due from him to the Company.	No member to receive Dividend whilst indebted to the Company and Company's right to reimbursement there from
Article 190	A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.	Transferred shares must be registered



Article 192	(a) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 42 days, open a special account in that behalf in any scheduled bank, as per Section 205 A of the Act, and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted. (b) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due. (c) No unpaid or unclaimed dividend shall be forfeited by the Board.	Unpaid Dividend or Dividend Warrant posted
Article 193	Any general meeting declaring a dividend may on the recommendation of the Directors make a call on the members for such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him 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 members, be set off against the calls.	Dividend and call together
Article 194	No dividend shall be payable except in cash. Provided that nothing in this Article shall be deemed to prohibit the capitalisation of profit or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the Company.	Dividend to be payable in cash



Article 195 a)

Capitalisation

Any general meeting may resolve that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys' investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realisation and where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other fund of the Company or in the hands of the Company and available for dividend may be capitalised. Any such amount (excepting the amount standing to the credit of the Share Premium Account and/or the Capital Redemption Reserve Account) may be capitalised:

- (i) by the issue and distribution as fully paid shares, debentures, debenture stock, bonds or obligations of the Company or
- (ii) by crediting the shares of the Company which may have been issued and are not fully paid up, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amounts standing to the credit of the Share Premium Account may be applied in;

- (1) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares;
 - (2) in writing off the preliminary expenses of the Company;
 - (3) in writing off the expenses of, or the commission paid or discount allowed on any issue of shares or debentures of the Company; or
 - (4) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company. Provided further that any amount standing to the credit of the Capital Redemption Reserve Account shall be applied only in paying up unissued shares of the Company to be issued to the members of the Company as fully paid bonus shares.
- (b) Such issue and distribution under sub-clause (a)(i) above and such payment to the credit of unpaid share capital under sub-clause (a)(ii) above shall be made to, among and in favour of the members of any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (a)(i) or payment under sub-clause (a)(ii) above shall be made on the footing that such members become entitled thereto as capital.
- (c) The Directors shall give effect to any such resolution and apply portion of the profits, General Reserve Fund or any



other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture stock, bonds or other obligations of the Company so distributed under sub-clause (a)(i) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid-up under sub-clause (a)(ii) above provided that no such distribution or payment shall be made unless recommended by Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum.

- (d) For the purpose of giving effect to any such resolution the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates or coupons and fix the value for distribution of any specific assets and may determine that such payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, fractional certificates or coupons, debentures, debenture stock, bonds, or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangement for the acceptance, allotment and sale of such shares, debentures, debenture stock, bonds or other obligations and fractional certificates or coupons or otherwise as they may think fit.
- (e) Subject to the provisions of the Act and these Articles in cases where some of the shares of the Company are fully paid and others are partly paid only, such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but so that as between the holders of fully paid shares, and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishments or diminution of the liability on the partly paid shares shall be so applied pro rata in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively.



- Article 223 (a) Subject to the provisions of Section 201 of the Act, every Director, Managing Director, Wholetime Director, Manager, Secretary and other Officer or employee of the Company shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company to pay all costs, losses and expenses (including travelling expense) which such Director, Manager, Secretary and Officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Director, Manager, Secretary, Officer or Servant or in any way in the discharge of his duties including expenses and the amount for which such indemnity is provided, shall immediately attach as a lien on the property of the Company and have priority between the members over all other claims.
- (b) Subject as aforesaid, every Director, Managing Director, Manager, Secretary or other officer and employee of the Company shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act in which relief is given to him by the Court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company.
- INDEMNITY AND
RESPONSIBILITY
Y
Directors and
others
rights to
indemnity



LIST OF MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of the draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the draft Red Herring Prospectus have been delivered to the Registrar of Companies Gujarat, Ahmedabad for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered office of Sadbhav at Sadbhav House, Opposite Law Garden Police Chowki, Ellisbridge, Ahmedabad 380 006 between 11:00 am. to 5:00 p.m on working days from the date of the Red Herring Prospectus until the date of closure of the Issue.

MATERIAL CONTRACTS

1. Memorandum of Understanding dated September, 2005 entered into with Karvy Investor Services Limited and Edelweiss Capital Limited, to act as the Book Running Lead Managers to the Issue along with Inter –Se Allocation of Responsibility
2. Memorandum of Understanding dated July 21, 2005 entered into with Intime Spectrum Registry Limited, to act as the Registrars to the Issue
3. Letters dated September 30, 2005 from the Company appointing Karvy Investor Services Limited, Inga Advisors Private Limited and Edelweiss Capital Limited as the Book Running Lead Managers, and their acceptance thereto
4. Escrow Agreement dated [•] between [•]
5. Syndicate Agreement dated [•] between [•]
6. Underwriting Agreement dated [•] between [•]

DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of the Company as amended from time to time
2. Certificate of incorporation of the Company dated October 3, 1988
3. Fresh Certificate of Incorporation consequent to change of name dated May 17, 2001
4. Resolution of the Members of the Company passed at the Annual General Meeting held on July 27, 2005, appointing Mr. Vishnubhai Patel as a CEO and Managing Director for a period of 5 years with effect from August 1, 2005 and approving the remuneration payable to him
5. Resolution of the members of the Company passed at their Extra Ordinary General Meeting held on July 5, 2004 appointing the whole time directors and approving the remuneration payable to them
6. Copy of the resolution passed at the meeting of the Board of Directors held on July 2, 2005 approving the Public Issue and the meeting held on September 29, 2005 for other matters relating to the Public Issue.
7. Copy of Resolution of the Members of the Company passed at the Annual General Meeting held on July 27, 2005 pursuant to Section 81(1A) of the Companies Act
8. Consents of the (a) Directors, (b) Company Secretary & Compliance Officer, (c) Auditors, (d) Lead Manager to the Issue, (e) Legal Advisors, (f) Bankers to the Company, (g) Bankers to the Issue, and (h) Registrars to the Issue, to include their names in the draft Red Herring Prospectus to act in their respective capacities
9. NOC for the issue from the Bankers to the Company viz. Karur Vysya Bank, ICICI Bank, Oriental Bank of Commerce, Industrial Development Bank of India Limited and Indian Overseas Bank(2) vide their letter dated August 17, 2005, August 18, 2005,



September 9, 2005, August 17, 2005, August 13, 2005 & August 20, 2005 respectively.

10. The report of the statutory auditors, M/s. Rajesh B Shah & Co., Chartered Accountant dated August 22, 2005 prepared as per Indian GAAP and mentioned in the draft Red Herring Prospectus and copies of balance sheet and profit and loss account of the Company referred to therein
11. Letter dated August 22, 2005 from the Auditors of the Company, M/s. Rajesh B Shah & Co. Chartered accountants confirming Tax benefits as mentioned in this draft Red Herring prospectus
12. Resolution of the Members of the Company passed at the Annual General Meeting held on July 27, 2005 appointing M/s. Rajesh B Shah. Chartered Accountants as statutory auditors
13. Resolution of the Meeting of the Board of Directors held on July 2, 2005 for the reformation of the Company's Audit Committee and formation of Investors Grievances Committee, and Remuneration Committee
14. Letter of Acceptance of NHAJ dated June 16, 2005 received by Gammon-Sadbhav-Billimoria Consortium and Letter of Intent dated September 15, 2005 received by the Company from Gammon India Limited
15. Annual reports of the Company for the financial years 2004-05, 2003-04, 2002-03, 2002-01 and 2000-01
16. Joint Venture Agreements, Memorandum of Understanding & Pre-bid Joint Venture Agreements
 - a. HCC-SEL Joint Venture dated June 18, 2001
 - b. Sadbhav- Prakash Joint Venture dated May 16, 2003
 - c. Jilin-Sadbhav Joint Venture dated January 27, 2003
 - d. MOU between Gammon India Limited, Sadbhav Engineering Limited & B.E. Billimoria & Co. Limited dated March 2, 2004
 - e. GIL-Sadbhav Joint Venture dated March 24, 2005
 - f. GIL-Sadbhav Joint Venture dated March 24, 2005
 - g. GIL-Sadbhav Joint Venture dated March 24, 2005
 - h. Madhucon-Sadbhav Joint Venture dated February 28, 2005
 - i. GIL-SEL Joint Venture dated January 28, 2005
 - j. Sadbhav-JMC Joint Venture dated March 11, 2005
 - k. Sadbhav-JMC Joint Venture dated May 24, 2004
 - l. Sadbhav-JMC Joint Venture dated May 6, 2004
 - m. SEL-MBE Joint Venture dated January 20, 2005
 - n. SEL-MBE Joint Venture dated February 18, 2005
 - o. Sadbhav-Rajlaxmi Joint Venture dated September 16, 2004
 - p. MOU between Gammon India Limited-Videocon International Limited-Sadbhav Engineering Limited dated January 7, 2005
 - q. Sadbhav-JMC-BT Patil Joint Venture dated September 3, 2004
 - r. MOU between Sadbhav Engineering Limited-JMC Projects India Limited-PBA Infrastructure Limited-Montecarlo Construction Private Limited dated April 28, 2003
 - s. SEL-HCC Joint Venture dated February 5, 2004.
 - t. MADHUCON-SADBHAV JV dated August 31, 2005



17. Agreements for sale of land for Sadbhav House dated April 26, 1996 & July 18, 2003 and Lease deed dated July 26, 2005
18. Rent Agreement dated April 1, 1997 for land at Ognaj Workshop
19. Annual Reports of Sadbhav Finstock Private Limited for the financial years 2004-05, 2003-04, 2002-03.
20. Annual Reports of Sadbhav Quarry Works Private Limited for the financial years 2004-05, 2003-04, 2002-03.
21. Memorandum & Articles of Association of Sadbhav Finstock Private Limited
22. Memorandum & Articles of Association of Sadbhav Quarry Works Private Limited
23. Memorandum & Articles of Association of Mumbai Nasik Expressway Limited
24. Sanction letters from SREI vide their letter no. SIFL/OFFER/SEL/05-06 dated July 22, 2005 and Citibank vide their letter dated July 29, 2005.
25. Due Diligence Certificate dated [•], 2005 from Lead Manager, Karvy Investor Services Limited
26. Tripartite agreement dated [•], 2005 between the Company, (Registrars) and NSDL, for offering depository services.
27. Tripartite agreement dated [•], 2005, between the Company, (Registrars) and CDSL, for offering depository services.
28. SEBI Observation letters no. [•] dated [•], 2005 and Company's reply dated [•]
29. In-principle listing approval no. [•] dated [•], 2005 from BSE
30. In-principle listing approval no. [•] dated [•], 2005 from NSE
31. General Power of Attorney dated [•], executed by the Company in favour of [•] for signing and making necessary changes to the draft Red Herring Prospectus.

Any of the contracts or documents mentioned in the draft Red Herring Prospectus may be amended or modified at any time, if so required, in the interest of the Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.



DECLARATION

All the relevant provisions of the Companies Act 1956, and the guidelines issued by the Government of India or the guidelines issued by 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 thereunder or guidelines issued, as the case may be. The Company further certifies that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY ALL DIRECTORS

Sd/-
Mr. Vishnubhai M. Patel

Sd/-
Mr. Chetankumar N. Patel

Sd/-
Mr. Vikramkumar R. Patel

Sd/-
Mr. Vasistha C. Patel

Sd/-
Mr. Shashin V. Patel

Sd/-
Mr. Nitinkumar R. Patel

Sd/-
Mr. Amarsinh.J. Vaghela

Sd/-
Dr. Amrish.J. Parikh

Sd/-
Mr. Pravinkumar.M. Ganatra

Sd/-
Mr. Vipin O Modi

Sd/-
Mr. Keshavji K Vania

Sd/-
Mr. Prashantkumar.B. Raval

Sd/-
Mr. Nilesh Gohil
Company Secretary and Compliance Officer

Date :
Place :