



KESORAM INDUSTRIES LIMITED

Our Company was incorporated as a public company with the name Kesoram Cotton Mills Limited under the provisions of the Indian Companies Act, 1913 and is an existing company under the Companies Act, 1956. We received a certificate of incorporation from the Registrar of Companies, Kolkata on 18 October 1919. The name of our Company was changed to Kesoram Industries & Cotton Mills Limited, pursuant to a fresh certificate of incorporation dated 30 August 1961. Subsequently, the name of our Company was changed to Kesoram Industries Limited pursuant to a fresh certificate of incorporation dated 9 July 1986. The corporate identification number of our Company is L17119WB1919PLC003429. For further details in relation to the history of our Company, see the section titled "History and Corporate Structure" at page 107.

Registered Office and Corporate Office: 8th Floor, Birla Building, 9/1, R.N. Mukherjee Road, Kolkata 700 001
Telephone: + 91 33 2242 9454; **Facsimile:** +91 33 2210 9455
Compliance Officer & Contact Person: Mr. Gautam Ganguli, Company Secretary and Compliance Officer
Email: cs@kesoram.net; **Website:** www.kesocorp.com

FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR COMPANY ONLY LETTER OF OFFER

ISSUE OF 64,037,512 EQUITY SHARES OF FACE VALUE OF ₹ 10.0 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF ₹ 65.0 PER EQUITY SHARE ("ISSUE PRICE") INCLUDING A PREMIUM OF ₹ 55.0 PER EQUITY SHARE AGGREGATING TO ₹ 416.2 CRORE BY KESORAM INDUSTRIES LIMITED (THE "COMPANY" OR THE "ISSUER") TO THE EQUITY SHAREHOLDERS OF OUR COMPANY ON RIGHTS BASIS IN THE RATIO OF SEVEN EQUITY SHARES FOR EVERY FIVE EQUITY SHARES HELD ON 16 MAY 2013 (THE "RECORD DATE") (THE "ISSUE"). THE ISSUE PRICE IS 6.5 TIMES OF THE FACE VALUE OF THE EQUITY SHARES. THE ENTIRE ISSUE PRICE FOR THE EQUITY SHARES IS PAYABLE ON APPLICATION.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in the 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 the Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue including the risks involved. The Equity Shares being 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 document. **Investors are advised to refer to the section titled "Risk Factors" on page 9 before making an investment in the Issue.**

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares are listed on the BSE Limited ("BSE"), the National Stock Exchange of India Limited ("NSE") and the Calcutta Stock Exchange Limited ("CSE"). The GDRs of our Company are listed on the Luxembourg Stock Exchange. The Equity Shares offered through this Letter of Offer are proposed to be listed on the BSE, NSE and CSE. Our Company has received "in-principle" approval from BSE, NSE and CSE for listing of the Equity Shares to be allotted pursuant to the Issue vide letters dated 27 November 2012, 10 December 2012 and 11 December 2012, respectively. The BSE shall be the Designated Stock Exchange for the Issue.

LEAD MANAGERS TO THE ISSUE

REGISTRAR TO THE ISSUE



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Kanuganti/ Ms. Kavita Tanwani
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Yes Bank Limited
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Contact Person: Mr. M.
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SEBI Registration No:
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ISSUE PROGRAMME

ISSUE OPENS ON

LAST DATE FOR RECEIPT OF REQUEST FOR
SPLIT APPLICATION FORMS

ISSUE CLOSES ON

3 June 2013

10 June 2013

17 June 2013

* The SEBI registration certificate of Religare Capital Markets Limited, one of the lead managers to the Issue, as a merchant banker, has expired on 11 December 2012. As required under Regulation 8A of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, as amended, an application for permanent registration, in the prescribed manner, was made on 7 September 2012 by Religare Capital Markets Limited to SEBI, three months before the expiry of the said certificate of registration. The approval of SEBI in this regard is awaited. No communication has been received by Religare Capital Markets Limited from SEBI rejecting the said application.

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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or requires, the following terms shall have the meanings given below in this Letter of Offer. References to statutes, enactments or regulations shall include any amendments and supplements thereto made from time to time.

Issuer and Industry Related Terms

Term	Description
Articles/ Articles of Association/ AoA	The articles of association of our Company, as amended from time to time.
Auditors	The statutory auditors of our Company, being Price Waterhouse.
Board/ Board of Directors/ our Board	Board of Directors of our Company or a duly constituted committee thereof, as the context may refer to.
Directors/ our Directors	Directors of our Company.
Equity Shares	The equity shares of our Company of face value ₹ 10.0 each, which, prior to 26 September 2012, were ordinary shares of our Company of face value of ₹ 10.0 each.
Eligible Equity Shareholders	The holders of Equity Shares, as on the Record Date i.e. 16 May 2013.
Group Companies	Companies, firms, ventures etc promoted by the Promoter of our Company, irrespective of whether such entities are covered under Section 370(1)(B) of the Companies Act, being Century Textiles & Industries Limited, Century Enka Limited and Jay Shree Tea & Industries Limited.
Joint Venture/ JV	Gondkhari Coal Mining Limited.
“Kesoram Industries Limited” or “the Company” or “our Company” or “we” or “us” or “our”	Kesoram Industries Limited, a public limited company incorporated under the provisions of the Indian Companies Act, 1913 and therefore, an existing company under the Companies Act.
Memorandum/ Memorandum of Association	The memorandum of association of our Company, as amended from time to time.
Promoter	The promoter of our Company, being Mr. Basant Kumar Birla.
Promoter Group	Includes the Promoter and Ms. Sarala Devi Birla, Ms. Rajashree Birla, Mr. Kumar Mangalam Birla, Ms. Vasavadatta Bajaj, Ms. Jayashree Mohta, Ms. Manjushree Khaitan, Ms. Vidula Jalan, Mr. Krishna Gopal Maheshwari, Manav Investment & Trading Company Limited, Aditya Marketing & Manufacturing Limited, Parvati Tea Company Private Limited, B.K. Birla Foundation, Birla Education Trust, Prakash Educational Society, Birla Educational Institution, Birla Institute of Technology and Science, Century Textiles and Industries Limited, Pilani Investment and Industries Corporation Limited and Padmavati Investment Limited.
Registered and Corporate Office	The registered and corporate office of our Company situated at 8 th Floor, Birla Building, 9/1, R.N. Mukherjee Road, Kolkata 700 001.

Issue Related Terms and Abbreviations

Term	Description
Abridged Letter of Offer	The abridged letter of offer to be sent to the Eligible Equity Shareholders, in accordance with the SEBI Regulations.
Allotment	The allotment of Equity Shares pursuant to the Issue.
Allotment Date	The date on which Allotment is made.
Allottee(s)	An Investor who is Allotted Equity Shares pursuant to Allotment.
Application	Application made between the Issue Opening Date and the Issue Closing Date, whether submitted by way of CAF or in the form of a plain-paper, in case of Investors to subscribe to the Equity Shares issued pursuant to the Issue at the Issue Price, including applications by way of the ASBA process.
Application Money	The aggregate amount payable in respect of the Equity Shares applied for in the Issue at the Issue Price.
“ASBA” or “Application Supported by Blocked Amount”	Application supported by blocked amount i.e., the Application (whether physical or electronic) used by an ASBA Investor to apply for Equity Shares in the Issue, together with an authorisation to an SCSB to block the Application Money in the ASBA Account.
ASBA Account	An account maintained by an ASBA Investor with an SCSB which will be blocked by such SCSB to the extent of the Application Money, as specified in the CAF or plain paper Applications, as the case may be.

Term	Description
ASBA Investor	Eligible Equity Shareholders proposing to subscribe to the Issue through the ASBA process and who satisfy the ASBA Investor Eligibility Criteria (<i>as defined in the section titled "Terms of the Issue" on page 238</i>).
Bankers to the Issue	IndusInd Bank Limited, HDFC Bank Limited, State Bank of India (Capital Markets Branch) and Yes Bank Limited.
CAF/ Composite Application Form	The application form used by Investors to make an Application for Allotment.
Controlling Branches	The branches of the SCSBs which coordinate with the Registrar to the Issue and the Stock Exchange and a list of which is available at http://www.sebi.gov.in .
Consolidated Certificate	The certificate issued by our Company in one folio for Equity Shares Allotted to any Eligible Equity Shareholder in physical form.
Designated Branches	Such branches of the SCSBs which shall collect the CAF or the plain paper Application, as the case may be, from the ASBA Investors and a list of which is available on http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries .
Demographic Details	Demographic details of Eligible Equity Shareholders, including address, bank account details and occupation.
Depository	A depository registered with the SEBI under the Depository Regulations.
DP	Depository Participant.
Designated Stock Exchange	BSE.
Draft Letter of Offer	The draft letter of offer dated 9 November 2012 filed with SEBI and issued by our Company in accordance with the SEBI Regulations.
Investor(s)	Eligible Equity Shareholder(s) and Renouncee(s) applying in the Issue.
Issue/ the Issue/ this Issue	Issue of 64,037,512 Equity Shares for cash at a price of ₹ 65.0 per Equity Share including a premium of ₹ 55.0 per Equity Share aggregating to ₹ 416.2 crore by the Company to the Eligible Equity Shareholders of our Company on a rights basis of seven Equity Shares for every five Equity Shares held on the Record Date.
Issue Closing Date	17 June 2013.
Issue Opening Date	3 June 2013.
Issue Price	₹ 65.0 per Equity Share.
Issue Proceeds	The proceeds raised through the Issue available to the Company.
Lead Managers	SBI Capital Markets Limited, Religare Capital Markets Limited and Yes Bank Limited.
Letter of Offer	This letter of offer dated 22 May 2013 filed with the Stock Exchanges after incorporating the observations received from SEBI on the Draft Letter of Offer.
Listing Agreement(s)	The agreement(s) entered into between us and the Stock Exchanges.
Net Proceeds	The Issue Proceeds less Issue related expenses.
Non – ASBA Investor	All Investors other than ASBA Investors who intent to apply in the Issue otherwise than through the ASBA process.
Non-Institutional Investors	An Investor other than a Retail Individual Investors, Retail Individual Shareholders and Qualified Institutional Buyers.
QIBs/ Qualified Institutional Buyers	Public financial institutions as defined in Section 4A of the Companies Act, FIIs and Sub-Accounts (other than Sub-Accounts which are foreign corporates or foreign individuals), VCFs, FVCIs, Mutual Funds, multilateral and bilateral financial institutions, scheduled commercial banks, state industrial development corporations, insurance companies registered with the IRDA, provident funds and pension funds with a minimum corpus of ₹ 25.0 crore, the NIF, insurance funds set up and managed by the army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, Government of India, eligible for applying in the Issue.
RCM	Religare Capital Markets Limited.
Record Date	16 May 2013.
Registrar and Transfer Agent	The registrar and transfer agent of our Company, being MCS Limited.
Registrar/ Registrar to the Issue	Karvy Computershare Private Limited.
Refund Bank	HDFC Bank Limited.
Renouncees	Persons, other than ASBA Investors, who have acquired Rights Entitlements from Eligible Equity Shareholders.
Retail Individual Investors	Individual Investors who have applied for Equity Shares for an amount less than or equal to ₹ 200,000.0 in the Issue (including HUFs applying through the Karta).
Retail Individual Shareholders	Eligible Equity Shareholders who have applied for Equity Shares for an amount less than or equal to ₹ 200,000.0 in the Issue.
Rights Entitlement	Seven Equity Shares that an Equity Shareholder is entitled to under the Issue for every five fully paid up Equity Share(s) held as on the Record Date.
SBICAP	SBI Capital Markets Limited
Self Certified Syndicate Bank or SCSB	The banks which are registered with SEBI under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994, and offers services of ASBA, including

Term	Description
Split Application Form(s)	blocking of bank account and a list of which is available on http://www.sebi.gov.in . The application form(s) used in case of, (a) renunciation in part by an Equity Shareholder in favour of one or more Renounees; or (b) renunciation by an Equity Shareholder in favour of two or more Renounees.
Stock Exchanges	BSE, NSE and CSE where the Equity Shares are presently listed.
Yes Bank	Yes Bank Limited (in its capacity as a Lead Manager to the Issue).

Conventional/ General Terms and References to other Entities

Term	Description
Air Act	The Air (Prevention And Control Of Pollution) Act, 1981.
Act/ Companies Act	The Companies Act, 1956.
CESTAT	Customs, Excise and Service Tax Appellate Tribunal.
Competition Act	Competition Act, 2002.
Contract Labour Act	The Contract Labour (Regulation and Abolition) Act, 1970.
Depository Regulations	The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.
Environment Protection Act	The Environment (Protection) Act, 1986
FCNR Account	Foreign Currency Non Resident Account.
FEMA Regulations	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and amendments thereto.
Financial Year/ Fiscal/ FY	Period of twelve months ended 31 March of that particular year.
IFRS	International Financial Reporting Standards.
IT Act	The Income Tax Act, 1961.
Indian GAAP	Generally Accepted Accounting Principles in India.
Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.
Karnataka Stamp Act	The Karnataka Stamp Act, 1957
Mutual Fund	Mutual fund registered with SEBI under the Mutual Fund Regulations.
Mutual Fund Regulations	The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
NRE Account	Non Resident External Account.
NRO Account	Non Resident Ordinary Account.
“Non Resident” or “NR”	Non-resident or person(s) resident outside India, as defined under the FEMA, including FIIs and FVCIs.
Regulation S	Regulation S under the Securities Act.
“Re.” or “Rs.” or “INR” or “Rupees” or “₹”	Indian Rupees.
₹ 1 crore	₹ 10 million.
SEBI Act	The Securities and Exchange Board of India Act, 1992.
SEBI Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
Securities Act	The United States Securities Act of 1933, as amended.
Takeover Code	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
Transfer of Property Act	The Transfer of Property Act, 1882.
U.S./ USA/ United States	United States of America, including the territories or possessions thereof.
Water Act	The Water (Prevention & Control Of Pollution) Act, 1974

Abbreviations

Term	Description
AGM	Annual general meeting.
AS	Accounting Standards.
ATMA	Automotive Tyre Manufactures Association 2011-12
AY	Assessment Year.
BSE	BSE Limited.
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
CEO	Chief Executive Officer.
CRAR	Capital-to-Risk Asset Ratio.
CRR	Cash Reserve Ratio.
CSE	Calcutta Stock Exchange Limited.
DP ID	Depository Participant’s Identity.

Term	Description
DSE	Delhi Stock Exchange Limited.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization.
ECB	External Commercial Borrowings.
ECS	Electronic Clearing Service.
EGM	Extraordinary general meeting.
FDI	Foreign Direct Investment policy, as laid down in Circular 1 of 2013, effective from 5 April 2013, issued by DIPP, Ministry of Commerce, GoI.
FEMA	The Foreign Exchange Management Act, 1999 read with rules and regulations promulgated thereunder and any amendments thereto.
FII(s)	Foreign Institutional Investors registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investor) Regulations, 1995.
FIR	First Information Report.
GAAP	Generally Accepted Accounting Principles.
GDP	Gross Domestic Product.
GDR	Global Depository Receipts.
GOI/ GoI/ Government	Government of India.
HUF	Hindu Undivided Family.
IPC	The Indian Penal Code, 1860.
IRDA	Insurance Regulatory and Development Authority.
IT Act	Income Tax Act, 1961.
LIBOR	London Interbank Offered Rate.
LSE	Luxembourg Stock Exchange.
MODVAT	Modified Value Added Tax.
NECS	National Electronic Clearing Services.
NEFT	National Electronic Fund Transfer.
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NSDL	National Securities Depositories Limited.
NSE	National Stock Exchange of India Limited.
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60.0% by NRIs including overseas trusts, in which not less than 60.0% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under the FEMA Regulations and which was in existence on 3 October 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under the FEMA.
p.a.	Per Annum.
PAN	Permanent Account Number allotted under the IT Act.
PBDIT	Profit before depreciation, interest and taxes.
RBI	The Reserve Bank of India.
RTGS	Real Time Gross Settlement.
SEBI	The Securities and Exchange Board of India, constituted under the SEBI Act.
SLR	Statutory Liquidity Ratio.
Stock Exchanges	BSE, NSE and CSE.
STT	Securities Transaction Tax.
Synergy Geotech Private Limited	An independent agency, being a company incorporated in India, which conducts topographic surveys in mineral exploration and mine planning since 1993.
VAT	Value Added Tax.

Notwithstanding the foregoing, terms in sections titled “History and Corporate Structure”, “Statement of Tax Benefits”, “Financial Information”, “Outstanding Litigation and Defaults” and “Terms of the Issue” on pages 107, 60, 116, 203 and 233, respectively, have the meanings given to such terms in these respective sections.

OVERSEAS SHAREHOLDERS

The distribution of this Letter of Offer and the Issue to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons who come into possession of this Letter of Offer are required to inform themselves about such requirements and observe such restrictions. The Company is making the Issue to Eligible Equity Shareholders and will dispatch the Abridged Letter of Offer and Composite Application Form to only those Eligible Equity Shareholders who have an Indian address.

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer has been filed with SEBI for observations. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer or any offering materials or advertisements in connection with the Issue may not be distributed, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Letter of Offer should not, in connection with the Issue or the Rights Entitlements, distribute or send this Letter of Offer in or into jurisdictions where it would or might contravene local securities laws or regulations. If this Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in this Letter of Offer. Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date.

NO OFFER IN THE UNITED STATES

The Rights Entitlement and the Equity Shares offered in this Issue have not been and will not be registered under the United States Securities Act of 1933 as amended ("**Securities Act**"), or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof, or to, or for the account or benefit of U.S. Persons (as defined in Regulation S of the Securities Act ("**Regulation S**")), except in a transaction exempt from the registration requirements of the Securities Act. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said Equity Shares offered in this Issue or Rights Entitlement. Accordingly, this Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time.

Neither we nor any person acting on behalf of us will accept subscriptions or renunciation from any person, or the agent of any person, who appears to be, or who we or any person acting on behalf of us has reason to believe is, either a U.S. Person or otherwise in the United States when the buy order is made. Envelopes containing a CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Equity Shares in this Issue and wishing to hold such Equity Shares in registered form must provide an address for registration of the Equity Shares in India. We are making the Issue on a rights basis to Eligible Equity Shareholders and this Letter of Offer and CAF will be dispatched only to Eligible Equity Shareholders who have an Indian address. Any person who acquires rights and the Equity Shares offered in this Issue will be deemed to have declared, represented, warranted and agreed, (i) that it is not and that at the time of subscribing for such Equity Shares or the Rights Entitlements, it will not be, in the United States, (ii) it is not a U.S. Person and does not have a registered address (and is not otherwise located) in the United States when the buy order is made, and (iii) it is authorised to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations.

We reserve the right to treat any CAF as invalid which: (i) does not include the certification set out in the CAF to the effect that the subscriber is not a U.S. Person and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the Equity Shares offered in the Issue or Rights Entitlement in compliance with all applicable laws and regulations; (ii) appears to us or our agents to have been executed in or dispatched from the United States; (iii) appears to us or our agents to have been executed by a U.S. Person; (iv) where a registered Indian address is not provided; or (v) where we believe that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and we shall not be bound to allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF.

NOTICE TO GDR HOLDERS

The Global Depository Receipts with respect to the Equity Shares of the Company, issued by Citibank N.A. as initial depository, and replaced by Deutsche Bank Trust Americas (“**GDR Depository**”) vide appointment letter dated 30 September 2009 (“**GDRs**”) are currently listed on the Luxembourg Stock Exchange appearing on the EuroMTF market pursuant to the Deposit Agreement dated 9 August 1996 (the “**Deposit Agreement**”). Under the terms of the Deposit Agreement, the holders of GDRs have no voting rights with respect to their underlying shares, however, they are entitled to receive any dividend payments or distribution of shares, including pursuant to a rights offering, made by the Company.

The GDR holders are expected to be able to participate indirectly in the Issue through the ICICI Bank as the custodian (the “**Custodian**”) of the issue of GDRs in respect of Equity Shares provided that (i) they furnish certification regarding their status such as to satisfy the Company and the GDR Depository that they may legally subscribe to the underlying shares without taking of any further action by the Company or the GDR Depository; and (ii) upon making payment in respect of the amounts payable for the underlying shares and the completion of such other formalities as the Custodian or the GDR Depository may determine. GDR holders who are unable to participate in the Issue or fail to do so are expected to receive a proportionate share of any net value the GDR Depository may receive from selling the proportion of rights entitlements corresponding to their GDR holdings.

A separate notice with respect to the Issue will be distributed by the GDR Depository in respect of the GDRs detailing how persons entitled to such GDRs may participate in the Issue. The GDR Depository may be contacted at Deutsche Bank Trust Americas, at 60 Wall Street, New York, New York 10005 Fax: +1 732 544 6346.

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references to “India” in this Letter of Offer are to the Republic of India, together with its territories and possessions, and all references to the “US”, the “USA”, the “United States” or the “U.S.” are to the United States of America, together with its territories and possessions. Unless the context otherwise requires, a reference to the "Company" is a reference to Kesoram Industries Limited and unless the context otherwise requires, a reference to "we", "us" and "our" refers to Kesoram Industries Limited, as applicable in the relevant fiscal period.

References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable.

Unless otherwise specified, references to installed capacities of our plants refer to manufacturer-rated capacities.

Financial Data

In this Letter of Offer, we have included our audited financial statements for the Fiscal 2012 and Fiscal 2013.

Unless otherwise specified, all financial numbers in this LOF have been mentioned in ₹/ ₹ crore.

Our fiscal year commences on 1 April and ends on 31 March of the next year. Unless stated otherwise, reference herein to a particular “financial year” or “fiscal year” or “Fiscal” are to the 12-month period ended 31 March of that year.

In this Letter of Offer, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding.

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Letter of Offer have been derived from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that the industry and market data used in this Letter of Offer is reliable, neither we nor the Lead Managers nor any of their respective affiliates nor advisors have prepared or verified it independently. The extent to which the market and industry data used in this Letter of Offer is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in the section titled “Risk Factors” on page 9. Accordingly, investment decisions should not be based on such information.

Currency of Presentation

All references to “Re.” or “Rs.” or “INR” or “Rupees” or “₹” refer to Indian Rupees, the lawful currency of India. Any reference to “USD” or “US\$” or “\$” refers to the United States Dollar, the lawful currency of the United States of America. All references to “Euro” or “Eur” or “€” are to the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the treaty establishing the European Community, as amended from time to time.

FORWARD-LOOKING STATEMENTS

We have included statements in this Letter of Offer which contain words or phrases such as “will”, “aim”, “is likely to result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward – looking statements”. Similarly, statements that describe our objectives, strategies, plans or goals are also forward-looking statements.

All forward – looking statements in this Letter of Offer are based on our current plans and expectations and are subject to a number of uncertainties, assumptions and risks that could significantly affect our current plans and expectations, and our future financial condition and results of operations and may differ materially from those contemplated by the relevant forward-looking statement. These factors include, but are not limited to:

- volatility in interest rates and other market conditions;
- general political economic and business conditions in India and other countries;
- the performance of the Indian and global financial markets;
- our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
- costs and availability of equipment, materials and fuel;
- performance of industrial and automotive sectors in India;
- changes in competition in the industries we operate in;
- performance of the Indian debt and equity markets;
- occurrence of natural calamities or natural disasters affecting the areas in which we have operations;
- changes in laws and regulations that apply to companies in India; and
- other factors discussed in this Letter of Offer, including in the section titled “Risk Factors” on page 9.

For a further discussion of factors that could cause our actual results to differ, see the sections titled “Risk Factors” and “Our Business” on pages 9 and 84 respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Neither our Company, the Lead Managers, 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 the SEBI and Stock Exchange requirements, our Company will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

SECTION II - RISK FACTORS

An investment in equity shares involves a high degree of risk. Investors should carefully consider all the information in this Letter of Offer, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the price of our Equity Shares could decline, and you may lose all or part of your investment. The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations and financial condition. The financial and other related implications of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are risks where the effect is not quantifiable and hence has not been disclosed in the applicable risk factors. We have numbered the risk factors to facilitate ease of reading and reference.

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing all or a part of their investment. Investors are advised to read the risk factors described below carefully before making an investment decision in this offering. In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of the Issue, including the merits and risks involved.

To obtain a complete understanding, this section should be read in conjunction with the Sections "Our Business" and "Management's Discussion and Analysis on Results of Operations and Financial Conditions" beginning on pages 84 and 169, respectively.

This Letter of Offer also contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including considerations described below and in the chapter entitled "Forward Looking Statements" on page 8. Unless otherwise stated, the financial information used in this section is derived from our audited financial statements for fiscal 2012 and fiscal 2013, prepared under Indian GAAP.

RISKS RELATED TO THE COMPANY

- We are involved in legal proceedings in various states in India, both as plaintiff and as defendant, which if determined against us could have a material adverse effect on our financial condition and results of operations.***

We are currently involved in a number of legal proceedings in India. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. If any new developments arise, for example, a change in Indian law or rulings against us by the appellate courts or tribunals, we may face losses and we may have to make further provisions in our financial statements, which could increase our expenses and our liabilities. Decisions in such proceedings adverse to our interests may have a material adverse effect on our business, financial condition, results of operations and cash flows.

The outstanding legal proceedings have been disclosed in the summary below.

S no.	Category	Number of proceedings	Amount involved (in ₹ crore) #
1.	Criminal complaints/proceedings	22	-
2.	Civil proceedings	59	4.81
3.	Labour proceedings	40	0.27
4.	Direct tax proceedings	15	33.57
5.	Indirect tax proceedings	133	211.56
6.	Consumer dispute proceedings	8	0.03

#To the extent ascertainable

- We are required to be in strict compliance with the orders passed by the High Court of Orissa to continue operations at our Balasore Tyre Plant and there can be no assurance that we will be able to comply with the orders.***

A public interest litigation was filed before the High Court of Orissa alleging, inter alia, that effluent emissions from our Balasore Tyre Plant are causing air, water and hazardous waste pollution resulting in damage to the environment. See "Outstanding Litigation and Defaults" on page 203.

On 28 March 2012, the High Court passed an interim order directing the closure of our Balasore Tyre Plant until a consent order is obtained from the SPCB with respect to alleged violations of provisions of the Air Act, Water Act and Environment Protection Act. The petitioners alleged that our Balasore Tyre Plant was in non-compliance with air and water pollution norms, and that we were carrying out the on-going construction of our passenger car radial unit without having obtained any approvals for the construction plans and without possessing the requisite approvals and permissions from the SPCB. The petitioners further alleged that we had violated the Central Ground Water Board Guidelines with respect to drawing of water from underground pumps and indiscriminate felling of trees at the site.

On 4 May 2012, we obtained a consent order from the SPCB pursuant to which we were granted consent to continue operations at the Balasore Tyre Plant until 31 March 2013, subject to our maintaining strict compliance standards and undertaking to comply with certain environmental requirements within three months from the date of the order. We have, in December 2012, applied for renewal of our consent to operate the Balasore Tyre Plant, which application is currently pending.

Pursuant to the consent order issued by the SPCB, the High Court modified its interim order and permitted us to continue operations at Balasore Tyre Plant on the condition that we comply with the consent order issued by the SPCB. However, there can be no assurance that the consent order will be extended, or that it will not be revoked. If we are required to cease operations at our Balasore Tyre Plant for any reason, including as a result of public interest litigation, our business, financial condition and results of operations may be adversely affected.

Further, we do not currently have consent of establishment approval from the SPCB which is required for us to set up our passenger car radial tyre unit, and there is no assurance that we will be able to obtain this approval or any other requisite approvals and permits, in a timely manner. Any further delays in completing the planned construction, revocation of any existing clearances, failure to obtain or renew regulatory approvals, non-compliance with applicable regulations or conditions stipulated in the approvals obtained may have a material adverse effect on our business, results of operations and financial condition.

3. *We have incurred losses in the past including the last two financial years and may incur losses in the future.*

We have incurred net losses for the period in the last two financial years and may continue to incur losses in the future. We recorded a net loss for the period of ₹ 379.7 crore for the year ended 31 March 2012 and ₹329.2 crore for the year ended 31 March 2013. Our failure to generate profits may adversely affect the market price of our Equity Shares, restrict our ability to pay dividends and impair our ability to raise capital and expand our business. There can be no assurance that we will be profitable in the future or will be able to pay dividends under the Companies Act.

4. *We are subject to restrictive covenants under our financing arrangements, some of which we are not in compliance with.*

We are subject to restrictive covenants under our financing agreements we have entered into with certain banks and financial institutions. These restrictive covenants require us to seek the prior permission of these lenders for various activities, including, among other things, effecting any changes to our capital structure or shareholding pattern, raising fresh capital or, taking on new indebtedness, undertaking any merger or amalgamation, restructuring, utilise funds provided under a financing agreement for purposes other than those set out in the financing agreement, implementing any scheme of expansion, diversification or modification (other than incurring routine capital expenditure), diversifying into other business, effecting any amendments to our memorandum and articles of association, effecting any change in the shareholding of the promoter and promoter group of the Company, declaring and paying dividends, making investments over certain specified thresholds, or disposing off any of our fixed assets. These restrictive covenants may also affect some of the rights of our shareholders and our ability to pay dividends.

We are currently in breach of certain of the financial covenants that we are subject to under our various financing arrangements.

Details of the financial covenants in our loan agreements that we were not in compliance with as on 31 March 2013 are provided below:

Sr. no.	Lender	Description of loan facility	Financial ratios to be maintained in terms of the loan documentation	Actual financial ratios as on 31 March 2013 [#]
1.	ICICI Bank Limited	ECB facility of US\$ 7 crore.	Debt service coverage ratio (“DSCR”) to be at a minimum of 1.75 times at the end of each financial year subsequent to the financial year ended 31 March 2010.	0.87 times
			Total debt to net worth ratio to be maintained at a maximum of 2 times.	8.8 times
			Total debt to earnings before interest, tax, depreciation and amortisation (“EBITDA”) ratio shall not exceed three times.	10.79 times
2.	ICICI Bank Limited	Term loan facility of ₹ 300 crore.	Total debt to EBITDA ratio to be at a maximum of 2.25 times post the financial year ended 31 March 2012.	10.79 times
			Total debt to net worth ratio to be at a maximum of 2.25 times post the financial year ended 31 March 2012.	8.8 times
3.	Punjab National Bank	Term loan facility of ₹ 300 crore.	Debt equity ratio to be maintained at 1.28 times during the subsistence of this facility.	8.8 times
4.	IndusInd Bank Limited	Medium term loan facility of ₹ 250.0 crore	Debt to total net worth ratio not to exceed 2.25 times post the financial year ended 31 March 2012.	8.8 times
			Total debt to EBITDA ratio to be maintained at a maximum of 2.25 times post the financial year ended 31 March 2012.	10.79 times
5.	Standard Chartered Bank	Financial guarantees/standby letter of credit (Trade) facilities of USD 2.2 crore.	Total debt to tangible net worth ratio not to exceed two times.	8.8
			Total debt to EBIDTA ratio not to exceed three times.	10.79
			DSCR not to decrease below 1.75 times.	0.87

[#] Details of non compliances have been provided as on 31 March 2013 since under the relevant loan documentation, the lenders require maintenance of the abovementioned financial ratios as at the end of a fiscal year.

We have not sought or received waivers for these breaches of financial covenants. Such breaches constitute an event of default, cross-default and acceleration under our financing agreements. Our lenders are entitled to declare the relevant loans to be immediately due and payable, cancel the respective facilities and/or enforce security under the respective loans. We cannot provide any assurance that our lenders will not enforce their rights relating to our breach of financial covenants, or grant us waivers with relation to any of these breaches. Our lenders could take action to accelerate our indebtedness or prohibit us from drawing upon these or other facilities. We may also be unable to take out new debt facilities as a result of these breaches. Any of these consequences could materially and adversely affect our capital expenditure plans, business, financial condition, results of operations and prospects.

5. We have certain contingent liabilities which, if they materialise, may adversely affect our business, results of operations, financial condition and prospects.

As of 31 March 2013, we had the following under contingent liabilities that have not been provided for in our audited financial statements included in the section "Financial Information" at page 152.

Particulars	Amount
(a) Guarantees given:-	
1. To excise authorities	₹0.1 crore
2. By banks on behalf of the Company	₹ 68.8 crore
(b) Claims against the Company not acknowledged as debts:	
1. Rates, taxes, duties etc demanded by various authorities	₹ 230.8 crore
2. Amount demanded by provident fund authorities which is sub judice	₹ 0.9 crore
(c) Rates, taxes and duties etc	₹ 16.1 crore
(d) Amount payable in connection with reorganization of the Company in earlier year	₹3.4 crore

In the event that any of these contingent liabilities materialises, our business, results of operations, prospects, cash flows and financial condition may be adversely affected. For further details, see the section "*Financial Information*" on page 152.

6. *Our indebtedness, including various conditions and restrictions imposed on us by our financing agreements or any breach of these conditions and restrictions by us, could adversely affect our ability to operate in our business.*

As of 31 March 2013, we had outstanding borrowings of ₹ 5,078.6 crore and a debt to equity ratio, of approximately 8.8:1. We may incur new debt obligations to finance our operations and as a result, we may be required to allocate a significant portion of our cash flow to service debt. This could impair our cash flow available to fund working capital and capital expenditures, develop business opportunities or make strategic acquisitions. Our ability to make scheduled payments under our financing agreements and any future financing transactions will depend, amongst other things, on our future operating performance and our ability to refinance or repay our debts. We cannot assure you that our business will generate sufficient cash flow from operations in the future to service our debt and make necessary capital expenditures, in which case we may seek additional financing, dispose of certain assets or seek to refinance some or all of our debt. We cannot assure you that any of these alternatives can be implemented on satisfactory terms, if at all, or without breaching the terms and conditions of existing or future financing agreements.

Further, as of 31 March 2013, approximately ₹ 1,630.8 crore, or 32.1%, of the total amount outstanding under our bank loans was owed under short-term bank borrowings. Of the total outstanding, ₹ 3,447.8 crore, or 67.9%, was represented by amounts owed under long-term debt facilities due within five years. For the year ended 31 March 2013, we have incurred finance charges amounting to ₹ 514.4 crore, which constituted 10.2% of the total borrowings from the year ended 31 March 2013. The long term borrowing figure as on 31 March 2012 was ₹ 2,755.8 crore. During the year ended 31 March 2013 we have paid interest amounting to ₹ 335.1 crore on long term borrowings which constituted 12.1% of long term borrowings for the period. Long term borrowings increased by ₹ 18.6 crore during this period to ₹ 2,774.4 crore as on 31 March 2013 from ₹ 2,755.8 crore as on 31 March 2012. If we restructure these loans on or before their maturity dates rather than discharge the debt in full, we could be exposed to interest rate risk resulting from fluctuations in the relevant reference rates during the extended terms of these loans.

Our annual interest rate exposure to every 10 basis point move in interest rates is ₹ 4.4 crore for our Rupee denominated indebtedness and ₹ 0.7 crore for our US dollar denominated indebtedness, both as of 31 March 2013. Such increase in floating rates would affect our interest expenses and as a result, affect our net income.

Any increase in interest expense may have a material adverse effect on our business, financial condition and results of operations. We do not currently have any arrangements to hedge our interest rate risk but if we decide to enter into such hedging arrangements, we cannot assure you that we will be able to do so on commercially reasonable terms or that these arrangements, if entered into, will protect us fully against interest rate risk. We also cannot assure you that we will be able to secure new loans at favourable rates, or at all.

7. *If our planned expansions and new projects are delayed, our results of operations and financial condition may be materially and adversely affected.*

We have a number of significant expansion plans and planned greenfield projects, which involve significant capital expenditure. See "*Business – Ongoing capacity expansion initiative*". Any delay in completing our planned expansions or new projects, suspension of current projects, or cost overruns or operational difficulties

that occur once the projects are commissioned may have a material adverse effect on our business, results of operations or financial condition.

In addition, our capital expenditure for the planned expansions is subject to a number of variables, including potential cost overruns, accidents, construction/development delays or defects, adverse weather conditions, satisfactory or untimely performance by construction contractors, receipt of any governmental or regulatory approvals and permits, political risk, availability of financing on acceptable terms, and changes in management's views regarding the desirability of current plans, among others.

Further, there can be no assurance that any additional output capacity or expansion or improvement of our existing plants will be completed as planned or on schedule, or that we will achieve our increased planned output capacity or operational efficiency. We cannot provide any assurance that we will be able to execute our capital expenditure plans as contemplated. If we experience further significant delays or mishaps in the implementation of our capital expenditure plans then the expected benefit of such plans to our revenues and profitability may not materialise and our profitability and financial condition may be adversely affected.

8. *We have experienced failures of internal and operational controls in the past which have affected us and led to suspension of work in some of our businesses. Any future failures of internal or operational controls could have a material adverse effect on our business, financial condition and result of operations.*

We have in the past experienced failures of our internal and operational controls. For example, we have initiated a criminal complaint against Mr. Deepak Tandon, a former official and whole time director of our Company, before the Court of the Chief Metropolitan Magistrate, Kolkata, alleging that Mr. Tandon is guilty of cheating, criminal breach of trust and conspiracy against us. See "*Outstanding Litigation and Defaults*" on page 216.

In addition, we have had to suspend work at Kesoram Spun Pipes & Foundries, our cast iron and spun pipe division located at Hoogly, West Bengal due to low production and high rejections leading to losses attributed to lack of quality controls on part of our workers. Further, on 8 December 2010, we had to suspend work at our Hindustan Heavy Chemicals unit, located in Kolkata, West Bengal. We suspended operations at this unit due to a section of contract labourers (provided by various contract agencies) going on strike and preventing management and employees from entering the unit. We cannot assure you that we will not experience any future failures in internal and operational control. Any such future failures could have an adverse material impact on our business, financial condition and operations.

9. *Our statutory auditors have qualified their audit report on our financial statements as of and for the year ended 31 March 2012.*

Our statutory auditors qualified their audit report for the year ended of 31 March 2012 (i) in respect of our recognition of ₹ 18.1 crore towards an insurance claim receivable on account of losses due to floods at our Laksar Tyre Plant in the same year, and (ii) in regard to the non-determinability of any adjustments and related disclosures required relating to the legal proceeding initiated by us against our former whole time director, Mr. Deepak Tandon.

10. *The Central Government has de-allocated certain coal blocks, including our coal block pursuant to our joint venture, Gondkhari Coal Mining Limited.*

We had applied to the Government of Maharashtra for grant of mining lease for our joint venture, Gondkhari Coal Mining Limited, which was expected to commence coal mining operations by 2015. However, based on the recommendation of the Inter Ministerial Group reviewing coal block allocations in India, the Central Government, by a letter dated 15 November 2012, has de-allocated the Gondkhari coal block stating that there was no substantial progress in the development of the coal block. Further, it has also ordered forfeiture of the performance Bank Guarantee submitted by Gondkhari Coal Mining Limited. We have also received notices from the Central Bureau of Investigation on 26 October 2012 and 5 March 2013 requiring us to provide details in relation to the existing capacity of the plant located at Sedam, Karnataka, details of the land at which the plant is located and details of water resources for the plant and such other matters. We have challenged the de-allocation of our coal block and the order forfeiting the bank guarantee through a writ petition before the Delhi High Court. In the event the allocation of the mining license is cancelled, this could materially affect our financial condition and results of operations.

11. *We have experienced negative cash flows in prior periods. Any negative cash flows in the future could adversely affect the results of operations and financial condition.*

For the fiscal year ended 31 March 2012, we had a negative cash flow and for the fiscal year ended 31 March 2013, we had a negative cash flow for investing activities and financing activities. Any negative cash flows in the future could adversely affect our Company's results of operations and financial condition. The details of negative cash flows are as follows:

Particulars	For the year ended 31 March	
	2012	2013
	(in ₹ crore)	
Net cash from operating activities	245.5	448.7
Net cash from investing activities	(539.4)	(173.0)
Net cash used in financing activities	290.6	(261.6)
Net increase in cash and cash equivalents	(3.3)	14.1

Any negative cash flows in the future could adversely affect our results of operations and financial condition. For further details, please see "Financial Information" beginning on page 116.

RISK RELATING TO OUR BUSINESS

12. *Our tyre and cement businesses currently depend upon third party suppliers for a substantial portion of their rubber, coal and other requirements, and our results of operating margins depend upon the market prices for such raw materials.*

We source a majority of our natural rubber and a substantial proportion of our coal, from third parties. For example, in the financial years ended 31 March 2012 and 2013, our costs of materials consumed accounted for approximately 56.9% and 52.8% of our total expenses, respectively. As a result, our results of operations depend upon our ability to obtain natural rubber (which is one of the principal components used in the manufacture of tyres), coal (which is one of the principal sources of energy for cement production) and wood pulp (which is one of the principal raw material used to manufacture viscose rayon filament yarn and transparent paper at our Rayon plant) at prices that are low relative to the market prices of the tyres and cement products that we sell. The market prices of the natural rubber and coal that we purchase from third parties have experienced volatility in the past, and any increases in the market price of these raw material relative to the market prices of the tyres and cement that we sell, may adversely impact our results of operations and financial condition. The table below provides the proportion of raw materials sourced from international and domestic sources:

Raw material sourced	For the year ended 31 March	
	2012	2013
Coal		
International Suppliers	30.8%	18.7%
Domestic Suppliers.....	69.2%	81.3%
Rubber		
International Suppliers	26.0%	30.2%
Domestic Suppliers.....	74.0%	69.8%
Wood pulp		
International Suppliers	20.0%	17.9%
Domestic Suppliers.....	80.0%	82.1%

13. *We depend on the success of our agents and dealers for the sale and distribution of our products. There is no assurance that our current relationship with our agents and dealers will continue to or that we will expand our network.*

We also rely on our external distribution network of approximately 209 tyre agents and 16 cement agents and a network of more than 8,831 tyre dealers and 1,544 cement dealers as of 31 March 2013, to sell and market our products. For more information, see "Our Business – Tyres – Sales and Distribution" and "Our Business – Cement – Sales and Distribution" on pages 93 and 101, respectively. As a result, we rely to a significant extent on the relationships we have with our agents who work with the distributors of our tyres across India, and dealers of cement in the regions in which we operate. To the extent required, our agents have day-to-day contact

with our distributors and dealers. However, we are exposed to the risk that our tyre distributors and cement dealers may fail to adhere to the standards that we set for them in respect of sales and after-sales support, which in turn could affect our customers' perception of our brand and products. While we believe we have maintained good relationships with our agents, distributors and dealers, there is no assurance that our current relationship will continue as it stands or that we may be able to attract additional tyre distributors or cement dealers to expand our network. In addition, we provide our tyre distributors and cement dealers with incentives to sell our tyres and cement. If our competitors provide better incentives to our tyre distributors and cement dealers, such distributors and dealers may be persuaded to promote the products of our competitors instead of our products. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

14. *Our manufacturing process involves the use of hazardous industrial chemicals which entails significant risks.*

Our business utilises various hazardous industrial chemicals in the production of tyre, cement, rayon and transparent paper businesses, which may be harmful to humans and the environment. Any mishandling or any negative incident related to the use of these chemicals may cause severe industrial accidents, loss of human life and/or environmental damage. If any industrial accident, loss of human life or environmental damage were to occur as a result of our mishandling of hazardous chemicals, we could be subject to significant penalties and our results of operations and reputation could be adversely affected.

For example, we have been unable to remove certain hazardous chemicals at our Hindustan Heavy Chemical manufacturing unit due to barricades put up by a section of workmen not permitting entry or exit to the unit. In the event of any incident occurring involving hazardous chemicals we could be subject to significant penalties and other actionable claims which could result in our operations and reputation being adversely affected.

15. *If the transition from bias to radial tyres in the domestic Indian commercial vehicle market occurs more rapidly than we anticipate, our tyre business may require further investments.*

Most of our truck and bus tyre sales comprise sales of traditional bias tyres. Bias tyres are less expensive than radial tyres but tend to wear out more rapidly and have a lower fuel efficiency. Bias tyres are used principally in emerging markets or developing countries on account of poor road conditions, overloading practices and lack of technological advancement, among other factors. On the other hand, radial tyres dominate the more mature US and European tyre markets, and the international tyre market for commercial vehicles in developed countries has largely moved to radial tyres. The Indian commercial vehicle tyre market, of which radial tyres comprised of only 19.0% in the year ended 31 March 2012, has been slow to embrace radial tyres due to cost considerations, overload practices, maintenance requirements and India's poor road infrastructure.

Our radial tyre sales comprised 10.1% and 12.4% of our total tyre sales in the years ended 31 March 2012 and 2013, respectively. If the Indian commercial vehicle market transitions more rapidly to radial tyres than we anticipate, we may be unable to adjust our operations accordingly and our business, financial condition and results of operations may be adversely affected.

16. *Our operations may be adversely affected if relations with employees were to deteriorate.*

Relations with employees could deteriorate due to disputes related to, among other things, wage or benefit levels. We rely heavily on our employees in our operations. Shortage of skilled labour or stoppages caused by disagreements with employees could adversely affect our operations. Our plants also have several trade unions which are politically affiliated. Political instability in the country or any state in which we operate could have a material adverse impact on these trade unions of our employees and consequently on the industrial relations prevailing in our plants.

Provided is a brief summary of major labour disruptions/proceedings (involving any closure or suspension of work at the relevant units) that have taken place in our various business units/plants over the last five years:

S. no.	Plant where the labour proceedings occurred	Details of proceedings	Year in which the proceedings occurred	Duration of the proceedings	Current status
1.	Hindustan Heavy Chemicals plant, Khardah	On 8 December 2010, the Company had to suspend work	2010	8 December 2010 till date	Work continues to be suspended at this plant.

S. no.	Plant where the labour proceedings occurred	Details of proceedings	Year in which the proceedings occurred	Duration of the proceedings	Current status
		at this plant due to a section of contract labourers (provided by various contract agencies) going on strike and preventing management and employees from entering the unit.			
2.	Kesoram Cement plant, Basantnagar	On 14 April, 2008, one of the contract labourers of the Company went on a hunger strike, purporting to resolve problems in relation to contract labour relations.	2008	14 April 2008 till 19 April 2008	A suit was filed by our Company against the aforementioned labourer in the Civil Court, Pedapalli, alleging that the strike was illegal. The suit is currently pending.
		On 21 June 2011, a strike was called by contract labourers at this plant when the general secretary of the contract labour union raised various demands in relation to contract labour relations.	2011	21 June 2011 till 8 July 2011	Pursuant to joint meetings held between the Company, the representatives of the contract labour union and the Conciliation Officer, Karimnagar, the matter was resolved and the strike was called off.
3.	Vasavadatta Cement plant, Sedam	A 'go-slow' strike was called by contract labourers of the Packing Plant.	2010	5 October 2010 till 26 October 2010	The strike was eventually called off on 26 October 2010.
		A 'flash-strike' was called by contract labourers of the Packing Plant.	2010	27 October 2010 till 31 October 2010.	The strike was eventually called off on 31 October 2010.

We cannot assure you that that no such disruptions or disputes will take place in the future. Any such dispute at our tyre or cement units may adversely affect our business, financial conditions and results of our operations.

As of 31 March 2013, approximately 3,616 contract labourers were working at our tyre manufacturing facilities. The number of contract labourers varies from time to time based on the nature and extent of work contracted to independent contractors. We enter into contracts with independent contractors primarily for packing, as well as for cleaning and other assignments. All contract labourers engaged at our facilities are assured minimum wages that are fixed by the respective State Governments. Any upward revision of wages required by such State Governments to be paid to such contract labourers, or offer of permanent employment or the unavailability of the required number of contract labourers, may adversely affect our business and results of our operations.

17. We face significant competition in both our tyre and cement business and our market share could decline.

Both our tyres and cement business operate under competitive conditions. We compete with other tyre manufacturers on the basis of, among others, product design, performance, price, reputation, warranty terms, customer service and consumer convenience.

In India, we have five major competitors in our tyre business: MRF Limited, Apollo Tyres Limited, J K Tyres & Industries, CEAT Limited and Goodyear India. Other global tyre manufacturers have entered or may enter the Indian market either directly or through joint ventures or partnerships. Moreover, the tyre business is exposed to increased competition from imported low-cost tyres from tyre manufacturers from other countries, such as

China. Additionally, increasing penetration of commercial vehicle radial tyres in the Indian market may attract global manufacturers to enter the domestic market, which could lead to increased competition for radial tyres.

Some of our competitors, in particular international companies, may have greater resources than those available to us. Our ability to compete successfully will depend, in significant part, on our ability to run our business efficiently. If we are unable to compete successfully, our market share may decline, which could have a material adverse effect on our results of operations and financial condition.

In addition, our cement business also faces stiff competition from large domestic cement companies and regional players which operate in the South Indian market, as well as companies that have joint ventures with international cement companies. Competition may limit our opportunity to expand our market share and may drive pricing of products down. Some of our competitors are larger than we are, are more diversified, with operations across India, have greater financial resources than we do, have access to a cheaper cost of capital and may be able to produce cement more efficiently or to invest larger amounts of capital into their businesses. Our cement business could be adversely affected if we are unable to compete with our competitors and sell cement at comparable prices. For example, if any of our current or future competitors develop more efficient production facilities, enabling them to produce cement and clinker at a significantly lower cost and sell at lower prices than us, we may be required to lower the prices we charge for our products and our business and results of operations could be adversely impacted.

18. *We have no long-term sales contracts with any of our customers, as a result, such customers may terminate their respective relationships with us at any time without cause.*

We do not enter into long-term sales contracts with any of our customers. We have framework contracts with some of our OEM and export customers that cover basic contract terms, but these contracts do not require purchase and sale of any goods until we and the customer agree on quantities and price. As a result, we cannot benefit from a fixed sale price for our products which would otherwise be provided for in long-term contracts, and the sales prices for our products are adjusted from time to time in accordance with the market. In addition, our customers may terminate their respective relationship with us at any time without cause. Furthermore, our customers are not obligated in any way to continue placing orders with us at their respective historical levels or at all. If any of our customers, were to materially reduce their orders with us or were to terminate entirely their business relationship with us, our business may be adversely affected as we may not have sufficient notice to locate alternative customers.

19. *Adverse publicity and costs associated with warranty, recall and liability due to defects in our products could affect our brand image.*

Any defects that may be found in our products could adversely affect the demand for our products. Defects in our products that arise from defective components supplied by external suppliers may or may not be covered under warranties provided by them. We may be liable for any consumer claims on account of defects in our products. In defending such claims, we could incur substantial costs and be subject to adverse publicity. Our tyres are subject to warranties against manufacturing defects. In the event of claimed defects or non performance of our products, our practice is to accept genuine claims and to provide appropriate compensation. Although we maintain product liability insurance, our coverage may not be sufficient to cover all claims. Further, any warranty claims may reduce our profitability and in the event product recalls or warranty claims become more frequent, there may be an adverse effect on our operating results and financial condition. Additionally, defective product complaints may also cause damage to our brand name and may affect our reputation and brand image.

20. *Fragmentation of the market as well as consolidation among cement manufacturers may result in downward pricing pressure.*

The cement industry in India is highly fragmented as compared to other countries. The share of installed capacity of cement production of the top four cement groups, namely Ultratech Cement Company Limited, Jaypee Group, India Cements and Shree Cement was 44.0% as of 31 May 2012. These entities had installed capacities of 48.75 million MT, 32.05 million MT, 15.85 million MT and 13.39 million MT, respectively, as of 31 May 2012. Based on the Company's capacity of 7.25 million MT, the Company is currently the 11th largest producer of cement in India, and there are still over 24 different cement companies in India which have less than 5 million MT of cement capacity as of 31 May 2012. (Source: CMA, which excludes the data of ACC Limited and Ambuja Cements Limited). In addition to larger cement manufacturers, we are subject to competition from numerous smaller, local competitors. Such local producers have in the past tried to gain market share by

discounting their prices, putting pressure on us and other leading cement companies to lower prices as well, so as to maintain our respective market shares.

In recent years, the Indian cement industry has seen increased consolidation among the top cement producers. Consolidation in the Indian cement industry and an increase in the number of larger competitors may also adversely affect our results of operations. The large number of smaller producers in the market are likely targets for acquisition as the sector further consolidates. As producers consolidate and become larger, and as they gain greater access to debt and equity financing, we expect that we will face greater competition, which may lead to lower prices and margins and consequently could adversely affect our results of operations.

21. We have in the past entered into related party transactions and may continue to do so as may be permitted by law in the future and there can be no assurance that we could not have achieved more favourable terms if such transactions had been entered into with independent third parties.

We have entered into related party transactions including providing loans and advances to our associate companies. See "Related Party Transactions", and see note 43 on of our Financial Statement for the year ended 31 March 2013.

Further, we may in the future enter into additional related party transactions including by making loans to related parties. To the extent that any loans made to related parties are not repaid, we may be required to make provisions for losses on these loans, our profitability would be adversely affected. For more information, see note 43 on of our Financial Statement for the year ended 31 March 2013.

While we comply with Indian accounting and regulatory standards in entering into related party transactions, such standards may not be comparable with standards of other countries such as the United States. For example, Indian regulatory standards do not require independent valuations or approvals from disinterested shareholders with respect to significant connected party transactions.

22. We face various operational risks which, if realized, may disrupt our operations or otherwise adversely affect our business and operations.

Our manufacturing operations could be disrupted for reasons beyond our control. These disruptions may include extreme weather conditions, fire, natural catastrophes or raw material supply disruptions. For example, our Laksar Tyre Plant was shut down for approximately 10 days in 2010 and 20 days in 2011 due to flooding caused by heavy rains during the monsoons. In addition, there is a risk that production difficulties such as capacity constraints, economic slowdown, mechanical and systems failures, construction/upgrade delays or delays in the delivery of machinery may occur, causing suspension of production and reduced output. Any significant manufacturing disruption could adversely affect our ability to make and sell products, which could have a material adverse effect on our business, financial condition and results of operations.

Our capacity utilization at our various plants are as follows:

Balasore Tyre Plant

	As of or for the year ended 31 March	
	2012	2013
	(in MT per day, except percentages)	
Production capacity	275	275
Actual average daily output	174	124.3
Utilization level.....	63.4%	45.2%

Laksar Tyre Plant

	As of or for the year ended 31 March	
	2012	2013
	(in MT per day, except percentages)	
Production capacity	555	555
Actual average daily output	277	290.7
Utilization level.....	50.0%	52.4%

Kesoram Cement Plant

	As of and for the year ended 31 March	
	2012	2013
(in million MT, except percentages)		
Installed Clinker Capacity (annualised)	1.1	1.1
Installed Cement Capacity (annualised).....	1.5	1.5
Cement Production	1.1	1.2
Utilization Level	71.6%	76.7%

Vasavadatta Cement Plant

	As of and for the year ended 31 March	
	2012	2013
(in million MT, except percentages)		
Installed Clinker Capacity (annualised)	4.6	4.6
Installed Cement Capacity (annualised).....	5.8	5.8
Cement Production	3.9	4.0
Utilization Level	67.6%	69.8%

Kesoram Rayon:

	As of or for the year ended 31 March	
	2012	2013
(in MT per day, except percentages)		
Production capacity	17.8	17.8
Actual average daily output	20.4	20.6
Utilization level.....	114.9%	115.5%

In addition, our Balasore Tyre Plant utilisation level dropped in fiscal year 2013 as compared to fiscal year 2012 due to a decrease in OEM demand. Further, due to the nature of our business and despite compliance with requisite safety requirements and standards, our cement operations are subject to operating risks associated with cement manufacturing. These hazards include storage tank leaks and ruptures, explosions, discharges or releases of hazardous substances, manual handling, exposure to dust and the operation of mobile equipment and manufacturing machinery. We also engage in mining operations for limestone and are subject to risks associated with mining, including fires, explosions and other accidents at the mine site. These operating risks may cause personal injury and property damage and could result in the imposition of civil and criminal penalties. The occurrence of any of these events could have a material adverse effect on the productivity and profitability of a particular manufacturing facility and on our business, financial condition and results of operations.

23. Our cement business is dependent upon our ability to renew our mining rights and mine sufficient limestone for our operations. Our inability to renew our mining rights or meet our limestone needs can result in significant risk to our cement business.

We meet most of our requirements for limestone, the key raw material for cement production, from our leased quarries located near our cement plants. We have commissioned independent reserve report from Ms. Synergy Geotech (Pvt) Limited, and based on the estimates provided by them, as of May 2010, respectively, our limestone and shale reserves are approximately 514 million MT for the limestone quarry located in Karnataka and 31 million MT for the limestone quarry located in Andhra Pradesh. Our leases were initially granted for terms of 20 years and in accordance with the current provisions of the Mines and Minerals (Regulation and Development) Act, 1957 and the Mineral Concession Rules, 1960, we have the right under our agreements to renew our leases for subsequent period of 20 years after our current lease expires. Our Company has three subsisting mining leases in respect of its limestone quarries located in Andhra Pradesh, two of which expire on 8 December 2022, while the third expires on 15 January 2030. Further, our Company has two subsisting mining leases in respect of its limestone quarries located in Karnataka, which expire on 17 August 2026 and 22 December 2022, respectively.

All our current lease agreements are valid as of date of this Letter of Offer. We are subject to strict compliance with conditions when awarded mining rights by the GoI and/or any State Governments. Under these conditions

the GoI or respective State Governments have the power to take action with respect to mining rights, including imposing fines or restrictions, revoking the mining rights or changing the amount of royalties payable for mining the quarries. Such royalties have been increased in recent years, including most recently, with effect from, 13 August 2009, when the rate of royalty for mining of limestone was revised upwards from ₹ 45 per MT to ₹ 63 per MT. There can be no assurance that mining royalties will not be further increased in the future.

If our mining rights are revoked or not renewed upon expiration, or significant restrictions on the usage of the rights are imposed or applicable environmental standards are substantially increased or royalties are increased to significantly higher levels, our ability to operate our plants adjacent to the affected limestone mining sites could be disrupted until alternative limestone sources are located and our costs could significantly increase, which could materially and adversely affect our financial condition and results of operations.

24. *The limestone reserve data in this Letter of Offer are only estimates and our actual production with respect to our reserves may differ from such estimates.*

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. The reserve data set forth in this Letter of Offer represent estimates determined by Ms. Synergy Geotech (Pvt) Limited. In general, estimates of reserves are based upon a number of variable factors and assumptions, such as geological and geophysical characteristics of the reserves, historical production performance of the properties, the quality and quantity of technical and economic data, extensive engineering judgments, the assumed effects of regulation by GoI agencies and future operating costs. All such estimates involve uncertainties, and classifications of reserves are only attempts to define the degree of likelihood that the reserves will result in revenue for us. For those reasons, estimates of the economically recoverable reserves attributable to any particular group of properties and classification of such reserves based on risk of recovery, prepared by different engineers or by the same engineers at different times, may vary substantially. In addition, such estimates can be and will be subsequently revised as additional pertinent data becomes available prompting revision. Actual reserves may vary significantly from such estimates. To the extent actual reserves are significantly less than our estimates, our financial condition and results of operations may be materially and adversely impacted.

25. *Our quality control system is critical to the performance of our business.*

The performance, quality and safety of our tyre and cement products are critical to the success of our business. These factors depend on the effectiveness of our quality control systems, which in turn, depends on a number of factors, including the design of the systems, our quality training programme, and our ability to ensure that our employees adhere to the quality control policies and guidelines. We have received quality certifications from organisations including the Bureau of Indian Standards for our tyre and cement manufacturing units. We cannot assure you of our ability to maintain and comply with the conditions of these certifications. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our business reputation, results of operations and financial condition.

26. *Our operations are subject to environmental, labour and other regulations.*

Our operations are subject to various authorities, the GoI or environmental laws and regulations relating to the control of pollution in the various locations in India where we operate. In particular, the discharge or emission of chemicals, dust or other pollutants into the air, soil or water that exceed permitted levels and cause damage to others which may give rise to liabilities to the local authorities, the GoI or third parties, and may result in our incurring costs to remedy such discharge or emissions, such as from the use of coal and carbon black. There can be no assurance that we are in compliance with such environmental laws that these regulations will not result in a curtailment of production or a material increase in our costs of production or otherwise have a material adverse effect on our financial condition and results of operations. Environmental laws and regulations in India have been increasing in stringency and it is possible that they will become significantly more stringent in the future. Stricter laws and regulations, or stricter interpretation of the existing laws and regulations, may impose new liabilities on us or result in the need for additional investment in pollution control equipment, either of which could affect our business, financial condition or prospects.

Provided is the summary details of significant show-cause notices/other action initiated by regulatory authorities in respect of alleged failure to comply with pollution/forest control laws in respect of our various units over the last five years.

- (i) **Hindustan Heavy Chemicals Plant, Khardah:** The Company received a notice of closure for the Hindustan Heavy Chemicals Plant from the West Bengal State Pollution Control Board (“**WBSPCB**”) dated 28 June 2010. The Company replied to this notice, following which officials of the WBSPCB inspected the plant, and subsequently, the WBSPCB, through a letter dated 17 September 2010 allowed the plant to continue operations subject to certain conditions of operation, the payment of a pollution cost of ₹ 0.05 crore, and furnishing a bank guarantee of ₹ 0.2 crore. The Company deposited the pollution cost in September 2010 and also requested the WBSPCB to reduce the bank guarantee amount to ₹ 0.05 crore. The Company has not deposited any of the bank guarantee amount yet. No further communication has been received from the WBSPCB in this regard.
- (ii) **Kesoram Cement Plant:** The Andhra Pradesh State Pollution Control Board (“**APSPCB**”), by its order dated 20 May 2010 imposed certain pollution control directions against this plant. The Company submitted a bank guarantee of ₹ 1.5 crore as a surety towards compliance with such directions. Subsequently, the APSPCB, in March 2012 invoked a guarantee amount of ₹ 0.5 crore for non-compliance with these directions, against which the Company filed an appeal with the Appellate Authority under the Water Act and the Air Act (“**Appellate Authority**”). The Appellate Authority, by an order dated 22 September 2012 remitted the appeal back to the APSPCB. Subsequently, the APSPCB decided to cancel the order issued for forfeiture of the bank guarantee by an order dated 12 March 2012 and refunded the invoked guarantee of ₹ 0.5 crore.
- (iii) **Balasure Tyre Plant:** For details of proceedings in relation to pollution control laws in relation to the Balasure Tyre Plant, see the section titled “*Our Business — Ongoing Capacity expansion initiative — Passenger car radial unit at Balasure Tyre Plant*” on page 91 of the LOF.

We are also subject to laws and regulations governing relationships with employees, in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and terminating of employees, contract labour and work permits. Furthermore, the success of our strategy to modernise and optimise our existing operations, open newly-constructed plants or acquire new plants is contingent upon, among other things, receipt of all required licences, permits and authorisations, including local land use permits, building and zoning permits and environmental permits. Changes or concessions required by regulatory authorities could also involve significant costs and delay or prevent completion of the construction or opening of a plant or could result in the loss of an existing licence.

27. *If we are unable to obtain the requisite approvals, licenses, registrations and permits to develop and operate our tyres cement and rayon manufacturing units or are unable to renew them in a timely manner, our operations may be adversely affected.*

We require a number of approvals, licenses, registrations and permits for developing and operating our tyres, cement and rayon manufacturing plants, including those related to environmental clearances, including clearances from the SPCB and clearance for storage and removal of hazardous wastes and the supply of critical raw materials, such as water and coal. While we have obtained a number of required approvals for our tyres cement and rayon manufacturing units, certain approvals are currently pending. We are also in the process of applying for the renewal of certain approvals that have currently expired. For example, we have applied for renewals of our licenses to engage contract labour, as well as for renewal of consents to operate under the Air Act and the Water Act for our Laksar Tyre Plant and consent to operate the main manufacturing unit of the Balasure Tyre Plant, which expired on 31 March 2013, which applications are currently pending. We are also yet to obtain consent to operate our passenger car radial tyre unit at the Balasure Tyre Plant. For further details, see “*Government Approvals*” on page 220. If we fail to obtain or retain any applicable approvals, licenses, registrations or permits, or renewals thereof, in a timely manner, we may be unable to operate or expand our existing manufacturing units, or at all, which could affect our business and results of operations. Further, some of our statutory approvals and licences that are essential for carrying on our business activities are about to expire. For further details see the section titled “*Government Approvals – Statutory approvals and licenses of our Company that are about to expire*” on page 222.

Furthermore, the approvals and licenses we have received in relation to our tyres, cement and rayon units are subject to numerous conditions, some of which are onerous and require us to incur substantial expenditure. We cannot assure investors that the approvals, licenses, registrations and permits issued would not be suspended or revoked in the event of non-compliance or alleged non-compliance with any terms or conditions thereof, or pursuant to any regulatory action. Any failure to renew the approvals that have expired or apply for and obtain the required approvals, licenses, registrations or permits, or any suspension or revocation of any of the

approvals, licenses, registrations and permits that have been or may be issued to us, may adversely affect our business, financial condition and results of operations.

28. ***We have applied for the registration of the  KESORAM INDUSTRIES LIMITED logo as a trademark and in the event such registration is not granted, our business, results of operation and financial condition may be adversely affected.***

We have made applications for the registration of the  KESORAM INDUSTRIES LIMITED logo as a trademark in classes 12, 16, 19 and 23, with the office of the Trade Marks Registry, GoI. There can be no assurance that the registration process of this logo will be completed in a timely manner, or at all. In absence of any statutory rights, we may fail to protect this trademark, and may be restrained from using this trademark, which may adversely affect our business and operations. For further details, see the section titled “Government Approvals – Other pending approvals and registrations – Pending intellectual property approvals where applications have been made” on page 221.

29. ***The interests of our principal shareholders may not be the same as those of our other shareholders.***

As at 31 March 2013, the Promoter and Promoter Group effectively controlled voting rights for 12.4 million Equity Shares, equal to 27.1% of our Equity Shares. The Promoter and Promoter Group have significant influence over the conduct of our business, including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election of directors. The Promoter and Promoter Group, because of their long-term interest, may have views which, in the short term, may be adverse to the interests of the other holders of the Equity Shares.

30. ***We may continue to be controlled by our Promoter and Promoter Group, who by virtue of their aggregate shareholding collectively own a substantial portion of our issued Equity Shares, as a result of which, the remaining shareholders may not be able to affect the outcome of shareholder voting.***

As on the date of this Letter of Offer, our Promoter and Promoter Group shareholding stands at 27.1% as of 31 March 2013. Our Promoter and Promoter Group will continue to collectively own a substantial portion of our issued Equity Shares. Further Pilani Investment and Industries Corporation Limited, a Promoter Group entity, has undertaken to subscribe to the unsubscribed portion in addition to its entitlement in the Issue, either directly or through entities/persons belonging to our Promoter Group, to the extent of such undersubscribed portion of the Issue, subject to obtaining any approvals required under applicable law, to ensure that at least 90% of the Issue is subscribed. Consequently, the collective holdings of our Promoter and Promoter Group may increase above their current holdings. Our Promoter and Promoter Group will therefore have the ability to exercise a controlling influence over our business which may cause us to take actions that may conflict with the interests of some of our shareholders.

31. ***Our success depends largely on our senior management and our ability to attract and retain our key personnel.***

Our success is, to a large extent, attributable to the vision, expertise and managerial skills of our directors and management team. In view of their experience in and knowledge of the cement and tyre business, their combined involvement is important to our future prospects. Should any of our senior management cease to be involved in our operations, our business, financial condition and results of operations may be adversely affected. We do not have a key man insurance policy in place with respect to the senior management and key managerial personnel of our Company.

The success of our business will also depend on our ability to identify, attract, hire, train, retain and motivate skilled personnel. If we fail to retain and hire sufficient number of qualified personnel for functions such as manufacturing, technical, finance, marketing and sales, operations and research and development, our business could be adversely affected.

32. *We may not have adequate insurance to cover any and all losses incurred in our business operations.*

Our business operations have the potential to cause personal injury and loss of life, damage to or destruction of property, plant and equipment and damage to the environment, and we are subject to risks such as fire, theft, flood, earthquakes and terrorism. Although we implement safety measures to reduce the risk of these occurrences, we cannot eliminate these risks completely. We maintain insurance coverage in such amounts and against such risks, including business interruption, which we believe are in accordance with industry practice. However, such insurance may not be adequate to cover all losses or liabilities that may arise from our operations, and we may, in the future, not be able to maintain insurance of the types or at levels which we deem necessary or adequate or at rates which we consider reasonable.

33. *We have not registered certain intellectual property rights and any failure to enforce our rights could have an adverse effect on our business prospects.*

We have not registered or do not own certain trademarks and copyrights relating to our products. We have recently applied for registration of the trademark and logo of Kesoram Industries Limited, which appears on the cover page of this Letter of Offer. Further, we have applied for registration of a number of other trademarks across our business segments in various jurisdictions, including, among other trademarks, the "Birla Tyres" label in Indonesia. For further details, see the section titled "Government Approvals" on page 221. There can be no assurance that the registration process of these trademarks and logos will be completed in a timely manner, or at all. In absence of any statutory rights, we may fail to protect these trademarks, and we may be restrained from using these trademarks, which may adversely affect our business and operations.

Our ability to enforce our trademarks and other intellectual property is subject to general litigation risks. If we are not ultimately successful in enforcing our intellectual property rights for any reason, we may experience a material adverse effect on our competitive position and our business.

We also rely in part on mutual trust for protection of our trade secrets and confidential information relating to our production processes. While it is our policy to take precautions to protect our trade secrets and confidential information against breach of trust by our employees, consultants, customers and suppliers, it is possible that unauthorised disclosure of our trade secrets or confidential information may occur. We cannot assure you that we will be successful in protecting our trade secrets and confidential information.

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

While we take care to ensure that we comply with the intellectual property rights of third parties and historically we have not had any claims against us for infringement of third party intellectual property rights, we cannot determine with certainty whether we are infringing upon any existing third-party intellectual property rights. Any claims of infringement, regardless of merit or resolution of such claims, could force us to incur significant costs in responding to, defending and resolving such claims.

35. *Our Group Companies and members of our Promoter Group may be engaged in similar businesses and in case of conflict of interest, the Promoter may not act in our interest which may have a material adverse effect on our business, financial condition and results of operations.*

Our Group Company and a member of our Promoter Group, Century Textiles and Industries Limited, is engaged in a businesses similar to us. We cannot assure you that the Promoter will not favour the interests of such Group Companies and Promoter Group entities over our interests. Our Group Companies and Promoter Group entities, including those in a similar line of business, may dilute the Promoter's attention to our business, which could adversely affect our business, financial condition and results of operations. There can be no assurance that our Group Companies or Promoter Group entities will not provide comparable services, expand their presence or acquire interests in competing ventures in the locations in which we operate. A conflict of interest may occur between our business and the business of our Group Companies or Promoter Group entities which could have an adverse effect on our operations.

36. *Our failure to upgrade and modernise may render our existing plant and machinery, products or services less competitive.*

A key factor to our continued success is our ability to keep pace with the upgrading and modernisation of our existing plant and machinery and our products and services. Given the fast pace of modernisation, we face the risk that our plant and machinery and products and services may become less competitive and that we may need to invest large amounts of capital to upgrade and modernise our plant and machinery. If, we are unable to meet these capital expenditure requirements, or if we lack technical expertise required for upgrading and modernising, our business could be adversely affected.

37. *Any dispute, proceeding or irregularity in title to properties leased or owned by us may adversely affect our financial condition and results of operations.*

We have taken certain properties on lease for our operations including the land for operating our cement and tyre manufacturing plants. Certain of these properties may not have been constructed or developed in accordance with local planning and building laws and other statutory requirements. In addition, there may be certain irregularities in title in relation to some of our owned/leased properties. For example, some of the agreements for such arrangements may not have been duly executed and/or adequately stamped or registered in the land records of the local authorities or the lease deeds may have expired and not yet been renewed. Since registration of land title in India is not centralised and has not been fully computerised, the title to land may be defective as a result of a failure on our part, or on the part of a prior transferee, to obtain the consent of all such persons or duly complete stamping and registration requirements. The uncertainty of title to land may impede the processes of acquisition, independent verification and transfer of title, and any disputes in respect of land title that we may become party to may take several years and considerable expense to resolve if they become the subject of court proceedings. Any such dispute, proceedings or irregularities may have an impact on the operation of our business.

38. *Our Equity Shares are also listed on the CSE, a regional stock exchange, and have not been traded on the CSE for the last three years.*

Our Equity Shares are currently listed on the CSE, a regional stock exchange, in addition to our Equity Shares being listed on the BSE and NSE. We propose to list the Equity Shares offered through the Issue on the CSE as well. Securities listed on regional stock exchanges in India are typically infrequently traded, and our Equity Shares have not been trading on the CSE for the last three years. Prospective purchasers of our Equity Shares should note that the Equity Shares have limited liquidity on the CSE, and there can be no assurances that our Equity Shares will be traded on the CSE in future.

39. *We propose to utilise a part of the Net Proceeds for general corporate purposes and our management will have the discretion to deploy the funds to this end.*

We propose to utilise the Net Proceeds for purposes identified in the section titled “Objects of the Issue” on page 51 and we propose to utilise the balance portion of the Net Proceeds towards general corporate purposes, namely for meeting our working capital requirements and strategic initiatives, brand building exercises and strengthening of our marketing capabilities, partnerships, joint ventures, meeting exigencies, which our Company in the ordinary course of business may face, or any other purposes as approved by our Board. As on date, we have not earmarked specific amounts from the Net Proceeds to be utilised for any or a combination of the abovementioned purposes. The manner of deployment and allocation of such funds is entirely at the discretion of our management and our Board, subject to compliance with the necessary provisions of the Companies Act.

EXTERNAL RISK FACTORS

40. *The Indian cement industry is cyclical and is affected by a number of factors beyond our control.*

The Indian cement industry is cyclical in nature. In the past, cement prices and profitability of cement manufacturers have fluctuated significantly in India, depending upon overall supply and demand. A number of factors influence supply and demand for cement, including production overcapacity, general economic conditions, in particular activity levels in certain key sectors such as housing and construction, our competitors' actions and local, GoI and State Government policies, which in turn affect the prices and margins we and other Indian cement manufacturers can realise.

Excess cement production capacity in the market has been one of the major factors influencing the South Indian and Maharashtra cement market. Such excess capacity has had a direct impact on the price at which we can sell our cement and the margins we realise. There was an increase in the demand for cement in India in the mid-1990s, which resulted in Indian cement companies, including ourselves, substantially expanding their capacities. While this capacity expansion was implemented, demand for cement softened and increased at lower rates than had occurred in the mid-1990s. As a result, during and from the year ended 31 March 2001 to the year ended 31 March 2003, supply of cement far exceeded demand, and cement prices decreased in all markets in India, including our primary markets in South India.

The long lead time required to add or expand capacity has also led to supply/demand imbalances. The long lead time makes it more difficult for Indian cement companies to time the commencement of new production facilities when demand out-balances supply. According to CRISIL Research's *Industry Report on Cement & Tyres* (July 2012), demand for cement in India has grown at a CAGR of 8.4% over the period of five years from 31 March 2007 to 31 March 2012. CRISIL estimates that approximately 150 million MT of cement capacity were added during the same period, accounting for approximately 46% of the current cement capacity of 317 million MT. Currently a number of manufacturers, including ourselves, are currently in the process of expanding capacities. Such capacity expansion may commence production at the same time when demand is affected by the global economic downturn.

41. *The Indian cement market in general, and the South Indian and Maharashtra cement market in particular, is extremely competitive.*

The cement industry in India is highly fragmented and competitive. We face competition from domestic cement companies which operate in the Indian market, as well as companies that are joint ventures with international cement companies. Our expansion into new product markets such as slag cement could also result in new and additional competition for our business. Our competitors include large companies such as ACC Limited, Ultratech Cement Company Limited, Grasim Industries Limited, Ambuja Cements Limited, which over a period of time have acquired local interests as part of their business strategy. These competitors may limit our opportunity to expand our market share and may compete with us on pricing of products. Some of our competitors are larger than we are, are more diversified, with operations across India, have greater financial resources than we do, have access to a cheaper cost of capital and may be able to produce cement more efficiently or to invest larger amounts of capital into their businesses. Our business could be adversely affected if we are unable to compete with our competitors and sell cement at comparable prices. For example, if any of our current or future competitors develop more efficient production facilities, enabling them to produce cement and clinker at a significantly lower cost and sell at lower prices than us, we may be required to lower the prices we charge for our products and our business and results of operations could be adversely impacted.

Current and future competitors may also introduce new and more competitive products and supporting services, make strategic acquisitions or establish cooperative relationships among themselves or with third parties, including distributors of our products, thereby increasing their ability to address the needs of our target customers. If we cannot compete in pricing, provide competitive products or services or expand into new markets, this could have a material negative effect on our business, financial condition and prospects.

42. *Governmental actions and changes in policy could adversely affect our business.*

The GoI and the State Government have broad powers to affect the Indian economy and our business in numerous ways. In the past, the GoI and the State Governments have used these powers to influence, directly and indirectly, the Indian cement industry or other industries on which the cement industry is dependent. Examples of such measures include:

- removing import restrictions and customs duties on imported cement;
- interference in pricing including excise duties;
- granting tax concessions for setting up new manufacturing plants;
- allocating government funding for public infrastructure programmes in South India; and
- providing preferential coal prices to producers of cement.

Examples of actions that the GoI and State Governments have recently taken which influence directly and indirectly the price of cement include:

- removing import duties on imported cement;
- removing, and then reimposing, countervailing duties on imported cement; and
- changing the structure of excise duties and lowering the rate of excise duties on the sales of cement by domestic cement manufacturers.

Any change in existing GoI and/or State Government policies or new policies providing or withdrawing support to the Indian cement industry or otherwise affecting the economy of India, including the construction industry, could adversely affect the supply/demand balance and competition in markets in which we operate and negatively affect our cost structure. There can be no assurance that we would be able to pass on such increase in costs to our customers through an increase in our prices, which could adversely affect our business, financial condition and prospects.

43. *We may be adversely affected by increases in, or structural changes to, the taxes, duties and royalties payable by us.*

Under existing regulations, we are currently required to pay to the GoI or the relevant State Government, as applicable, a royalty on the extraction of limestone, excise duty on cement, tyres and rayon, value added tax, sales tax and import duty. In the year ended 31 March 2012 and 2013, excise duties constituted ₹ 364.4 crore, or 5.7% and ₹ 374.0 crore, or 6.5%, respectively, of our total expense (not including other levies by the GoI and State Governments). Pursuant to the 2012-2013 Budget, the GoI revised the excise duty to 12%. There can be no assurance that the current levels of these taxes, duties and royalties will not increase in the future, or that State Governments will not introduce additional levies, each of which may result in increased operating costs and lower sales realisations. To the extent additional levies or changes in the taxation structure are imposed, there can be no assurance that we would be able to pass such cost increases on to our customers.

44. *Disruptions in supply and transport could affect our business.*

The production of tyres and cement is dependent on a steady supply of various inputs. These inputs are transported to our plants by rail and land, and cement is transported to our customers by land (through trucks) and rail transport (through rakes). Transport of our inputs and finished products is subject to various bottlenecks and other hazards beyond our control, including poor road and other transport infrastructure, accidents, adverse weather conditions, strikes and civil unrest. Either an increase in the price of transportation or interruptions in transportation of our inputs or finished products could have a material adverse effect on our business, financial condition and results of operations. In addition, cement is a perishable product as its quality deteriorates upon contact with moisture or humidity over a period of time. Therefore, prolonged storage or exposure to moisture during transport may result in cement stocks being written off. Similarly, our cement is sold in bags, which may split open during transport, again resulting in stock being written off. We do not maintain business interruption insurance with respect to transport. At times we have encountered disruption to the supply and transportation of inputs Indian Railways will be available on the timely schedule to carry our finished products. Given that any such disruption may occur in the future as a result of these factors and that such disruptions may effect us adversely and materially.

45. *Fluctuations in the exchange rate between the Rupee and the US dollar may adversely affect our operating results.*

As at 31 March 2013, our foreign currency exposure constituted by borrowings or other financing arrangements amounted to approximately US\$ 87.1 million and € 4.1 million. In addition, we also have exposure to currency fluctuations due to the import of certain materials. Depreciation of the Rupee against the US dollar has increased the Rupee cost to us of importing materials from abroad (primarily rubber). Depreciation of the Rupee against the US dollar and the Euro also increases the Rupee cost to us on outstanding foreign-currency loans. During the year ended 31 March 2013, the Rupee depreciated against the US dollar and the Euro. There can be no assurance that the Rupee will appreciate against the US dollar and the Euro or that it will not further depreciate against the US dollar and the Euro in the future.

46. *Our business and activities are regulated by the Competition Act, 2002 ("Competition Act") and any application of the Competition Act to us could have a material adverse effect on our business, financial condition and results of operations.*

The Competition Act is designed to prevent business practices that have an appreciable adverse effect on competition in India. Under the Competition Act, any arrangement, understanding or action in concert between

enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area, market or number of customers in the market is presumed to have an appreciable adverse effect on competition. Further, if it is proved that the contravention committed by a company took place with the consent or connivance or is attributable to any neglect on the part of, any director, manager, secretary or other officer of such company, that person will be guilty of the contravention and liable to be punished.

The provisions of the Competition Act relating to combinations were notified recently on 4 March 2011 and came into effect on 1 June 2011. The Competition Commission of India (the "CCI") may enquire into all combinations, even if taking place outside India, or between parties outside India, if such combination is likely to have an appreciable adverse effect on competition in India. Effective 1 June 2011, all combinations above a certain threshold have to be notified to the CCI within 30 days of the execution of any agreement or other document for any acquisition of assets, shares, voting rights or control of an enterprise under the Competition Act. If we are affected, directly or indirectly, by any provision of the Competition Act, or its application or interpretation, including any enforcement proceedings initiated by the CCI and any adverse publicity that may be generated due to scrutiny or prosecution by the CCI, it may have a material adverse effect on our business, financial condition and results of operations.

Further, on 24 June 2012, the Competition Commission of India ("CCI") levied a penalty of more than ₹ 6,300 crore on 11 cement manufacturing companies for violating provisions of the Competition Act of 2002 dealing with cartelisation. A separate order levied a penalty of ₹ 397.5 crore on a twelfth cement company on 30 July 2012. While we were not one of the companies to be fined by the CCI, market prices of cement may fall if the CCI has in fact identified a cartel which is engaging in anti-competitive pricing activity and is successful in breaking the cartel. Any fall in market prices for cement could have an adverse effect on our results of operations.

Risks relating to India

47. *Political instability or changes in the economic policies by the GoI could impact our financial results and prospects.*

We are incorporated in India, derive the substantial majority of our revenues from operations in India and almost all of our assets are located in India. Consequently, our performance and the market price of our Equity Shares may be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India. The GoI has traditionally exercised and continues to exercise significant influence over many aspects of the Indian economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by changes in the GoI's policies, including taxation.

Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. However, there can be no assurance that such policies will be continued and any significant change in the GoI's policies in the future could affect our business and economic conditions in India in general. In addition, as economic liberalisation policies have been a major force in encouraging private funding in the Indian economy, any change in these policies could have a significant impact on business and economic conditions in India, which could adversely affect our business and our future financial condition and the price of our Equity Shares. In addition, any political instability in India or geopolitical stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could affect the price of our Equity Shares.

48. *Public companies in India, including our Company, may be required to prepare financial statements under the IFRS or a variation thereof, namely IND AS. The transition to IND AS is still unclear and we may be negatively affected by this transition.*

Public companies in India, including our Company, may be required to prepare their annual and interim financial statements under IFRS or a variation thereof. Recently, the ICAI has released a near-final version of the Indian Accounting Standards (Ind AS, 101 "First Time Adoption of Indian Accounting Standards ("IND AS)"). The MCA, on 25 February 2011 has notified that the IND AS will be implemented in a phased manner, and the date of such implementation will be notified at a later date. As on the date of this Letter of Offer, the MCA has not yet notified the date of implementation of the IND AS. There is currently a significant lack of clarity on the adoption and convergence with IND AS and we currently do not have a set of established practices

on which to draw or in forming judgements regarding the implementation of and application, and we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. Additionally, IND AS has fundamental differences with IFRS and therefore, financial statements prepared under IND AS may differ substantially from financial statements prepared under IFRS. There can be no assurance that our financial condition, results of operation, cash flows or changes in shareholders' equity will not appear materially different under IND AS, Indian GAAP or IFRS. As we adopt IND AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. There can be no assurance that our adoption of IND AS, if required, will not affect our reported results of operations, financial condition and failure to successfully adopt IND AS in accordance with prescribed statutory and/or regulatory requirements within the timelines as may be prescribed may have an adverse effect on our financial position and results of operations.

49. *A slowdown in economic growth in India could adversely impact our business. Our performance and the growth of our business are necessarily dependent on the performance of the overall Indian economy.*

According to India Macro Economic Summary issued by Central Statistics Office, India's GDP growth rate for Financial Year 2011-12 was 6.21%. Any slowdown in the Indian economy or in the growth of the automobile or construction sectors or any future volatility in global commodity prices could adversely affect our customers and the growth of our business, which in turn could adversely affect our business, financial condition and results of operations.

India's economy could be adversely affected by a general rise in interest rates, fluctuations in currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Further, conditions outside India, such as slowdowns in the economic growth of other countries could have an impact on the growth of the Indian economy, and government policy may change in response to such conditions.

The Indian economy and financial markets are also significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss of investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets.

The recent global financial turmoil, which grew out of the sub-prime mortgage crisis in the United States and the subsequent sovereign debt crisis in Europe, as well as the recent downgrade of India, the United States' credit rating and Italy, Spain, Greece and Cyprus's sovereign rating by Standard & Poor's and the threat of further downgrades of other countries, led to a loss of investor confidence in worldwide financial markets. Indian financial markets also experienced the effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE's benchmark index, through the first half of 2012. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby having a material adverse effect on our business, financial condition and results of operations.

50. *Our Equity Shares are quoted in Indian rupees in India and investors may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of Indian rupee proceeds into foreign currency.*

Investors are subject to currency fluctuation risk and convertibility risk since our Equity Shares are quoted in Indian rupees on the Indian stock exchanges on which they are listed. Dividends on the Equity Shares will also be paid in Indian Rupees. In addition, foreign investors that seek to sell Equity Shares will have to obtain approval from the RBI, unless the sale is made on a stock exchange or in connection with an offer made under regulations regarding takeovers. The volatility of the Indian rupee against the US dollar and other currencies subjects investors who convert funds into Indian rupees to purchase our Equity Shares to currency fluctuation risks.

51. *Our success depends on stable and reliable transportation infrastructure in India and any disruption of transportation services could affect our operations.*

We depend on various forms of transport, such as roadways, railways, airways, sea, canals and pipelines to receive fuel, raw materials, equipment and water for our manufacturing activities and to deliver our tyre and

cement products to customers. India's physical infrastructure is less developed than that of many developed nations. Any congestion or disruption in its port, rail and road networks or any other public facility could disrupt our normal business activity. Transportation services could also be affected by weather-related problems, strikes, and other force majeure events. Any deterioration of India's physical infrastructure could impact the rate of growth of the economy and disrupt the transportation of goods and supplies. These problems could interrupt our business operations and add to our costs of doing business.

We face particular issues in this regard because the tyres and cement manufactured by us are large, bulky and difficult to transport. We are therefore dependent upon the completion of initiatives to strengthen bridges and roads, and any delays in getting approvals from various agencies in most of the states for movement of our oversized dimension consignments could adversely impact our operations.

All of these factors could have a material adverse effect on our business, financial condition and results of operations.

52. *Unfavourable changes in legislation, including tax legislation, or policies applicable to us could adversely affect our results of operations.*

The Finance Minister has presented the Direct Tax Code Bill, 2010 ("**DTC Bill**") on 30 August 2010. The Direct Tax Code (which consolidates the prevalent direct tax laws) is proposed to come into effect soon. On the finalisation of the DTC Bill, the DTC Bill will be placed before the Indian Parliament for its approval and notification as an Act of Parliament. Accordingly, it is currently unclear what effect the Direct Tax Code would have on our financial statements.

In addition, upon the passing of the Companies Bill 2012 by the Indian legislature the regulatory framework may undergo a change which may affect our operations.

53. *Investors may not be able to enforce a judgment of a foreign court against us or our management.*

The enforcement of civil liabilities by overseas investors in our Equity Shares, including the ability to effect service of process and to enforce judgments obtained in courts outside of India may be adversely affected by the fact that we are incorporated under the laws of the Republic of India and all of our executive officers and directors reside in India. Nearly all of our assets and the assets of our executive officers and directors are also located in India. As a result, it may be difficult to enforce the service of process upon us and any of these persons outside of India or to enforce outside of India, judgments obtained against us and these persons in courts outside of India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Procedure Code respectively. The GoI has under Section 44A of the Civil Procedure Code notified certain countries as reciprocating countries, as discussed below. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon, between the same parties or between the parties whom they or any of them claim are litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction, (ii) where the judgment has not been given on the merits of the case, (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where the judgment has been obtained by fraud, or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Procedure Code provides that where a foreign judgment has been rendered by a court in any country or territory outside India, which the GoI has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalties and does not include arbitration awards. The United Kingdom and some other countries have been declared by the GoI to be a reciprocating territory for the purposes of Section 44A. However, the United States has not been declared by the GoI to be a reciprocating territory for the purposes of Section 44A. A judgment of a court in the United States may be enforced in India only by a suit upon the judgment, subject to Section 13 of the Civil Procedure Code and not by proceedings in execution.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It may be unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it may be unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered pursuant to execution and any such amount may be subject to income tax in accordance with applicable laws. Any judgment or award in a foreign currency would be converted into Indian Rupees on the date of the judgment or award and not on the date of the payment. Generally, there are considerable delays in the processing of legal actions to enforce a civil liability in India, and therefore it is uncertain whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

54. *Our ability to raise foreign currency borrowings may be constrained by Indian law.*

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, if at all. Limitations on raising foreign debt may have an adverse effect on our business, financial condition and results of operations.

55. *Economic developments and volatility in securities markets in other countries may also cause the price of our Equity Shares to decline.*

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. For instance, the economic downturn in the US and several European countries during a part of fiscal 2008 and 2009, and the recent sovereign debt crisis in Europe and the United States, adversely affected market prices in the world's securities markets, including India. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general.

56. *Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.*

Under current Indian tax laws and regulations, capital gains arising from the sale of Equity Shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("STT") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Any gain realised on the sale of equity shares held for more than 12 months by an Indian resident, which are sold other than on a recognised stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares.

57. *Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.*

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets in which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business.

India has experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our business may be adversely affected. The Asian region has from time to time experienced instances of

civil unrest and hostilities. Hostilities and tensions may occur in the future and on a wider scale. Military activity or terrorist attacks in India, such as the attacks in Mumbai in November 2008 and July 2011, as well as other acts of violence or war could influence the Indian economy by creating a greater perception that investments in India involve higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares.

58. *India is vulnerable to natural disasters that could severely disrupt the normal operation of our business.*

India has experienced natural calamities, such as tsunamis, floods, droughts and earthquakes in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, the erratic progress of the monsoon in 2004 and 2009 affected sowing operations for certain crops. Such unforeseen circumstances of below normal rainfall and other natural calamities, could have a negative impact on the Indian economy. Because our operations are located in India, our business and operations could be interrupted or delayed as a result of a natural disaster in India, which could affect our business, financial condition, results of operations and the price of our Equity Shares.

59. *An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could adversely affect our business.*

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concern, such as swine influenza, could have a negative impact on the global economy, financial markets and business activities worldwide, which could adversely affect our business, financial condition, results of operations and the price of our Equity Shares. Although, we have not been adversely affected by such outbreaks in the past, we can give you no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have a material adverse effect on our business, financial condition, results of operations and the price of our Equity Shares.

60. *Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.*

The Companies Act and related regulations, the Articles of Association and our Equity Listing Agreements govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder than as a shareholder of a corporation in another jurisdiction.

61. *A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition.*

A decline in India's foreign exchange reserves could impact the valuation of the Rupee and result in reduced liquidity and higher interest rates, which could adversely affect our future financial condition. On the other hand, high levels of foreign funds inflow could add excess liquidity to the system, leading to policy interventions, which would also allow slowdown of economic growth. In either case, an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect our business, prospects, financial condition, results of operations, and the price of the Equity Shares.

62. *Companies operating in India are subject to a variety of central and state government taxes and surcharges.*

Tax and other levies imposed by the GoI and State Governments in India that affect our tax liability include central and state taxes and other levies, income tax, value added tax, turnover tax, service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. For example, a new direct tax code is proposed to be introduced before the Indian Parliament. In addition, a new goods and services tax regime is expected to be introduced, and the scope of the service tax is proposed to be enlarged. The central or state governments may in the future increase the corporate income taxes they impose. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India

and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our business and results of operations.

RISKS RELATING TO THIS OFFER SHARES.

The future issue of Equity Shares or the disposal of Equity Shares by any of our major Equity Shareholders or the perception that such issues or sales may occur may significantly affect the trading price of the Equity Shares. There is no restriction on our ability to issue Equity Shares or the relevant Equity Shareholders' ability to dispose of their Equity Shares, and there can be no assurance that we will not issue Equity Shares or that any such Equity Shareholder will not dispose of, encumber, or pledge, its Equity Shares.

63. *After this Issue, the price of our Equity Shares may be highly volatile.*

The prices of our Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- volatility in the Indian and global securities market or in the Rupee's value relative to the US dollar, the Euro and other foreign currencies;
- our profitability and performance;
- perceptions about our future performance in general;
- performance of our competitors in the tyre and cement industry and the perception in the market about investments in the tyre and cement industry;
- adverse media reports on us or the tyre and cement industry;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies; and
- significant developments in India's fiscal, environmental and other regulations.

There can be no assurance that an active trading market for our Equity Shares will be sustained after this Offering, or that the prices at which our Equity Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Offering or the prices at which our Equity Shares will trade in the market subsequent to this Offering. The Indian stock markets have witnessed volatility in the past and our Equity Share price may be volatile and may decline post listing.

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

We are subject to a daily circuit breaker imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares.

The stock exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time, and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

65. *There is no guarantee that the Equity Shares, will be listed on the BSE, the NSE and the CSE in a timely manner or at all, and any trading closures at the BSE and the NSE may adversely affect the trading price of our Equity Shares.*

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorising the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE, the NSE and the CSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the US Indian stock exchanges have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on, the BSE and the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

Prominent Notes

- The net worth (excluding revaluation reserves) of our Company was ₹ 912.3 crore and ₹ 577.7 crore as on 31 March 2012 and 31 March 2013 respectively, as per our last audited financial statements. This is an issue of 64,037,512 Equity Shares at the Issue Price aggregating to ₹ 416.2 crore, in the ratio of seven Equity Shares for every five fully paid up Equity Shares held as on the Record Date i.e. 16 May 2013.
- During the period of six months immediately preceding the date of filing of this Letter of Offer, no financing arrangements existed whereby the Promoter Group, our Promoter, our Directors and their relatives may have financed the purchase of Equity Shares by any other person.
- The details of transactions of our Company with our Group Companies during the period from 1 April 2012 till 31 March 2013, the nature and cumulative value of such transactions, are as provided in the table below:

(in ₹ crore)				
Nature of transaction	Century Textiles & Industries Limited	Jayshree Tea & Industries Limited	Century Enka Limited	Total
A. Summary of transactions in ordinary course of business				
(I) INCOME				
(a) Rent & Other Services				
<i>Corporate Office</i>				
Rent & Other Services	0.1134		0.01308	0.12648
Guest House Charges Received			0.0003000	0.0003000
<i>Kesoram Rayon</i>				
Rent & Other Services	0.0780136			0.0780136
Delhi Office Exp	0.0058377			0.0058377
<i>Kesoram Spun Pipes</i>				
Upkeep Expenses received	0.0418618			0.0418618
Total	0.2391131	-	0.0133800	0.2524931
(b) Sales				
<i>Vasavdatta Cement</i>	0.434706		0.0058799	0.4405859
<i>Kesoram Rayon</i>	1.4653174	-		1.4653174
Birla Tyres – HO	0.3750956	0.0201127		0.3952083
Total	2.2751190	0.0201127	0.0058799	2.3011116
(II) EXPENDITURE				
(a) Rent and Other Services				
<i>Corporate Office</i>				
Rent paid	0.0369072			0.0369072
Guest House Charges	0.000525			0.000525
<i>Vasavdatta Cement</i>				
Rent paid	0.067416			0.067416
<i>Kesoram Cement</i>				
Consultancy & Other Services	0.0005			0.0005
Total	0.1053482	-	-	0.1053482
(b) Purchases				
<i>Kesoram Rayon</i>	42.3548899	-		42.3548899
<i>Birla Tyres – Balasore</i>			57.6720996	57.6720996
<i>Birla Tyres – Haridwar</i>			101.80857995	101.80857995
Total	42.3548899	-	159.48067955	201.83556945
(III) OTHERS				
(a) Dividend Paid				

Nature of transaction	Century Textiles & Industries Limited	Jayshree Tea & Industries Limited	Century Enka Limited	Total
Corporate Office	0.2132000		0.0584994	0.2716994
Total	0.2132000	-	0.0584994	0.2716994
(b) Dividend received				-
Corporate Office	1.510355	0.1164348	0.67034	2.2971298
Total	1.5103550	0.1164348	0.67034	2.2971298
(IV) BALANCE OUTSTANDING AT YEAR END				
(a) Other Payable				
Birla Tyres – Balasore			8.2451299	8.2451299
Birla Tyres – Haridwar			20.235887025	20.235887025
Kesoram Rayon	3.747404		-	3.747404
Total	3.747404	-	28.481016925	32.228420925
(b) Other receivable				
Kesoram Rayon	0.0431292			0.0431292
Birla Tyres-H.O.	0.000055203	0.0026571		0.002712303
Total	0.043184403	0.0026571	-	0.045841503
(c) Investment in shares				
Corporate Office	16.9299738	0.0118600	12.9129764	29.8548102
Total	16.9299738	0.0118600	12.9129764	29.8548102

For details pertaining to our related party transactions, see the section titled “Financial Information” on page 158.

SECTION III - INTRODUCTION

THE ISSUE

Following is a summary of the Issue. This summary should be read in conjunction with and is qualified in its entirety by, more detailed information in the section titled “Terms of the Issue” beginning on page 233 of this Letter of Offer.

Equity Shares proposed to be issued by our Company	64,037,512 Equity Shares aggregating to ₹ 416.2 crore.
Rights Entitlement	Seven Equity Shares for every five fully paid up Equity Shares held on the Record Date.
Record Date	16 May 2013.
Face Value per Equity Share	₹ 10.0.
Issue Price per Equity Share	₹ 65.0.
Equity Shares outstanding prior to the Issue	45,741,080 Equity Shares.
Equity Shares outstanding after the Issue (assuming full subscription for and allotment of the Rights Entitlement)	109,778,592 Equity Shares.
Use of Issue Proceeds	See the section titled “Objects of the Issue” on page 51.
Terms of the Issue	See the section titled “Terms of The Issue” on page 233.

Terms of Payment

The entire Issue Price will be paid on Application.

SELECTED FINANCIAL INFORMATION

The following tables set forth below indicate a summary of the financial data derived from our audited financial statements of our Company for Fiscal 2013 and 2012. The summary financial information presented below should be read in conjunction with the financial statements and the notes thereto.

KESORAM INDUSTRIES LIMITED

Balance Sheet as at 31 March 2013 and 31 March 2012

	<i>In Rs crore</i>	
	31st March, 2013	31st March, 2012
I. EQUITY AND LIABILITIES		
(1) SHAREHOLDERS' FUND		
(a) Share capital	45.74	45.74
(b) Reserves and surplus	534.50	869.27
	580.24	915.01
(2) NON CURRENT LIABILITIES		
(a) Long term borrowings	2,774.39	2,755.77
(b) Deferred tax liabilities (net)	-	57.21
	2,774.39	2,812.98
(3) CURRENT LIABILITIES		
(a) Short term borrowings	1,630.80	1,349.57
(b) Trade payables	490.63	483.40
(c) Other current liabilities	918.09	890.19
(d) Short term provisions	79.75	71.56
	3,119.27	2,794.72
TOTAL	6,473.90	6,522.71
II. ASSETS		
(1) NON CURRENT ASSETS		
(a) Fixed Assets		
(i) Tangible Assets	3,443.84	3,584.74
(ii) Intangible Assets	2.93	2.11
(iii) Capital work in progress	704.49	623.52
(iv) Intangible assets under development	-	0.36
	4,151.26	4,210.73
(b) Non current investments	66.36	66.36
(c) Long Term loan and advances	126.66	156.23
(d) Other non current assets	0.94	2.21
	4,345.22	4,435.53
(2) CURRENT ASSETS		
(a) Inventories	912.75	995.16
(b) Trade receivables	835.67	672.44
(c) Cash and bank balances	83.66	69.59
(d) Short term loans and advances	282.97	311.73
(e) Other current assets	13.63	38.26
	2,128.68	2,087.18
TOTAL	6,473.90	6,522.71

KESORAM INDUSTRIES LIMITED

Statement of Profit and Loss for the year ended 31 March 2013 and 31 March 2012

Particulars	<i>In Rs crore, except per share data</i>	
	2012-2013	2011-2012
INCOME		
Revenue from operations (Gross)	6,082.70	6,282.60
Less: Excise Duty	371.88	361.74
Revenue from operations (Net)	5,710.82	5,920.86
Other Income	131.04	84.00
Total Revenue (I)	5,841.86	6,004.86
EXPENSES		
Cost of materials consumed	2,849.57	3,424.02
Purchases of stock-in-trade	83.53	52.19
Changes in inventories of finished goods, Work-in-progress and stock-in-trade	(55.96)	125.14
Employee benefits expense	384.05	334.68
Other expenses	2,137.57	2,082.75
Total Expenses (II)	5,398.76	6,018.78
	443.10	(13.92)
Profit/(Loss) before interest, tax and depreciation and amortisation (EBITDA) [(I) - (II)]		
Depreciation and amortization expenses	306.12	297.59
Less: Transfer from Revaluation of Fixed Assets	0.19	0.19
	305.93	297.40
Finance costs	514.36	410.15
Profit/(Loss) before exceptional item and tax	(377.19)	(721.47)
Exceptional item	-	11.22
Profit/(Loss) before tax	(377.19)	(710.25)
Tax Expenses:		
Deferred tax charge/(credit)	(57.21)	(329.21)
Excess provision of current tax and fringe benefit tax in respect of earlier years written back		(1.30)
Reversal of Mat credit Entitelment	9.25	-
	(47.96)	(330.51)
Profit/(Loss) for the period	(329.23)	(379.74)
Earnings per equity share [Nominal Value per share: Rs 10 (2011-12: Rs 10)]		
(a) Basic - Rs	(71.98)	(83.02)
(b) Diluted - Rs	(71.98)	(83.02)

KESORAM INDUSTRIES LIMITED**Cash Flow Statement for the year ended 31 March, 2013 and 31 March 2012***in Rs crore,*

	2012-2013	2011-2012
A. Cash Flow from Operating Activities		
Net Profit/(Loss) before tax	(377.19)	(710.25)
Adjustments for:		
Depreciation and amortisation	305.93	297.40
Debt/advance/deposits written off	4.37	5.67
Provision for bad and doubtful debts	1.28	2.58
Provision for contingencies	-	30.00
Finance costs	514.36	410.15
Unrealised loss/(gain) on derivative contracts	(1.52)	(1.02)
Unrealised loss/(gain) on foreign currency fluctuation	1.17	29.92
(Profit)/Loss on sale of fixed assets (net)	0.06	(0.04)
Profit on current investment (other than trade) sold	-	(0.00)
Liabilities no longer required written back	(18.71)	(11.46)
Interest income	(18.57)	(9.56)
Dividend income from long term investment (other than trade)	(5.62)	(5.72)
Dividend income from current investment (other than trade)	-	(0.37)
Operating profit before working capital changes	405.56	37.30
Changes in Working Capital:		
Increase / (decrease) in trade and other payables	54.40	17.22
(Increase) / decrease in trade and other receivables	(101.78)	42.65
(Increase) / decrease in inventories	82.41	123.39
Cash Generated from Operations	440.59	220.56
Taxes paid (net of refunds)	8.12	24.97
Net cash generated from operating activities	448.71	245.53
B. Cash flow from Investing Activities:		
Purchase of fixed assets	(199.02)	(554.20)
Sale of fixed assets	2.02	2.85
Purchase of Long Term Investments (other than trade)	-	(0.54)
Purchase of Current Investments (other than trade)	-	(566.50)
Proceeds from sale of Current Investments (other than trade)	-	566.50
Loan given	-	(0.35)
Realisation of loans given	1.54	-
Interest received	16.77	6.77
Income from Long Term Investments (other than trade)	5.62	5.72
Dividend from Current Investments (other than trade)	-	0.37
Net cash used in investing activities	(173.07)	(539.38)
C. Cash flow from Financing Activities		
Dividends paid	(4.64)	(14.82)
Dividend distribution tax paid	(0.74)	(2.41)
Finance cost paid	(520.99)	(409.84)
Proceeds from		-
- Long term borrowings	723.91	1,733.88
- Short term borrowings	502.03	4,184.25

	<u>2012-2013</u>	<u>2011-2012</u>
Repayment of		
- Long term borrowings	(739.17)	(861.72)
- Short term borrowings	(612.53)	(4,677.15)
Increase/(decrease) in cash credit and overdrafts from banks	390.56	338.36
Net cash used in financing activities	(261.57)	290.55
Net increase in cash and cash equivalents	14.07	(3.30)
Cash and cash equivalents at the beginning of the year	69.59	72.89
Cash and cash equivalents at the end of the year	83.66	69.59

GENERAL INFORMATION

Dear Eligible Equity Shareholder(s),

Pursuant to a resolution passed by our Board dated 22 August 2012, we have decided to make the following Issue to the Eligible Equity Shareholders, with a right to renounce:

ISSUE OF 64,037,512 EQUITY SHARES OF FACE VALUE OF ₹ 10.0 EACH (“EQUITY SHARES”) FOR CASH AT A PRICE OF ₹ 65.0 PER EQUITY SHARE INCLUDING A PREMIUM OF ₹ 55.0 PER EQUITY SHARE AGGREGATING TO ₹ 416.2 CRORE TO THE EQUITY SHAREHOLDERS OF OUR COMPANY ON RIGHTS BASIS IN THE RATIO OF SEVEN EQUITY SHARES FOR EVERY FIVE FULLY PAID UP EQUITY SHARES HELD ON THE RECORD DATE, 16 MAY 2013. THE ISSUE PRICE IS 6.5 TIMES OF THE FACE VALUE OF THE EQUITY SHARE. THE ENTIRE ISSUE PRICE FOR THE EQUITY SHARES WILL BE PAID ON APPLICATION.

For more details, see the section titled “Terms of the Issue” on page 233.

Registered and Corporate Office

Kesoram Industries Limited

8th Floor, Birla Building
9/1, R.N. Mukherjee Road
Kolkata 700 001
Telephone: + 91 33 2242 9454
Facsimile: +91 33 2210 9455
Email: cs@kesoram.net
Website: www.kesocorp.com

Registration No.: 3429

Corporate Identification Number: L17119WB1919PLC003429

Address of the RoC

Registrar of Companies, West Bengal

Nizam Palace
2nd, MSO Building
2nd Floor, 234/4, A.J.C. Bose Road
Kolkata 700 020
Telephone: +91 33 2280 0409
Facsimile: +91 33 2290 3795
Email: roc.kolkata@mca.gov.in

The Equity Shares are listed on the BSE, NSE and CSE. The GDRs of our Company are listed on the Luxembourg Stock Exchange.

Company Secretary and Compliance Officer

Mr. Gautam Ganguli,

Company Secretary and Compliance Officer
Kesoram Industries Limited
8th Floor, Birla Building
9/1, R.N. Mukherjee Road
Kolkata 700 001
Telephone: +91 33 2242 9454
Facsimile: + 91 33 2210 9455
Email: cs@kesoram.net

Note: Investors are advised to contact the Registrar to the Issue or the Compliance Officer in case of any pre-Issue or post-Issue related issues such as non-receipt of letter of Allotment, Split Application Forms, share

certificate(s) or Refund Orders and such other matters. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, ASBA Account number and the Designated Branch of the SCSBs where the CAF, or the plain paper Application, as the case may be, was submitted by the ASBA Investor.

Lead Managers to the Issue

SBI Capital Markets Limited

202, Maker Tower E, Cuffe Parade
Mumbai 400 005, India
Telephone: +91 22 2217 8300
Facsimile +91 22 2218 8332
Email: kesoram.rights@sbicaps.com
Website: www.sbicaps.com
Investor Grievance ID: investor.relations@sbicaps.com
Contact Person: Mr. Nithin Kanuganti/ Ms. Kavita Tanwani
SEBI Registration Number: INM000003531

Religare Capital Markets Limited

901, 9th Floor, Tower-1
Indiabulls Finance Centre
Senapati Bapat Marg
Elphinstone Road, Mumbai 400 013
Telephone: +91 22 6766 3579
Facsimile: +91 22 6766 3575
E-mail: kesoram.rights@religare.com
Website: www.religarecm.com
Investor Grievance ID: grievance.ibd@religare.com
Contact Person: Mr. Anupam Kumar/Mr. Udit Gupta
SEBI Registration No: INM000011062*

* The SEBI registration certificate of Religare Capital Markets Limited, one of the lead managers to the Issue, as a merchant banker, has expired on 11 December 2012. As required under Regulation 8A of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, as amended, an application for permanent registration, in the prescribed manner, was made on 7 September 2012 by Religare Capital Markets Limited to SEBI, three months before the expiry of the said certificate of registration. The approval of SEBI in this regard is awaited. No communication has been received by Religare Capital Markets Limited from SEBI rejecting the said application.

Yes Bank Limited

Indiabulls Finance Centre
Tower II, 27th Floor
Senapati Bapat Marg
Elphinstone (West)
Mumbai - 400 013
Telephone: +91 22 3347 9612
Facsimile: +91 22 2421 4508
Email: dlkilrights@yesbank.in
Website: www.yesbank.in
Investor Grievance ID: merchantbanking@yesbank.in
Contact Person: Mr. Gautam Badalia
SEBI Registration No: INM000010874

Domestic Legal Counsel to the Issue

Luthra & Luthra Law Offices

103, Ashoka Estate
24, Barakhambha Road
New Delhi 110 001
India
Telephone: +91 11 4121 5100
Facsimile: +91 11 2372 3909

International Legal Counsel to the Lead Managers

Baker & McKenzie.Wong & Leow

8 Marina Boulevard
#05-01 Marina Bay Financial Centre
Tower 1
Singapore 018981
Telephone: +65 6338 1888
Facsimile: +65 6337 5100

Auditors to the Company

Price Waterhouse

Plot no. Y – 14, Block – E
Sector – V
Salt Lake Electronics Complex
Bidhannagar, Kolkata 700 091
Telephone: +91 33 2357 9260
Fax No: +91 33 2357 7496
Firm Registration number: 301112E

Registrar to the Issue

Karvy Computershare Private Limited

Plot No. 17 – 24
Vithal Rao Nagar
Madhapur
Hyderabad 500 081
Telephone: +91 40 4465 5000
Facsimile: +91 40 2343 1551
E-mail: kesoram@karvy.com
Website: <http://karisma.karvy.com>
Contact Person: Mr. M. Muralikrishna
SEBI Registration No: INR000000221

Issue Schedule

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below:

Issue Opening Date	3 June 2013
Last date for receipt of requests for Split Application Forms	10 June 2013
Issue Closing Date	17 June 2013

Monitoring Agency

Since the Issue size does not exceed ₹ 500.0 crore, the appointment of a monitoring agency, as per Regulation 16 of the SEBI Regulations is not required. The Board of Directors of our Company will monitor the use of proceeds of the Issue as per clause 49 of the Listing Agreements.

Appraising Agency

The Net Proceeds are not proposed to be utilized for any project and hence our Company has not obtained any appraisal of the use of proceeds of the Issue.

Bankers to the Issue

HDFC Bank Limited

FIG-OPS Department
Lodha I-Think Techno Campus

O-3 Level, Next to Kanjumarg Railway Station
Kanjurmarg (East)
Mumbai – 400 042
Telephone: +91 22 3075 2928
Facsimile: +91 22 2579 9801
Email: uday.dixit@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Uday Dixit
SEBI Registration No: INBI00000063

IndusInd Bank Limited

Cash Management Services
Solitaire Corporate Park, No. 1001
Building No. 10, Ground Floor
Guru Hargovindji Marg
Andheri (East)
Mumbai - 400093
Telephone: +91 22 7772 3901
Facsimile: +91 22 6772 3998
Email: sanjay.vasarkar@indusind.com
Website: www.indusind.com
Contact Person : Mr. Sanjay Vasarkar
SEBI Registration No: INBI00000002

State Bank of India, Capital Market Branch

Videocon Heritage (Killick House)
Ground Floor, Charanjit Rai Marg
Mumbai – 400 001
Telephone: +91 22 2209 4932
Facsimile: +91 22 2209 4921
Email: nib.11777@sbi.co.in
Website: www.statebankofindia.com
Contact Person: Mr. Anil Sawant
SEBI Registration No: INBI00000038*

* *The SEBI registration of State Bank of India as a Banker to the Issue expired on 30 November 2012. State Bank of India has applied for renewal of its registration certificate on 13 October 2012 prior to the expiry of its registration. The approval of SEBI in this regard is awaited.*

Yes Bank Limited

IFC, Tower 2
8th Floor, Senapati Bapat Marg
Elphinstone (W), Mumbai 400 013
Telephone: +91 22 3347 7251
Facsimile: +91 22 2421 4504
Email: dlbtiservices@yesbank.in
Website: www.yesbank.in
Contact Person: Mr. Shankar Vichare/ Mr. Mahesh Shirali
SEBI Registration No: INBI00000935

Self Certified Syndicate Banks

The list of banks which have been notified by SEBI to act as SCSBs and as provided at <http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries>. For details on designated branches of SCSBs collecting the ASBA Form, refer the aforesaid SEBI link.

Statement of inter-se allocation of responsibilities

The *inter-se* allocation of responsibilities among SBICAP, RCM and Yes Bank in relation to the Issue is provided below:

Sr. no.	Activity	Responsibility	Co-ordinating Lead Manager
1.	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments of the Issue in conformity with the SEBI Regulations, undertaking liaison with SEBI and the Stock Exchanges (including obtaining in-principle listing approval), as may be required under the prevailing framework of regulations / rules / guidelines issued by the SEBI and the Stock Exchanges.	SBICAP, RCM, Yes Bank	SBICAP
2.	Drafting and designing of the draft and final Letter of Offer. Conduct due diligence as may be required on the Company and assist in compliance with regulatory requirements of the SEBI and the Stock Exchanges. The Lead Managers shall ensure compliance with the SEBI Regulations, other stipulated requirements, completion of prescribed formalities with the Stock Exchanges and the SEBI and securing all necessary regulatory approvals for the issue.	SBICAP, RCM, Yes Bank	SBICAP
3.	Drafting and design of Abridged Offer Document, CAF, all publicity material such as statutory and non-statutory advertisement/ publicity material including newspaper advertisements, brochure etc.	SBICAP, RCM, Yes Bank	SBICAP
4.	Selection of agencies connected with the issue –printers and advertisement agency.	SBICAP, RCM, Yes Bank	SBICAP
5.	Selection of agencies connected with the issue –banker to the issue (selecting collection centers), Registrar and monitoring agency.	SBICAP, RCM, Yes Bank	RCM
6.	Domestic Institutional marketing strategy which will cover, inter alia: - Finalising the list and division of investors for one to one meetings; and - Finalising road show schedule and investor meeting schedules.	SBICAP, RCM, Yes Bank	SBICAP
7.	International Institutional marketing strategy which will cover, inter alia: - Finalising the list and division of investors for one to one meetings; - Finalising road show schedule and investor meeting schedules; and - Preparation of Investor Presentation and FAQ's.	SBICAP, RCM, Yes Bank	RCM
8.	Retail / Non-Institutional marketing strategy which will cover inter-alia, preparation of publicity budget, arrangement for selection of (i) ad-media, (ii) centres of holding conferences of brokers, investors etc., (iii) distribution of publicity and Issue materials including the CAF and Letter of Offer.	SBICAP, RCM, Yes Bank	RCM
9.	Follow-up with the Bankers to the Issue to get quick estimates of collection and advising such Banks about closure of the Issue, based on the correct figures.	SBICAP, RCM, Yes Bank	RCM
10.	The post-Issue activities will involve essential follow-up steps, which include finalization of basis of allotment or weeding out of multiple Applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as the Registrar to the Issue, the Bankers to the Issue, and the bank handling refund business. Whilst, many of the post issue activities will be handled by other intermediaries, the designated Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the Issuer Company.	SBICAP, RCM, Yes Bank	RCM

Credit rating

This being a rights issue of Equity Shares, no credit rating is required.

Debenture Trustee

As the Issue is of Equity Shares, the appointment of a debenture trustee is not required.

Issue Grading

As the Issue is a rights offering, grading of the Issue is not required.

Underwriting

The Issue is not underwritten.

Principal Terms of Loans and Assets charged as Security

For the principal terms of loans and assets charged as security, see the section titled “Financial Indebtedness” beginning on page 184.

CAPITAL STRUCTURE

The share capital of our Company as of the date of this Letter of Offer is set forth below:

		Aggregate value at face value (In ₹ crore)	Aggregate value at Issue Price (In ₹ crore)
A)	AUTHORISED SHARE CAPITAL		
	120,000,000 Equity Shares	120.0	--
B)	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL BEFORE THE ISSUE		
	45,741,080 fully paid up Equity Shares	45.7	--
C)	PRESENT ISSUE BEING OFFERED THROUGH LETTER OF OFFER*		
	64,037,512 Equity Shares at the Issue Price	64.0	416.2
D)	PAID-UP EQUITY CAPITAL AFTER THE ISSUE		
	109,778,592 Equity Shares	109.8	713.6

* The present Issue has been authorized through resolutions of the Board of Directors on 22 August 2012

As on the date of this Letter of Offer, the Company has 7,041,875 GDRs outstanding, convertible into 7,041,875 Equity Shares, subject to the terms of their issue.

Notes to the Capital Structure

1. Intention and extent of participation by the Promoter and the members of the Promoter Group in the Issue

Our Promoter, Mr. Basant Kumar Birla and members of our Promoter Group namely Ms. Manjushree Khaitan, Mr. Krishna Gopal Maheshwari, Pilani Investment and Industries Corporation Limited, Ms. Sarala Devi Birla, Ms. Rajashree Birla, Mr. Kumar Mangalam Birla, Ms. Vasavadatta Bajaj, Ms. Jayashree Mohta, Ms. Vidula Jalan, Manav Investment & Trading Company Limited, Aditya Marketing & Manufacturing Limited, Parvati Tea Company Private Limited, Century Textiles and Industries Limited and Padmavati Investment Limited holding Equity Shares, have confirmed that they intend to fully subscribe to their Rights Entitlement in the Issue subject to the terms of this Letter of Offer and applicable laws. Further, subject to compliance with applicable laws including the Takeover Code, the Promoter and members of our Promoter Group reserve the right to subscribe for additional equity shares of the Company.

Further, Pilani Investment and Industries Corporation Limited have provided an undertaking dated 3 October 2012 stating that in the event of under-subscription in the Issue, they will apply for Equity Shares, in addition to their Rights Entitlement in the Issue, either directly or through entities/persons belonging to the Promoter Group, to the extent of such undersubscribed portion of the Issue, subject to obtaining any approvals required under applicable law, to ensure that at least 90% of the Issue is subscribed.

As a result of the subscription, our Promoter, Mr. Basant Kumar Birla and members of our Promoter Group namely Ms. Manjushree Khaitan, Mr. Krishna Gopal Maheshwari, Pilani Investment and Industries Corporation Limited, Ms. Sarala Devi Birla, Ms. Rajashree Birla, Mr. Kumar Mangalam Birla, Ms. Vasavadatta Bajaj, Ms. Jayashree Mohta, Ms. Vidula Jalan, Manav Investment & Trading Company Limited, Aditya Marketing & Manufacturing Limited, Parvati Tea Company Private Limited, Century Textiles and Industries Limited and Padmavati Investment Limited may acquire Equity Shares over and above their respective entitlements in the Issue, which may result in an increase of their shareholding above the current shareholding along with the Rights Entitlement. Such subscription and acquisition of additional Equity Shares by our Promoter and the members of the Promoter Group through the Issue, if any, shall be made in accordance with applicable laws.

As such, other than meeting the requirements indicated in the section titled "Objects of the Issue" on page 51, there is no other intention/purpose for the Issue, including any intention to delist the Company, even if, as a result of any Allotments in the Issue to the Promoter, or the members of the Promoter Group, their shareholding in the Company exceeds their current shareholding. The Promoter, and/or members of the Promoter Group shall subscribe to, and/or make arrangements for the

subscription of, such unsubscribed portion as per the relevant provisions of law and in compliance with the Listing Agreement.

2. Shareholding pattern of our Company

The shareholding pattern of the Company as of 31 March 2013 as per the latest filing with the Stock Exchanges is as reproduced below:

Category of Shareholder	Number of Shareholders	Total Number of Shares	Number of Shares held in Dematerialised Form	Total shareholding as a percentage of total number of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of (A+B+C)
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
Individuals / Hindu Undivided Family	9	540,347	540,347	1.40	1.18	0	0.00
Central Government/State Government(s)	0	0	0	0.00	0.00	0	0.00
Bodies Corporate	11	11,864,512	11,864,512	30.66	25.94	0	0.00
Financial Institutions/ Banks	0	0	0	0.00	0.00	0	0.00
Any other (specify)	0	0	0	0.00	0.00	0	0.00
Sub Total (A) (1)	20	12,404,859	12,404,859	32.06	27.12	0	0.00
(2) Foreign							
Individuals (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0.00	0.00	0	0.00
Bodies Corporate	0	0	0	0.00	0.00	0	0.00
Institutions	0	0	0	0.00	0.00	0	0.00
Qualified Foreign Investor	0	0	0	0.00	0.00	0	0.00
Any Other (specify)							
Any other total	0	0	0	0.00	0.00	0	0.00
Sub-Total (A)(2)	0	0	0	0.00	0.00	0	0.00
Total shareholding of Promoter and Promoter Group (A) = A(1) + A(2)	20	12,404,859	12,404,859	32.06	27.12	0	0.00
(B) Public Shareholding							
(1) Institutions							
Mutual Funds / UTI	14	210,535	199,105	0.54	0.46	0	0.00
Financial Institutions / Banks	43	220,354 ⁽¹⁾	200,952	0.57	0.48	0	0.00
Central Government/ State Government(s)	0	0	0	0.00	0.00	0	0.00
Venture Capital Funds	0	0	0	0.00	0.00	0	0.00
Insurance Companies	8	6,830,449	6,830,249	17.65	14.93	0	0.00
Foreign Institutional Investors	21	475,039	467,939	1.23	1.04	0	0.00
Foreign Venture Capital Investors	0	0	0	0.00	0.00	0	0.00
Qualified Foreign Investor	0	0	0	0.00	0.00	0	0.00
Any Other (specify)	0	0	0	0.00	0.00	0	0.00
Sub Total (B)(1)	86	7,736,377	7,698,245	19.99	16.91	0	0.00
(2) Non-Institutions							

Category of Shareholder	Number of Shareholders	Total Number of Shares	Number of Shares held in Dematerialised Form	Total shareholding as a percentage of total number of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of (A+B+C)
Bodies Corporate	1,066	6,526,360 ⁽¹⁾	5,777,057	16.86	14.27	0	0.00
Individuals							
Individual shareholders holding nominal share capital up to ₹ 1 lakh	73,276	6,902,410 ⁽¹⁾	5,665,992	17.84	15.09	0	0.00
Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	65	2,820,169	2,795,347	7.29	6.17	0	0.00
Qualified Foreign Investor	0	0	0	0.00	0.00	0	0.00
Any Others (Specify)							
Non Resident Indians	418	565,997	558,788	1.46	1.24	NA	NA
Overseas Corporate Bodies	4	1,734,934	1,734,144	4.48	3.79	NA	NA
Any Other	34	8,099	0	0.02	0.02	NA	NA
Sub Total (B) (2)	74,863	18,557,969	16,531,328	47.95	40.58	0	0.00
Total Public shareholding (B) = B(1) + B (2)	74,949	26,294,346	24,229,573	67.94	57.49	0	0.00
Total (A)+(B)	74,969	38,699,205	36,634,432	100.00	84.61	0	0.00
(C) Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0.00	0	0.00
Promoter and Promoter Group	0	0	0	0.00	0.00	0	0.00
Public	1	7,041,875 ⁽²⁾	7,041,875	0.00	15.39	0	0.00
Sub Total	1	7,041,875⁽²⁾	7,041,875	0.00	15.39	0	0.00
Total (A)+(B)+(C)	74,970	45,741,080	43,676,307	100.00	100.00	0	0.00

⁽¹⁾ Includes 1,55,393 unclaimed and returned shares of banks, bodies corporate, and individuals transferred to "Kesoram Industries Limited – Unclaimed Suspense Account" as per the amendment to Clause 5A of the Equity Listing Agreement per the SEBI Circular dated 16 December 2010.

⁽²⁾ As on the date of this Letter of Offer, the Company has 7,041,875 GDRs outstanding, convertible into 7,041,875 Equity Shares, subject to the terms of their issue.

3. As on 31 March 2013, the Company has 148 shareholders who hold fractional Equity Shares, aggregating to 81 Equity Shares.

4. The Company has, by a resolution of its Board of Directors dated 7 November 2012, forfeited 2,238 Equity Shares in light of non-payment of allotment money.

5. **Details of GDRs issued:**

As on 31 March 2013, there are 7,041,875 GDRs of the Company outstanding. These may be exchanged with 7,041,875 Equity Shares which constitute 15.4% of our Company's paid-up Equity Share capital. For eligibility of the GDR holders, see the section titled "Overseas Shareholders – Notice to GDR Holders" on page 6. The GDRs are listed on the Luxembourg Stock Exchange.

6. **Details of outstanding instruments:**

The Company does not have any outstanding warrants, options, convertible loans, debentures or any other securities convertible at a later date into Equity Shares, as on the date of this Letter of Offer, which would entitle the holders to acquire further Equity Shares.

7. **List of shareholders of our Company belonging to the category “Promoter and Promoter Group” as on 31 March 2013, is as listed below:**

Sr. no.	Name of the Shareholder	Total Shares Held		Shares Pledged or otherwise encumbered		
		Number	As a percentage of the total shareholding of the Company	Number of Shares	As a percentage of total shares held	As a percentage of Grand Total
1.	Aditya Marketing and Manufacturing Limited	924,309	2.02	-	-	-
2.	B. K. Birla Foundation	7,012	0.02	-	-	-
3.	Birla Education Trust	954,171	2.09	-	-	-
4.	Birla Educational Institution	362,643	0.79	-	-	-
5.	Birla Institute of Technology & Science	1,515,806	3.31	-	-	-
6.	Century Textiles & Industries Limited	2,132,000	4.66	-	-	-
7.	Manav Investment & Trading Company Limited	1,518,295	3.32	-	-	-
8.	Padmavati Investment Limited	631,015	1.38	-	-	-
9.	Parvati Tea Co. Private Limited	492,589	1.08	-	-	-
10.	Pilani Investment & Industries Corpn. Limited	2,415,750	5.28	-	-	-
11.	Prakash Educational Society	910,922	1.99	-	-	-
12.	Mr. Basant Kumar Birla	167,707	0.37	-	-	-
13.	Mr. Krishna Gopal Maheshwari	485	Negligible	-	-	-
14.	Mr. Kumar Mangalam Birla	100	Negligible	-	-	-
15.	Ms. Jayashree Mohta	27,116	0.06	-	-	-
16.	Ms. Manjushree Khaitan	239,114	0.52	-	-	-
17.	Ms. Rajashree Birla	1,250	Negligible	-	-	-
18.	Ms. Sarala Devi Birla	50,751	0.11	-	-	-
19.	Ms. Vasavadatta Bajaj	5,750	0.01	-	-	-
20.	Ms. Vidula Jalan	48,074	0.11	-	-	-
	Total	12,404,859	27.12	-	-	-

8. The details of shareholders belonging to the public and holding more than 1.0% of the paid up capital of our Company as on 31 March 2013, is as detailed below:

S. No.	Name	Number of Equity Shares Held	Percentage of Total Equity Shares
1.	Life Insurance Corporation of India	4,984,017	10.90
2.	Devi Investment & Dev. INC	1,434,144	3.14
3.	Century Enka Ltd.	584,994	1.28
4.	Bajaj Allianz Life Insurance Co. Ltd.	956,288	2.09
5.	Bharat Jayantilal Patel	548,308	1.20
6.	Minal B. Patel	635,822	1.39

S. No.	Name	Number of Equity Shares Held	Percentage of Total Equity Shares
7.	Finquest Securities Pvt. Ltd	2,512,200	5.49
8.	Kotak Mahindra Investments Ltd.	536,591	1.17
	Total	12,192,364	26.66

9. No Equity Shares have been acquired by the Promoter, our Group Companies or members of our Promoter Group in the year immediately preceding the date of filing of the Letter of Offer.
10. None of the Equity Shares of our Company are locked in as of the date of this Letter of Offer.
11. As on the date of this Letter of Offer, none of the Equity Shares held by our Promoter and members of our Promoter Group, are pledged or otherwise encumbered.
12. The Issue being a rights issue, as per Clause 34(c) of the SEBI Regulations, the requirements of Promoters' contribution and lock in are not applicable.
13. Our Company does not have any employee stock option scheme or employee stock purchase scheme.
14. The ex-rights price of the Equity Shares as per regulation 10(4)(b) of the Takeover Code is ₹ 80.1.

OBJECTS OF THE ISSUE

Our Company intends to use the Net Proceeds of the Issue to finance the fund requirements for:

1. Repayment in part, of certain loans availed by our Company; and
2. General corporate purposes.

(collectively referred to herein as the “**Objects**”).

The loans availed by our Company which are proposed to be repaid in part from the Net Proceeds of the Issue, are for activities carried out by us as enabled by the objects clause of our Memorandum of Association.

The funding requirements and deployment of the Net Proceeds are based on internal management estimates based on current conditions and have not been appraised by any bank, financial institution or any other external agency. We operate in a highly competitive and dynamic market environment. Our funding requirements are subject to changes in external circumstances, our financial condition, business and strategy and we may have to change our funding requirements accordingly. Any such change in our plans may also require rescheduling of our expenditure within the heads indicated in the table below, at the discretion of our Board.

In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of other purposes for which funds are being raised in this Issue.

Proceeds of the Issue

The details of the proceeds of the Issue are summarized below:

Particular	Estimated Amount (In ₹ crore)
Gross proceeds to be raised through the Issue	416.24
Less: - Issue related expenses	11.12
Net proceeds of the Issue after deducting the Issue related expenses (“ Net Proceeds ”)	405.12

Details of the activities to be financed from the Net Proceeds

1. Repayment in part of certain loans availed by our Company

Our Company has availed secured loan facilities from various banks and financial institutions. We intend to utilise an amount of up to ₹ 312 crore out of the Net Proceeds to repay a portion of the outstanding debt facilities availed by us in the manner detailed below, which will fall for repayment till June 2014. We believe that such repayment will help reduce our outstanding indebtedness. Further, the Issue will also result in an enhanced equity base, assisting us in maintaining a favorable debt equity ratio in the near future, as also mandated by certain facility agreements with our lenders, more particularly described in the section titled “Financial Indebtedness” on page 184.

No amounts from the Net Proceeds will be utilised to prepay any of the loans mentioned below.

(In ₹ crore)

Sr. No.	Name of lender and loan documentation	Amount sanctioned and purpose of loan ⁽¹⁾	Rate of interest	Repayment schedule	Security	Amount outstanding as on 31 March 2013	Prepayment penalty (if any)	Amount to be repaid/prepaid from the Net Proceeds
1.	Bank of Baroda Sanction letter dated 18 March 2011 and term loan agreement	Corporate term loan facility of ₹ 200.0 crore for expansion of the tyre segment of	Lender’s base rate + 1.3% p.a., with monthly rests.	Repayable in four specified annual installments commencing from March 2013.	1.By an unattested deed of hypothecation dated 24 March 2011, this facility has been secured by	160.0	Any prepayment of this facility will attract prepayment penalties in terms of the	40.0

Sr. No.	Name of lender and loan documentation	Amount sanctioned and purpose of loan ⁽¹⁾	Rate of interest	Repayment schedule	Security	Amount outstanding as on 31 March 2013	Prepayment penalty (if any)	Amount to be repaid/prepaid from the Net Proceeds
	dated 24 March 2011.	the Company (projects undertaken at the Birla Tyres unit of the Company at Laskar and Balasore) with capital outlay of ₹ 1,832.0 crore.			<p>first <i>pari passu</i> charge on the present and future fixed assets of the Company and a second <i>pari passu</i> charge on the current assets of the Company, both present and future.</p> <p>2. By virtue of a memorandum of entry be deposit of title deeds dated 27 February 2012, this facility has been further secured by a first <i>pari passu</i> mortgage over the immovable properties of the rayon and transparent paper divisions, the Balasore Tyre Plant and the Laksar Tyre Plant, the Kesoram Cement Plant and the Vasavadatta Cement Plant.</p>		lender's extant guidelines.	
2.	ICICI Bank Sanction letter dated 12 October 2011 and facility agreement dated 12 October 2011	Rupee term loan of ₹ 300.0 crore for capital expenditure and refinancing of existing borrowings .	Lender's base rate + 1.7% (spread) p.a., with the spread being reset at the end of every 12 months from the date of the disbursement of the first tranche of this facility.	Payable in 16 quarterly installments commencing from the end of the calendar quarter after the expiry of a 12 months moratorium from the date of first disbursement.	<p>1. By a deed of hypothecation dated 12 October 2011, this facility has been secured by a first <i>pari passu</i> charge on the moveable fixed assets of the Company (subject to the charge on the fixed assets of the Vasavadatta Cement Plant).</p> <p>2. By virtue of a</p>	300.0	Any part of the facility may be repaid or pre paid without incurring any prepayment charges within 45 days of the annual spread reset date; any prepayment after this period will attract prepayment penalty of	30.0

Sr. No.	Name of lender and loan documentation	Amount sanctioned and purpose of loan ⁽¹⁾	Rate of interest	Repayment schedule	Security	Amount outstanding as on 31 March 2013	Prepayment penalty (if any)	Amount to be repaid/prepaid from the Net Proceeds
					memorandum of entry by deposit of title deeds dated 27 February 2012, this facility has been further secured by a first <i>pari passu</i> mortgage over the immovable properties of the rayon and transparent paper divisions, the Balasore Tyre Plant and the Laksar Tyre Plant, the Kesoram Cement Plant and the Vasavadatta Cement Plant.		1.00% p.a. for the amount prepaid.	
3.	IndusInd Bank Sanction letter dated 24 May 2011 and loan agreement dated 6 June 2011.	Medium term loan facility of ₹ 250.0 crore for financing and/or refinancing capital expenditure already incurred through short term funding and/or internal accruals.	Lender's base rate + 0.8% p.a., with annual reset.	Payable in 16 quarterly installments commencing from the end of the calendar quarter after the expiry of a 12 months moratorium from the date of first disbursement.	1. By an agreement of hypothecation dated 6 June 2011, this facility has been secured by a second <i>pari passu</i> charge on the current assets and a first <i>pari passu</i> charge on the moveable fixed assets of the Company (excluding the exclusively financed portion). 2. By virtue of a memorandum of entry be deposit of title deeds dated 27 February 2012, this facility has been further secured by a first <i>pari</i>	212.5	Any part of the facility may be repaid without incurring any prepayment charges within 30 days of the annual interest reset date; any prepayment after this period will attract prepayment penalty of 1.00% p.a. for the amount prepaid and period for which the prepayment has been made.	50.0

Sr. No.	Name of lender and loan documentation	Amount sanctioned and purpose of loan ⁽¹⁾	Rate of interest	Repayment schedule	Security	Amount outstanding as on 31 March 2013	Prepayment penalty (if any)	Amount to be repaid/prepaid from the Net Proceeds
					<i>passu</i> mortgage over the immovable properties of the rayon and transparent paper divisions, the Balasore Tyre Plant and the Laksar Tyre Plant, the Kesoram Cement Plant and the Vasavadatta Cement Plant.			
4.	Punjab National Bank Sanction letters dated 24 March 2011 and 14 March 2011 and loan agreement dated 29 March 2011	Term loan facility of ₹ 300.0 crore for part financing of the tyres expansion projects at Balasore and Haridwar including reimbursement of capital expenditure already incurred within 6 months.	Lender's base rate + 1.5% + term premium p.a. with monthly rests (along with term premium of 0.5%)	Repayable in 20 quarterly installments starting from June 2012.	1. By virtue of an agreement of hypothecation dated 29 March 2011, this facility has been secured by a first <i>pari passu</i> charge on the moveable fixed assets and a second <i>pari passu</i> charge on the current assets of the Company (except for the Hindustan Heavy Chemicals division and the Kesoram Spun Pipes and Foundries division). 2. By virtue of a memorandum of entry be deposit of title deeds dated 27 February 2012, this facility has been further secured by a first <i>pari passu</i> mortgage over	235.0	Nil	65.0

Sr. No.	Name of lender and loan documentation	Amount sanctioned and purpose of loan ⁽¹⁾	Rate of interest	Repayment schedule	Security	Amount outstanding as on 31 March 2013	Prepayment penalty (if any)	Amount to be repaid/prepaid from the Net Proceeds
					the immovable properties of the rayon and transparent paper divisions, the Balasore Tyre Plant and the Laksar Tyre Plant, the Kesoram Cement Plant and the Vasavadatta Cement Plant.			
5.	The South Indian Bank Limited Sanction letter dated 12 December 2011 and credit facility agreement dated 21 December 2011.	Corporate term loan of ₹ 150.0 crore for meeting normal capital expenditure pertaining to the Company's different tyre units and/ or refinancing the capital expenditure already incurred through short term funds and shoring up net working capital.	Lender's base rate + 2.0% (spread) p.a., subject to annual rests.	To be repaid in three quarterly installments of ₹ 37.0 crore each, the last installment to be remitted before the expiry of 35 months from the date of availment.	By virtue of an agreement of hypothecation dated 21 December 2011, this facility has been secured by a first <i>pari passu</i> charge on the moveable fixed assets of the Company (both present and future) excluding its corporate office, the Hindustan Heavy Chemicals division and the 'Kesoram Spun Pipes and Foundries' division, and a second <i>pari passu</i> charge on the current assets of the Company (both present and future) excluding the Hindustan Heavy Chemicals division and the 'Kesoram Spun Pipes and Foundries' division. This facility is also required to be secured by a first <i>pari passu</i>	150.0	Any part of the facility may be prepaid by the Company from its own sources without incurring prepayment penalties after a period of two years from the disbursement, if it is prepaid by the Company from its own sources within two years from disbursement, a prepayment penalty of 1.00% of the prepaid amount is payable. In the event that any part of the facility is prepaid by the facility being taken over by other lenders, a prepayment	37.5

Sr. No.	Name of lender and loan documentation	Amount sanctioned and purpose of loan ⁽¹⁾	Rate of interest	Repayment schedule	Security	Amount outstanding as on 31 March 2013	Prepayment penalty (if any)	Amount to be repaid/prepaid from the Net Proceeds
					charge over the immovable fixed assets of the Company excluding the Hindustan Heavy Chemicals division and the Kesoram Spun Pipes & Foundries division, which charge is yet to be created.		penalty of 2.00% of the prepaid amount is payable.	
6.	State Bank of India Sanction letter dated 10 November 2010 and facility agreement dated 25 November 2010.	Corporate loan facility of ₹ 600.0 crore for meeting normal capital expenditure pertaining to the Company's different tyre units and shoring up its net working capital in its business.	2.0% above the lender's base rate p.a., with monthly rests.	Repayable in four annual installments, commencing after 24 months from the date of first disbursement.	By virtue of a hypothecation agreement dated 25 November 2010 and a memorandum of entry by deposit of title deeds dated 27 February 2012 this facility has been secured by a first <i>pari passu</i> charge on the immovable fixed assets, both present and future, of the various units of the Company (excluding the Kesoram Spun Pipes & Foundries division and the Hindustan Heavy Chemicals division), subject to the prior subsisting charge on the immovable fixed assets of the Vasavadatta Cement Plant. This facility is also required to be secured by a first <i>pari passu</i> charge on all the moveable fixed assets of the Company, both	500.0	Any prepayment of this loan will attract prepayment charges of 2.00% of the prepaid amount (other than any prepayment on the interest reset dates).	89.5

Sr. No.	Name of lender and loan documentation	Amount sanctioned and purpose of loan ⁽¹⁾	Rate of interest	Repayment schedule	Security	Amount outstanding as on 31 March 2013	Prepayment penalty (if any)	Amount to be repaid/prepaid from the Net Proceeds
					present and future, and a second <i>pari passu</i> charge on the current assets of the Company, both present and future (excluding the Kesoram Spun Pipes & Foundries division and the Hindustan Heavy Chemicals division), which security is yet to be created.			

⁽¹⁾ The purposes of the loans profiled herein have been taken from the respective sanction letters of such loans.

* As certified by N. Sureka & Co., Chartered Accountants, pursuant to their certificates dated 7 November, 2012 and 9 January 2013. Further, they have confirmed that our Company has utilised the above said loan amounts for the purposes for which the loans were availed

For further details on the terms and conditions of these facilities, see “Financial Indebtedness” on page 184.

Our Company will repay loans which have been availed from the State Bank of India, which is in associate/ affiliate of one of the Lead Managers.

2. General Corporate Purposes

The balance Net Proceeds, aggregating to ₹ 93.12 crore, will be utilized towards meeting the working capital requirements and strategic initiatives, brand building exercises and strengthening of our marketing capabilities, partnerships, joint ventures, meeting exigencies, which our Company in the ordinary course of business may face, or any other purposes as approved by our Board.

As on date, we have not earmarked specific amounts from the Net Proceeds to be utilised for any or a combination of the abovementioned general corporate purposes. However, the amount allocated for these general corporate purposes does not exceed 25% of the amount raised in the Issue. Please see the section titled “Risk Factors – *We propose to utilise a part of the Net Proceeds for general corporate purposes and our management will have the discretion to deploy the funds to this end*” on page 24.

Schedule of Utilization of the Net Proceeds

The selection of loans proposed to be repaid from our loan facilities provided has been based on various factors including, (i) any conditions attached to the loans restricting our ability to repay the loans, (ii) provisions of any law, rules, regulations governing such borrowings, and (iii) other commercial considerations including, among others, the interest rate of the loan facility, the amount of the loan outstanding and the remaining tenor of the loan.

An amount of ₹ 89.5 crore out of the Net Proceeds is proposed to be utilised to repay loans availed from the State Bank of India, which does not exceed ₹ 90 crore (which amount was earmarked in the Draft Letter of Offer as the maximum amount that would be utilised out of the Net Proceeds to repay and/or prepay loans availed from the State Bank of India).

The utilization of the Net Proceeds will be as per the table set forth below:

(In ₹ crore)

Sr. No.	Particulars	Amount payable from the Net Proceeds
1.	Repayment in part of certain loans availed by our Company	312.0
2.	General corporate purposes	93.12
	Total	405.12

Our Company proposes to repay the loans after the date of receipt of Issue proceeds, based on outcome of its negotiations with the relevant lenders.

Issue related expenses

The total expenses of the Issue are estimated to be approximately ₹ 11.12 crore. The expenses of this Issue include, among others, fees of the Lead Managers, fees of the Registrar to the Issue, legal fees, printing and stationery expenses, advertising, travelling and marketing expenses and other expenses. The estimated Issue expenses are as under:

Particulars	Estimated Expenses (In ₹ crore)	% of Estimated Issue size	% of Estimated Issue expenses
Fees of the Lead Managers	5.50	1.32	49.46
Fees of the legal counsel, other professional services and statutory fees	4.06	0.98	36.51
Fees of the Registrar to the Issue	0.02	0.005	0.18
Advertising, traveling and marketing expenses	0.30	0.07	2.70
Printing and stationery, distribution and postage expenses	0.70	0.17	6.29
Expenses in relation to the Depositories	0.04	0.01	0.36
Other expenses	0.50	0.12	4.50
Total	11.12	2.67	100.00

Appraisal

The Objects have not been appraised by any banks, financial institutions or agency.

Bridge loans

We have not raised any bridge loans against the Net Proceeds.

Means of Finance

The requirements of the objects detailed above are intended to be funded from the Net Proceeds of the Issue. Accordingly, our Company confirms that there is no requirement for it to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Issue.

Interim Use of Net Proceeds

The management of our Company, in accordance with the policies set up by the Board, will have flexibility in deploying the Net Proceeds. Pending utilization for the purposes described above, we intend to temporarily invest the Net Proceeds in interest-bearing liquid instruments including deposits with banks, mutual funds or temporarily deploy the funds in investment grade interest bearing securities as may be approved by the Board. Such investments would be in accordance with the investment policies approved by the Board from time to time. We confirm that pending utilization of the Net Proceeds, we shall not use the funds for any investments in the equity markets.

Monitoring of Utilization of Funds

There is no requirement for a monitoring agency as the Issue size is less than ₹ 500.0 crore. Our audit committee shall monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the Net Proceeds, including interim use, under a separate head specifying the purpose for which such proceeds have been utilized along with details, if any in relation to all such proceeds of the Issue that have not been utilised thereby also

indicating investments, if any, of such unutilized proceeds of the Issue in our Balance Sheet for the relevant financial years commencing from Fiscal 2013.

We will disclose the details of the utilization of the Net Proceeds of the Issue, including interim use, under a separate head in our financial statements specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreement with the Stock Exchange. As per the requirements of Clause 49 of the listing agreement, we will disclose to the audit committee the uses/ applications of funds on a quarterly basis as part of our quarterly declaration of results. Further, on an annual basis, we shall prepare a statement of funds utilized for purposes other than those stated in this Letter of Offer and place it before the audit committee. The said disclosure shall be made till such time that the full proceeds raised through the Issue have been fully spent. The statement shall be certified by our Auditors. Further, in terms of Clause 43A of the listing agreement, we will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds from the objects stated in this Letter of Offer. Further, this information shall be furnished to the Stock Exchanges along with the interim or annual financial results submitted under Clause 41 of the listing agreement and be published in the newspapers simultaneously with the interim or annual financial results, after placing it before the audit committee in terms of Clause 49 of the listing agreement.

Other confirmations

No part of the Net Proceeds will be paid by our Company as consideration to the Promoters, the Directors, Group Companies or members of the Promoter Group.

STATEMENT OF TAX BENEFITS*

To,

M/s. Kesoram Industries Limited
9/1, R.N. Mukherjee Road,
Kolkata 700 001

Dear Sirs,

We hereby report that the enclosed annexure states the possible tax benefits available to Kesoram Industries Limited (**KIL** / “**Company**”) and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant 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 and the changing tax laws, 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.

P.K. Dey
Proprietor
(Membership No. 050731)
For and on behalf of
Pronob Kumar Dey & Co
Firm Registration No. 327281E
Chartered Accountants

Date : 7th November, 2012
Place : Kolkata

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO KESORAM INDUSTRIES LIMITED ('KIL' OR 'THE COMPANY') AND ITS SHAREHOLDERS

I. TAX BENEFITS TO THE COMPANY

Under the Income-tax Act, 1961 ('the IT Act')

The tax benefits listed below are the possible tax benefits available under the provisions of Income-tax Act, 1961 (the IT Act) presently in force in India.

1. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY

Subject to the fulfillment of conditions prescribed under the sections mentioned hereunder, the Company may be eligible, *inter-alia*, for the following specified deductions/ incentives in computing its taxable income for the relevant financial year:

1.1. Deduction under section 80-IA of the IT Act

Under Section 80IA of the IT Act, an assessee is eligible for claiming deduction of 100% of the profits derived *inter-alia* from its industrial undertakings engaged in generation or generation and distribution of power for any 10 consecutive assessment years out of fifteen assessment years beginning from the year in which the undertaking begins to generate power before 31.03.2012. Such claim of deduction can only be made out of the net taxable income of the company after adjusting brought forward losses/ un-absorbed depreciation (if any).

The company has four power generating undertakings that generate electricity which is captively consumed at the factories located in Karnataka, Orissa and West Bengal. Subject to fulfillment of all prescribed conditions for eligibility of each of the undertakings for deduction, including quantification of profits earned by each of the undertakings (computed in accordance with provisions of Section 92BA of the IT Act), the company may consider its eligibility for deduction u/s 80 IA of the IT Act.

1.2. Deduction under section 80-IC of the IT Act

As per Section 80IC of the IT Act, the company is entitled for claiming deduction of 100% of the profits generated by its Tyre manufacturing undertakings at Uttaranchal for five assessment years commencing with the year in which the undertaking begins to manufacture and thereafter @ 30% of the profits for the next five years. Such claim of deduction can only be made out of the net taxable income of the company available after adjusting brought forward losses/ un-absorbed depreciation (if any).

1.3. Deduction u/s 80JJA of the IT Act

The company would be eligible for weighted deduction of an amount equal to 30% of the wages paid to new regular workmen employed by the company (as defined under the Industrial Disputes Act, 1947) for 3 assessment years including the assessment year relevant to the year in which employment is provided.

GENERAL TAX BENEFITS

2. Deductions/exemptions/benefits available while computing business income

2.1. Depreciation

The company is entitled to claim depreciation on specific tangible and intangible assets owned by it and used for the purpose of its business under Section 32 of the IT Act.

In case of any new plant and machinery (other than ships and aircraft) that will be acquired by the manufacturing units/ undertakings of the company and **is put to use for 180 days or more**, the company is entitled to a further sum equal to twenty percent of the actual cost of such machinery or plant subject to conditions specified in Section 32 of the IT Act in the year in which it is first put to use.

Unabsorbed depreciation, if any, for an Assessment Year (AY) can be carried forward **without any time limit** and set off against any source of income in the subsequent AYs.

2.2. **Preliminary expenses**

As per Section 35D, the company is eligible for deduction in respect of specified preliminary expenses incurred by the company in connection with extension of its industrial undertaking or in connection with setting up a new industrial unit. The eligible expenses inter-alia include those incurred in connection with the issue for public subscription of shares, being underwriting commission, brokerage and charges for drafting, typing, printing and advertisement of prospectus of an amount equal to 1/5th of such expenses over 5 successive AYs subject to conditions and limits specified in the said section.

2.3. **Expenditure incurred on voluntary retirement scheme:**

As per Section 35DDA, the company is eligible for deduction in respect of payments made to its employees in connection with their voluntary retirement in accordance **with any scheme or schemes** of an amount equal to 1/5th of such payments over 5 successive AYs subject to conditions and limits specified in that section.

2.4. **Expenditure on Scientific Research**

As per Section 35, the company is eligible for deduction in respect of any expenditure (not being expenditure on the acquisition of any land) on scientific research related to the business subject to conditions specified in that section.

A weighted deduction **of a sum equal to two times of expenditure** is provided for in-house research & development (excluding expenditure land and building) for companies engaged in any business of manufacture or production of any article or thing except those provided in the Eleventh Schedule of the IT Act and is applicable w.e.f **1st April 2011.**

2.5. **Carry forward of business loss:**

Business losses, if any, for any AY can be carried forward and set off against business profits for eight subsequent AYs.

2.6. **Minimum Alternative Tax and credit thereof**

Where the tax payable by the company under the normal provisions of the IT Act is less than 18.5% of the book profits (as worked out per the relevant provisions), the company would be required to pay tax @18.5% of such book profits, including any applicable surcharge and cess. Such tax is referred to as Minimum Alternate Tax (MAT.)

The difference between the MAT payable under section 115JB of the IT Act and the tax on its total income payable for that assessment year shall be allowed to be carried forward as “MAT credit” upto 10 assessment years succeeding the assessment year in which such MAT was paid in accordance with the provisions of section 115JAA of the IT Act as amended by the Finance Act, 2010 w.e.f. **1st April 2010 and shall apply to AY 2010-11 and subsequent years** (for earlier assessment years, carry forward is allowed up-to 7 assessment years). The MAT credit can be utilized to be set off against taxes payable on the total income computed under the provisions of the IT Act other than 115JB thereof if any, in the subsequent assessment years in accordance with the provisions of section 115JAA of the IT Act.

3. **Deductions/exemptions/benefits available while computing capital gains**

- 3.1. As per section 10(38) of the IT Act, the Company would be entitled to an exemption from tax in respect of long-term capital gains arising from sale of equity shares or units of equity oriented mutual fund (equity oriented mutual funds are those funds where more than sixty five percent of the investible funds are invested in equity shares of domestic companies), provided that the transaction of sale of such equity shares or units has happened on Recognized Stock Exchange in India and is chargeable to

Securities Transaction Tax (“STT”)¹. The shares/units would be considered as long term capital assets provided they are held for a period exceeding 12 months.

However, such income shall be taken into account while computing the book profits under section 115JB of the IT Act.

- 3.2. As per section 111A of the IT Act, short-term capital gains on sale of equity shares or units of an equity oriented fund, where the transaction of such sale is subject to STT (as explained in para 3.1 above), would be chargeable to income-tax at a concessional rate of 15% (plus applicable surcharge and education cess).
- 3.3. As per section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains arising on transfer of listed securities (other than those covered in para 3.1 above)/units or zero coupon bonds (shares/units/ bonds would be considered as long term capital assets provided they are held for a period exceeding 12 months), would be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation, as provided in the second proviso to section 48 of the IT Act, or at 10% (plus applicable surcharge and education cess) without indexation, at the option of the Company.
- 3.4. As per section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains arising on transfer of unlisted securities would be taxed at a rate of 20% (plus applicable surcharge and education cess) subject to indexation benefit.
- 3.5. As per section 54EC of the IT Act and subject to the conditions specified therein, long-term capital gains [not exempt under section 10(38)], can be claimed as exempt from tax to the extent such capital gains are invested in certain notified bonds (currently bonds issued by National Highways Authority of India and Rural Electrification Corporation Limited have been notified for this purpose) within six months from the date of transfer. If only part of the capital gains is so reinvested, the exemption shall be allowed proportionately. However, it is also provided under section 54EC that investments made on or after 1st April 2007 in such bonds, should not exceed Indian Rupees five million during any financial year. Further, it may be noted that if such bonds are transferred or converted into money (availing loan or advance on the security of such bonds would be considered as conversion into money for this purpose), 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 so transferred or converted into money.

4. Deductions/exemptions/benefits available in respect of Dividend income

- 4.1. As per section 10(34) of the IT Act, the Company would be eligible for an exemption in respect of income by way of dividend (interim or final) referred to in section 115-O of the IT Act, received from a domestic company. Further, any expenditure incurred in/attribution to earning such dividend income is disallowable under section 14A of the IT Act read with Rule 8D of the Rules.
- 4.2. As per section 115-O(1) of the IT Act, the Company is required to pay Dividend Distribution Tax at a rate of 15% (plus applicable surcharge and education cess) on any amount declared, distributed or paid by way of dividends (whether interim or otherwise).

Further, as per Section 115-O(1A) of the IT Act, for the purposes of computing DDT, the Company would be eligible to reduce from such dividend, the amount of dividend received from its subsidiary companies, subject to fulfillment of specified conditions.

- 4.3. As per section 10(35) of the IT Act, the Company will be eligible for an exemption in respect of the following income (other than capital gain referred to in para I(A)(3) above):
 - Income received from units of mutual funds specified under section 10(23D) of the IT Act;
 - Income received in respect of units from the Administrator of specified undertaking; and
 - Income received in respect of units from the specified company.

5. Other deductions/exemptions/benefits

¹ Finance Act 2012 reduced the STT rate from 0.125% to 0.1% on cash delivery transactions

- 5.1. As per section 70 of the IT Act, the Company is entitled to intra-head set-off of loss in an assessment year in the following manner:
 - Loss from a source against income from another source within the same head of income (except loss under the head ‘capital gain’)
 - Short term capital loss against capital gain (whether short term or long term)
 - Long term capital loss against long term capital gain
- 5.2. As per section 71(1) and 71(2) of the IT Act, the Company is entitled to inter-head ‘set-off’ of loss (other than capital gains) under any other head of income for that assessment year. As per section 71(3), the Company is not entitled to ‘set-off’ loss under the head ‘Capital Gains’ against income under any other head.
- 5.3. As per section 72(1) of the IT Act, the Company is entitled to ‘set-off’ brought forward business loss, not being loss sustained in a speculation business, against business income in subsequent years. In accordance with the provisions of section 72(3), such losses can be carried forward for eight years.
- 5.4. As per the conditions of section 32(2) read with section 72(2) of the IT Act, the Company is entitled to ‘set-off’ brought forward unabsorbed depreciation against income in subsequent years. Further, subject to provisions of section 32(2) including all amendments therein vide Finance Act (No.2) of 1996 and Finance Act 2001, unabsorbed depreciation can be carried forward for unlimited period.
- 5.5. As per section 74(1)(a) of the IT Act, the Company is entitled to ‘set-off’ brought forward short term capital loss against income under the head ‘Capital gains’. Further, as per the provisions of section 74(1)(b), the Company is entitled to set-off long term capital loss against long term capital gains only. As per section 74(2), such capital losses can be carried forward for eight years.
- 5.6. As per section 80G of the IT Act, the Company will be entitled for a deduction of qualifying amount in respect of specified donations. For donations exceeding rupees ten thousand, the same is required to be paid in cheque as prescribed by Finance Act 2012.
- 5.7. In accordance with the provisions of section 90 of the IT Act, the Company may choose to apply the provisions of IT Act or the provisions of tax treaty entered into by India with other foreign countries, whichever are more beneficial. Also, subject to the provisions of IT Act and the treaty, the Company can claim foreign tax credit in India in respect of doubly taxed income (i.e. where taxes are paid on same income in India as well as outside India).

II. TAX BENEFITS TO THE SHAREHOLDERS OF THE COMPANY

Under the IT Act

A. SPECIAL TAX BENEFITS

There are no special tax benefits available to the shareholders of the Company.

B. GENERAL TAX BENEFITS

1. To all shareholders

- 1.1. As per section 10(34) of the IT Act, the shareholders will be eligible for an exemption in respect of income by way of dividend (interim or final) referred to in section 115-O of the IT Act, received on shares from a domestic company. Further, any expenditure incurred in/attribution to earning such dividend income is disallowable under section 14A of the IT Act read with Rule 8D of the Rules.
- 1.2. As per section 10(38) of the IT Act, long-term capital gains arising from sale of equity shares or units of equity oriented mutual fund (equity oriented mutual funds are those funds where more than sixty five percent of the investible funds are invested in equity shares of domestic companies), are exempt provided that the transaction of sale of such equity shares or units has happened on Recognized Stock

Exchange in India and is chargeable to Securities Transaction Tax (“STT”). The shares/units would be considered as long term capital assets provided they are held for a period exceeding 12 months.

However, such income shall be taken into account while computing the book profits under section 115JB for corporate assesses.

- 1.3. As per section 111A of the IT Act, short-term capital gains on sale of equity shares or units of an equity oriented mutual fund, where the transaction of such sales is subject to STT, shall be chargeable to income-tax at a concessional rate of 15% (plus applicable surcharge and education cess). Relevant slabs for basic exemption, as applicable to the assessee, will need to be taken into consideration as per relevant Finance Act.

2. To resident shareholders

In addition to the tax benefits specified in para II(A)(1) above, following are the exemptions/deductions available to the resident shareholder:

- 2.1. As per section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains arising on transfer of listed securities (other than those covered in para 1.2 above)/units or zero coupon bonds (shares/units/ bonds would be considered as long term capital assets provided they are held for a period exceeding 12 months), would be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation, as provided in the second proviso to section 48 of the IT Act, or at 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder.
- 2.2. As per section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains arising on transfer of unlisted securities would be taxed at a rate of 20% (plus applicable surcharge and education cess) subject to indexation benefit.
- 2.3. As per section 54EC of the IT Act and subject to the conditions specified therein, long-term capital gains [not exempt under section 10(38)], can be claimed as exempt from tax to the extent such capital gains are invested in certain notified bonds (currently bonds issued by National Highways Authority of India and Rural Electrification Corporation Limited have been notified for this purpose) within six months from the date of transfer. If only part of the capital gains is so reinvested, the exemption shall be allowed proportionately. However, it is also provided under section 54EC that investments made on or after 1st April 2007 in such bonds, should not exceed Indian Rupees five million during any financial year. Further, it may be noted that if such bonds are transferred or converted into money (availing loan or advance on the security of such bonds would be considered as conversion into money for this purpose), 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 so transferred or converted into money.
- 2.4. As per section 54F of the IT Act and subject to the conditions specified therein, long term capital gains arising to an individual or Hindu Undivided Family (HUF), for instance, on transfer of shares of the Company, will be exempt from capital gain tax, if the net consideration from sale of shares is used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer. Other conditions such as ownership of not more than one house property etc needs to be fulfilled. Further, it may be noted that if such house property is transferred within a period of three years from the date of its purchase, or as the case may be its construction, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the new house property is transferred.

3. To non-resident shareholders (other than Foreign Institutional Investors and Foreign Venture Capital Investors)

In addition to the tax benefits specified in para II(A)(1) above following are the exemptions/deductions available to the non-resident shareholder:

- 3.1. As per section 90 of the IT Act, the non-resident shareholders, who are eligible to claim treaty benefits (subject to furnishing of Tax Residency Certificate in the format as may be specified), will be entitled

to choose the provisions of the IT Act or the provisions of tax treaty entered into by India with other foreign countries, whichever are more beneficial, while deciding taxability in India.

- 3.2. A non-resident Indian (i.e. an individual being a citizen of India or person of Indian origin) has an option of being governed by the provisions of Chapter XII-A of the IT Act, which *inter-alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed in convertible foreign exchange.
- a) As per section 115D read with section 115E of the IT Act and subject to the conditions specified therein, long-term capital gains arising on transfer of shares in an Indian company not exempt under section 10(38), will be subject to income-tax at the rate of 10% (plus applicable surcharge and education cess) without indexation benefit.
 - b) As per section 115F of the IT Act and subject to the conditions specified therein, gains arising on transfer of a long-term capital asset being shares in an Indian company (shares would be considered as long term capital assets provided they are held for a period exceeding 12 months) 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 specified savings certificates. If part of such net consideration is invested within the prescribed period of six months in any specified asset (for instance, shares in Indian company) or specified savings certificate, the exemption will be allowed on a proportionate basis. The amount so exempted shall be chargeable to tax subsequently, if the specified assets or any such savings certificates are transferred or converted into money within three years from the date of their acquisition.
 - c) As per section 115G of the IT Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the IT Act, if their source of income is only investment income and/or long-term capital gains defined in section 115C of the IT Act, provided income-tax has been deducted at source from such income as per the provisions of chapter XVII-B of the IT Act.
 - d) As per section 115-I of the IT 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 IT 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 IT Act.
- 3.3. As per the first proviso to section 48 of the IT Act, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. However, cost indexation benefit will not be available in such a case while computing the capital gain.
- 3.4. As per section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains arising on transfer of listed securities (other than those covered in para 1.2 above)/units or zero coupon bonds (shares/units/ bonds would be considered as long term capital assets provided they are held for a period exceeding 12 months), would be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation, as provided in the second proviso to section 48 of the IT Act, or at 10% (plus applicable surcharge and education cess) without indexation, at the option of the Company. However, in view of the divergent judicial precedents on this aspect, the applicability of this section needs to be evaluated on a case to case basis.
- 3.5. As per section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains arising on transfer of unlisted securities (being shares in a private Limited Company) would be taxed at a rate of 20% (plus applicable surcharge and education cess) subject to indexation benefit. The tax payable on long-term capital gains arising on sale of shares in a Publicly held un-listed company would be @10% (plus applicable surcharge and education cess).
- 3.6. As per section 54EC of the IT Act and subject to the conditions specified therein, long-term capital gains [not exempt under section 10(38)], can be claimed as exempt from tax to the extent such capital gains are invested in certain notified bonds (currently bonds issued by National Highways Authority of India and Rural Electrification Corporation Limited have been notified for this purpose) within six

months from the date of transfer. If only part of the capital gains is so reinvested, the exemption shall be allowed proportionately. However, it is also provided under section 54EC that investments made on or after 1st April 2007 in such bonds, should not exceed Indian Rupees five million during any financial year. Further, it may be noted that if such bonds are transferred or converted into money (availing loan or advance on the security of such bonds would be considered as conversion into money for this purpose), 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 so transferred or converted into money.

- 3.7. As per section 54F of the IT Act and subject to the conditions specified therein, long term capital gains arising to an individual or Hindu Undivided Family (HUF), for instance, on transfer of shares of the Company, will be exempt from capital gain tax, if the net consideration from sale of shares is used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer. Other conditions such as ownership of not more than one house property etc needs to be fulfilled. Further, it may be noted that if such house property is transferred within a period of three years from the date of its purchase, or as the case may be its construction, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the new house property is transferred.

4. To mutual funds

- 4.1. As per section 10(23D) of the IT Act, mutual funds registered under the Securities and Exchange Board of India Act 1992 and such other mutual funds set up by public sector banks or public financial institutions authorized by the Reserve Bank of India and subject to the conditions specified therein, are eligible for exemption from income tax on their entire income, including income from investment in the shares of the Company.

5. To venture capital companies / funds

In terms of section 10(23FB) of the IT Act, venture capital companies/ funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on their entire income, including income from investment in the shares of the Company.

6. To foreign institutional investors ('FIIs')

In addition to the tax benefits specified in para 1 above, following are the exemptions/deductions available to FIIs:

- 6.1. As per section 90 of the IT Act, FIIs being non residents, who are eligible to claim treaty benefits (subject to furnishing of Tax Residency Certificate in the format as may be specified), will be entitled to choose the provisions of IT Act or the provisions of tax treaty entered into by India with other foreign countries, whichever are more beneficial, while deciding taxability in India.
- 6.2. The income by way of long-term capital gains [not exempt under section 10(38) of the IT Act] or short-term capital gains realized by FIIs on sale of such securities of the Company would be taxed at the following rates as per section 115AD of the IT Act-
- Short-term capital gains, other than those referred to under section 111A of the IT Act shall be taxed @ 30% (plus applicable surcharge and education cess).
 - Short-term capital gains, referred to under section 111A of the IT Act shall be taxed @ 15% (plus applicable surcharge and education cess).
 - Long-term capital gains shall be taxed @10% (plus applicable surcharge and education cess) without any cost indexation.
 - It may be noted that first proviso to section 48, which provides protection against exchange rate fluctuations (where shares are subscribed in convertible foreign exchange) would not be available to FII's.

6.3. As per section 54EC of the IT Act and subject to the conditions specified therein, long-term capital gains [not exempt under section 10(38)], can be claimed as exempt from tax to the extent such capital gains are invested in certain notified bonds (currently bonds issued by National Highways Authority of India and Rural Electrification Corporation Limited have been notified for this purpose) within six months from the date of transfer. If only part of the capital gains is so reinvested, the exemption shall be allowed proportionately. However, it is also provided under section 54EC that investments made on or after 1st April 2007 in such bonds, should not exceed Indian Rupees five million during any financial year. Further, it may be noted that if such bonds are transferred or converted into money (availing loan or advance on the security of such bonds would be considered as conversion into money for this purpose), 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 so transferred or converted into money.

A. Under the Wealth Tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957 and therefore no wealth tax is payable on shares.

B. Under Gift Tax Act, 1958

Gift of shares of the company made on or after October 1, 1998 are not liable to Gift Tax.

C. Security Transaction Tax (STT) as per Chapter VII of Finance (No.2) Act 2004, as amended by Finance Act 2012

STT in respect of any taxable securities transaction shall be collected from the seller or the buyer, on the value of such transaction, by every recognized stock exchange or the prescribed person in case of any Mutual Fund, at the rate specified in section 98 of the Finance Act.

Notes:

1. All the above benefits are as per the provisions of the Income-tax Act, 1961, Income-tax Rules, circulars, notifications as amended by Finance Act, 2012 and the Wealth Tax Act, 1957, presently in force in India. All the above benefits are as per the current tax law and will be available only to the sole/first named holder in case the shares are held by joint holders.
2. The current IT Act is proposed to be replaced by New Direct Tax Code 2010 (DTC) likely date of which is not certain. The tax implications on account of proposed DTC have not been examined by us.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Tax Avoidance Agreement (DTAA), if any, between India and the country in which the non-resident has fiscal domicile. The Finance Act 2012 has prescribed that beneficial provisions of the DTAA cannot be claimed unless the non-resident obtains a certificate of residency from the Government of its country.
4. Wherever applicable, the benefits mentioned hereinabove are subject to fulfillment of the specified conditions and up to the limits as mentioned in the relevant provisions.
5. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

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

* Since the Finance Bill, 2013 ("**Finance Bill**") is yet to be assented by President of India, after which it would become the Finance Act, 2013, we have retained the Statement of Tax Benefits based on Finance Act 2012 and the same shall be updated as when the Finance Bill is approved.

SECTION IV – ABOUT THE ISSUER

INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites and publications, reports prepared by CRISIL Research Limited), and other third party reports. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Letter of Offer is reliable, it has not been independently verified. Similarly, internal Company estimates, while believed by us to be reliable, have not been verified by any independent agencies.

CRISIL Research has informed the Company that it has used due care and caution in preparing this report. Information has been obtained by CRISIL Research from sources which it considers reliable. However, CRISIL Research does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. No part of their reports may be published/ reproduced in any form without CRISIL Research's prior written approval. CRISIL Research is not liable for investment decisions which may be based on the views expressed in their reports. CRISIL Research operates independently of, and does not have access to information obtained by, CRISIL's Rating Division, which may, in its regular operations, obtain information of a confidential nature that is not available to CRISIL Research.

TYRE INDUSTRY

Overview

Global Tyre Market

According to a report published by the Freedonia Group, world demand for tyres is forecasted to rise 4.7 percent per year through 2015 to 3.3 billion units. In value terms, the tyre market is projected to grow 6.5 percent annually over the same span to US\$220 billion. The large motor vehicle tyre market will see acceleration in growth through 2015, growing to 1.9 billion units as motor vehicle industries in many important producing countries rebound. Stronger gains will be registered by the industrial and other tyres segment, which includes a variety of tyre types, including bicycle, motorcycle and off-road tyres.

The Asia/Pacific region is by far the largest market for tyres, accounting for over half of global tyre demand in 2010, largely to its huge appetite for bicycle and motorcycle tyres. In addition, the region will register the strongest growth in tyre demand through 2015, despite the fact that the large Japanese tyre market is expected to see extremely sluggish growth. The tyre markets in North America and Western Europe will continue to see advances below the global average, although both regions will rebound from the declines recorded during the 2005 to 2010 period.

The growth of the tyre industry is directly linked to the growth of the automotive industry. The growth of the automotive industry is dependent on the growth of the overall economy world over. The major economies of the world witnessed a major economic slump from 2007 to 2009, which resulted in a decline in the automotive industry, in that period, followed by a rebound in 2010, as shown in the table below.

Automotive Production – Worldwide

	Cars	Commercial Vehicles	Total
	(in millions)		
2007	53.2	20.1	73.3
2008	52.7	17.8	70.5
2009	47.8	14.0	61.8
2010	58.3	19.4	77.7
2011	59.9	20.2	80.1

Source: Production statistics published by The International Organization of Motor Vehicle Manufacturers.

The Indian automotive industry also witnessed a sharp recovery in 2010 and 2011, as is evident from the table below.

Automotive Production – India

	Cars		Commercial Vehicles		Total	
	(in millions)	(Y-o-Y growth)	(in millions)	(Y-o-Y growth)	(in millions)	(Y-o-Y growth)
	%		%		%	
2007.....	1.7		0.5		2.3	
2008.....	1.8	7.7	0.5	-10.4	2.3	3.4
2009.....	2.2	17.8	0.4	-4.1	2.6	13.3
2010.....	2.8	30.2	0.7	55.6	3.6	34.7
2011.....	3.0	7.3	0.9	22.4	3.9	10.4

Source: Production statistics published by The International Organization of Motor Vehicle Manufacturers.

Tyre manufacturers have two primary sales channels - the Original Equipment ("OE") market and the replacement market. In the OE market, the tyre manufacturers sell tyres to Original Equipment Manufacturers ("OEMs"). OEMs are vehicle manufacturers, where new vehicles are equipped with the "original" set of tyres. These vehicles, together with the new fitted tyres, are then sold to the end customer. In the replacement market, the tyres are sold through tyre distributors to replace the original tyres as and when they need replacement - either on account of wear and tear, or any other reason. Profit margins in the OEM market are lower than those in the replacement market due to pricing pressure from vehicle manufacturers continues to be a characteristic of the tyre industry.

The global tyre market is led by three major companies — Goodyear Tire and Rubber Company, Michelin Tyres and Bridgestone Corporation which together have a current market share of approximately 46.0% according to Tyre Business. They are followed by a number of mid-sized companies — including Continental AG, Pirelli Tires, Sumitomo Rubber Industries, Yokohama, Cooper Tire & Rubber Company and Hankook Tire Co. Ltd. with market shares ranging from 2.0% to 6.0% each. There are also local and niche tyre manufacturers which tend to focus on more specific geographic markets and product lines.

Indian Tyre Market

The Automotive Tyre Manufacturers Association ("ATMA") categorises the Indian tyre business into a variety of segments. The table below shows the category wise production of tyres in India for the last five years.

Category wise Tyre Production in India

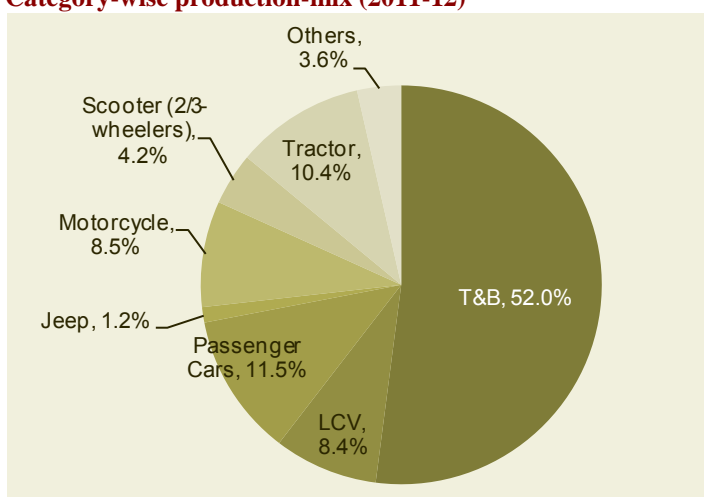
Categories	FY 2007		FY 2008		FY 2009		FY 2010		FY 2011		FY 2012	
	Production	% change	Production	% change	Production	% change	Production	% change	Production	% change	Production	% change
Truck and Bus	12.4	4.0	13.1	6.2	12.8	-2.3	15.3	19.0	15.7	2.5	16.1	2.7
Passenger Car	14.3	5.0	16.4	15.2	16.6	0.8	20.0	21.0	26.2	30.7	27.1	3.6
Jeep	1.4	8.0	1.5	7.2	1.5	0.1	1.4	-1.3	1.5	7.0	1.6	6.3
Light Truck (LCV)	4.8	6.0	5.3	10.4	5.3	-0.4	5.7	8.3	6.0	5.1	6.7	10.9
Tractor (Front).....	1.8	27.0	1.8	3.4	1.8	1.5	2.4	29.5	2.6	8.8	2.8	6.2
Tractor (Rear).....	1.3	14.0	1.2	-4.8	1.3	6.6	1.6	24.3	1.8	8.8	1.9	6.3
Tractor (Trailer) ...	0.8	38.0	0.9	7.7	0.8	-14.4	0.9	19.1	1.1	16.4	1.0	-2.8
Animal Drawn Vehicle (ADV)	0.4	18.0	0.4	7.3	0.3	-31.3	0.3	4.6	0.3	5.8	0.3	-5.8
Scooter (2 wheeler) (incl. Moped)	5.8	-8.0	6.8	17.2	6.4	-6.3	8.1	26.7	12.7	55.8	13.6	7.4
Scooter (3 wheeler).....	3.8	19.0	4.8	25.2	4.5	-6.1	5.4	21.5	7.5	37.7	8.6	15.0

Categories	FY 2007		FY 2008		FY 2009		FY 2010		FY 2011		FY 2012	
	Production	% change	Production	% change	Production	% change	Production	% change	Production	% change	Production	% change
Motorcycle	26.1	24.0	27.9	7.1	30.1	8.0	35.7	18.3	43.1	20.9	44.9	4.0
Industrial	0.6	23.0	0.7	15.4	0.6	-22.5	0.5	-5.3	0.6	14.3	0.7	10.7
Off the Road (OTR).....	0.1	8.0	0.1	22.6	0.1	-3.5	0.2	18.4	0.2	18.6	0.2	2.6
Total	73.5	11.0	81.1	10.3	82.1	1.2	97.6	18.9	119.2	22.1	125.4	5.2

Source: ATMA

In tonnage terms, the truck and bus tyre segment is the largest, and accounts for approximately 52.0% of total tyre production in India as shown in the chart below, according to the Automotive Tyre Manufacturers. Over the last five years, the passenger car segment and the motorcycle segment have shown the highest rate of growth, driven by increasing vehicle production in these segments.

Category-wise production-mix (2011-12)



Note: Category-wise mix in production is calculated based on tonnage.

Source: Industry, CRISIL Research

Market Industry Trends

Shift in demand from bias to radial tyres

The truck and bus tyre segment in India is dominated by the use of bias tyres (or cross ply tyres as they are otherwise known). As the road network develops in the country, the demand for radial tyres is expected to increase, following global trends.

According to ATMA the passenger car tyre segment in India is already close to completely radialised, with bias tyres forming a very small portion of the domestic production. In the Medium and Heavy Commercial vehicle segment current level of radialisation is approximately 15%, and that in the LCV segment is estimated at approximately 18% only until a few years ago marked the beginning of radialisation of the truck and bus segment and they LCV segment with the process gaining momentum. (Source: ATMA).

Demand dominated by the replacement market

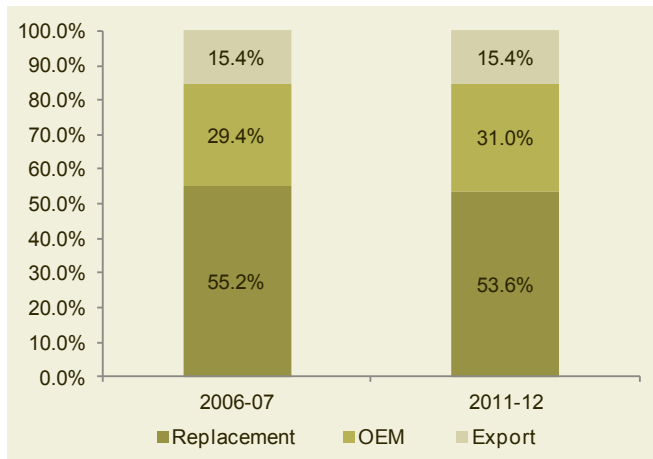
In terms of market segmentation, the tyre industry can be broadly classified into three segments:

- (i) OEM;
- (ii) the replacement market; and
- (iii) the export market.

The OEM segment is comprised of automotive vehicle manufacturers, while the replacement segment consists of end users of vehicles. (Source: CRISIL Research)

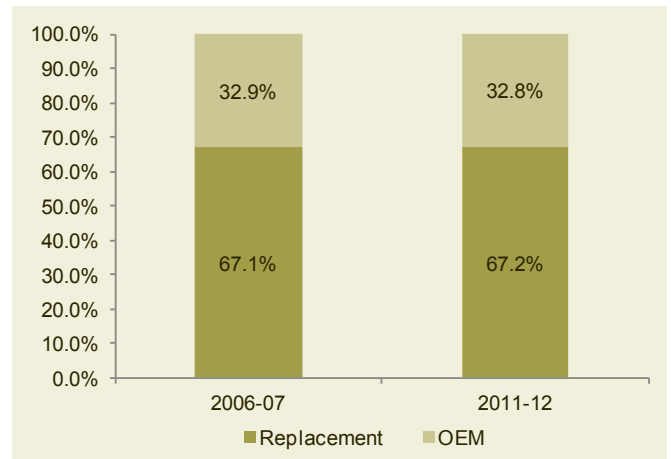
The largest share in the replacement market is the truck and bus segment. For the fiscal year ended 31 March 2012, approximately 68.0% of the total demand in the replacement market was attributed to the truck and bus and Light Commercial Vehicle ("LCV") segment, while passenger cars, the second largest driver of replacement demand, generated approximately 10.0% of the total replacement demand, according to CRISIL Research. (Source: CRISIL Research)

Segment-wise production-mix in tonnage



Source: Industry, CRISIL Research

Segment-wise consumption-mix in tonnage

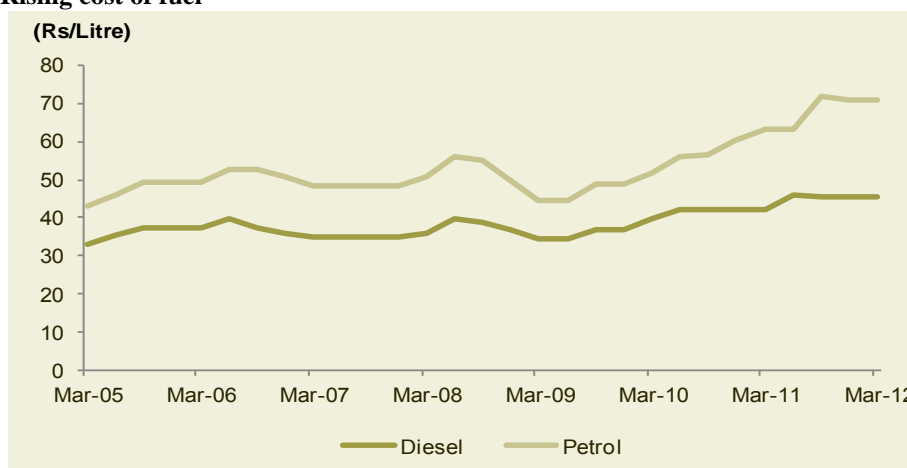


Source: Industry, CRISIL Research

Slowing auto growth a key challenge for maintaining tyre demand momentum

According to CRISIL Research, growth in the Indian automotive industry slowed down to 13% in the fiscal year ended 31 March 2012 from a 23% growth registered for the same period in the previous year. An increased Euro zone uncertainty continued domestic policy logjam and lower investment demand is expected to impact India's GDP growth adversely in 2012-13. CRISIL Research expects GDP growth to clock 6.5 per cent in 2012-13. These uncertainties fuelled by the grim macroeconomic outlook, rising fuel prices, high interest rates, rising vehicle prices, weak consumer sentiment, concern over future income growth together are expected to result in a slowdown of growth in the Indian automotive industry to between 8.0 to 10.0% as against the 13% growth registered in fiscal 2012. (Source: CRISIL Research)

Rising cost of fuel



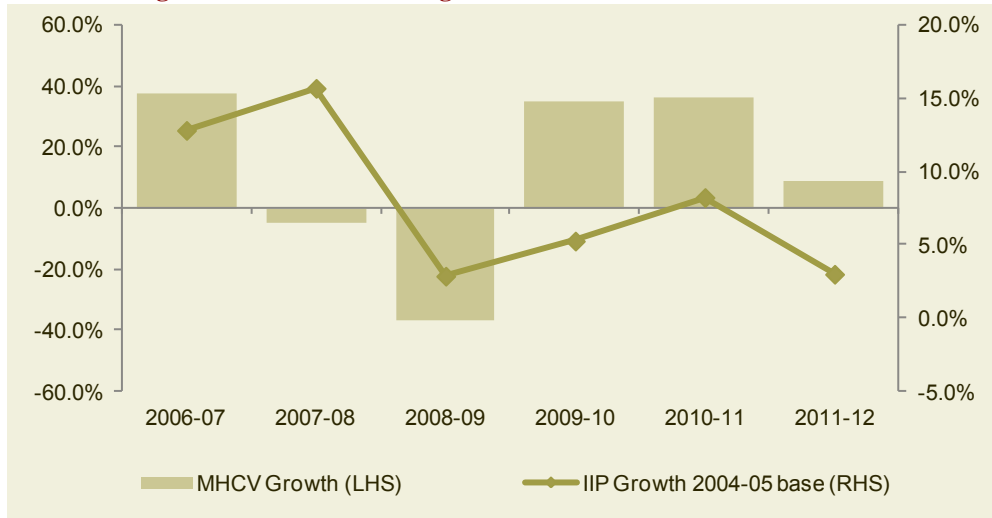
Source: CRISIL Research

Product Segment

Commercial Vehicle Tyres Segment

The commercial vehicle ("CV") industry is the largest demand driver for tyre demand. CV demand in turn depends upon freight movement and hence industrial activity in India. Demand for CV is driven by the country's overall economic growth as transportation is associated with all sectors of the economy. Over 55.0% of the total freight movement is handled by the industry, and therefore there is a direct correlation between industrial activity and the demand for CV, as is evident from the graph below. (Source: CRISIL Research)

MHCV sales growth tracks industrial growth



Source: CRISIL Research, SIAM & Central Statistical Organisation

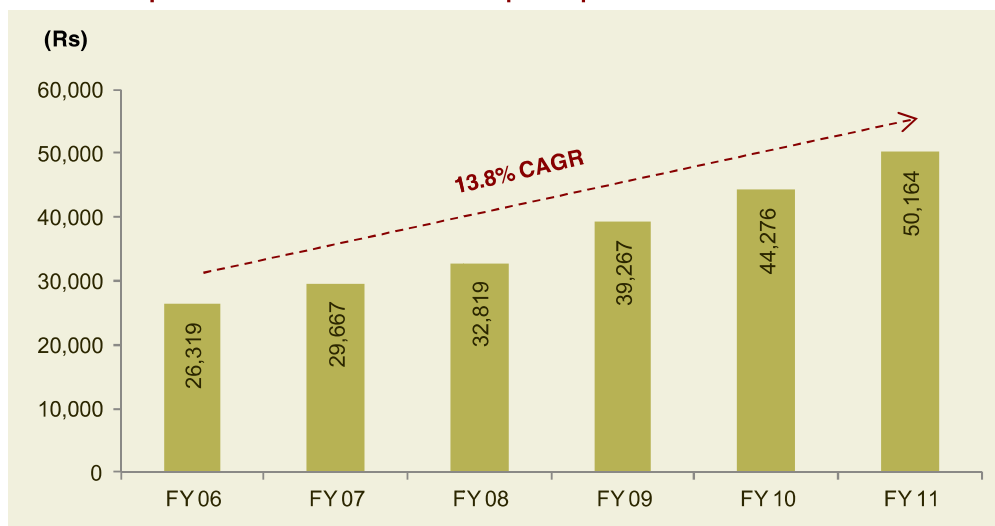
MHCV sales growth tracks industrial growth

Growth in sales of goods CVs in India is expected to be between 11.0 to 13.0% CAGR over the next five years (2011-12 to 2016-17), driven by sustained growth in the economy and an improvement in industrial and agricultural production, according to CRISIL Research.

Passenger Vehicle Tyres Segment

The other significant demand driver for the tyre industry is the passenger vehicle segment, which has grown consistently, driven by rising disposable incomes (as shown in the graph below) and the aspirational element of private car ownership.

Personal Disposable Income at Factor Cost per Capita



Source: Industry, CRISIL Research

Domestic car & UV sales are expected to grow at a rate of 15.0 to 17.0% CAGR over the next five years (2011-12 to 2016-17), compared to growth rate of 13.4% CAGR in the previous five years. The Indian passenger car

market is still considered under penetrated in comparison to other developing markets. (Source: CRISIL Research)

Two-wheeler market

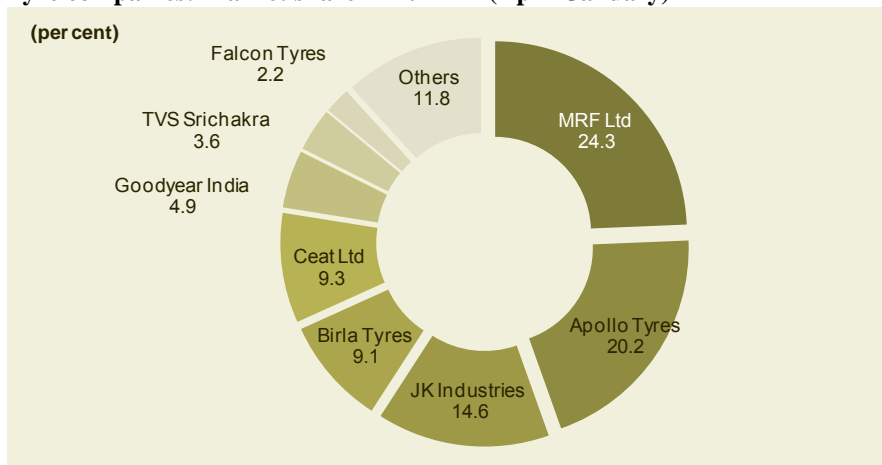
Over the next five years (2011-12 to 2016-17) the domestic two-wheeler market is expected to grow at a rate of 10.0 to 12.0% CAGR, driven by robust rural demand for motorcycles and higher growth in the scooters segment. At the same time, the export markets are expected to grow at a rate of 16.0 to 18.0% over the next five years. (Source: CRISIL Research)

Competition

Industry moderately concentrated with 8 major players

Based on market research provided by CRISIL Research, the Indian tyre industry has over 30 international and domestic manufactures. However, the industry is dominated by five manufacturers including MRF Limited, Apollo Tyres, JK Tyres & Industries, Ceat Limited and Birla Tyres with market shares as of fiscal year ended 31 March 2012, of 24.3%, 20.2%, 14.6%, 9.3% and 9.1%, respectively. Together they accounted for approximately 77.5% of the total domestic market in tonnage terms during 2011-12 (April- January). All five manufacturers have a significant presence in the CV tyre segment. (Source: CRISIL Research)

Tyre companies: Market share in 2011-12 (April-January)



Note: 1) The market share figures are of the top players in the industry, accounting for about 88 per cent of the Indian tyre industry. 2) Market share is based on production minus exports in tonnage.

Source: CRISIL Research

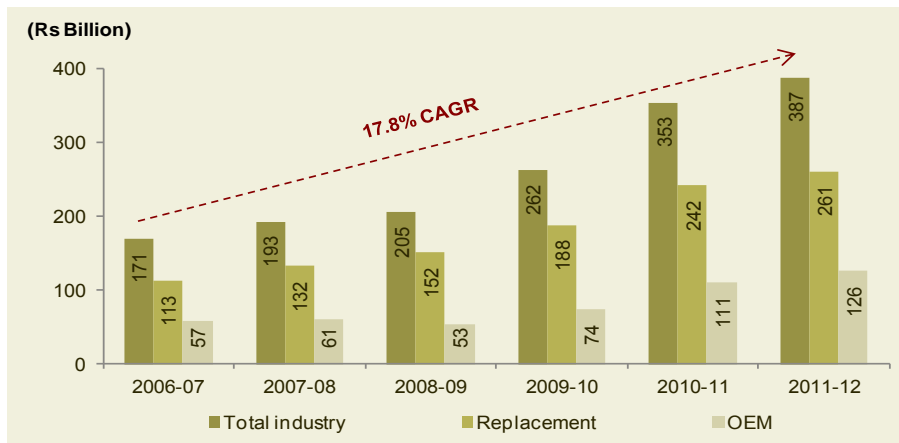
Restrictive entry barriers

According to CRISIL Research, while moderate growth and profitability of the industry reduce incentives for entry of new players, strong distribution network of existing players and pre-dominance of cross-ply tyres (except for car tyres) act as entry barriers for some of the interested multinational companies. However, since early 2011, with the rising demand for truck and bus radial tyres, there has been increased interest of a few multinational tyre manufactures to set up operations in India. A few, including Bridgestone and Michelin, have announced their intention in set up tyre manufacturing units with planned capital expenditure of up to ₹ 26-28 billion in Pune and ₹ 40 billion upto 2020 in Tamil Nadu, respectively. (Source: CRISIL Research)

Tyre Demand and Supply

The Indian tyre industry is estimated to be worth around ₹ 387 billion as of 31 March 2012. Over the past five years, it has grown at a CAGR of 17.8% driven by robust growth in the Indian automobile industry. Within the segments, the replacement and OEM segment grew at rates of 18.2% and 17.0%, respectively. However, for the fiscal year ended 31 March 2012, the industry growth slowed down sharply to 9.5% compared to a buoyant growth of 34.8% for the same period in the previous fiscal year, according to CRISIL Research. (Source: CRISIL Research)

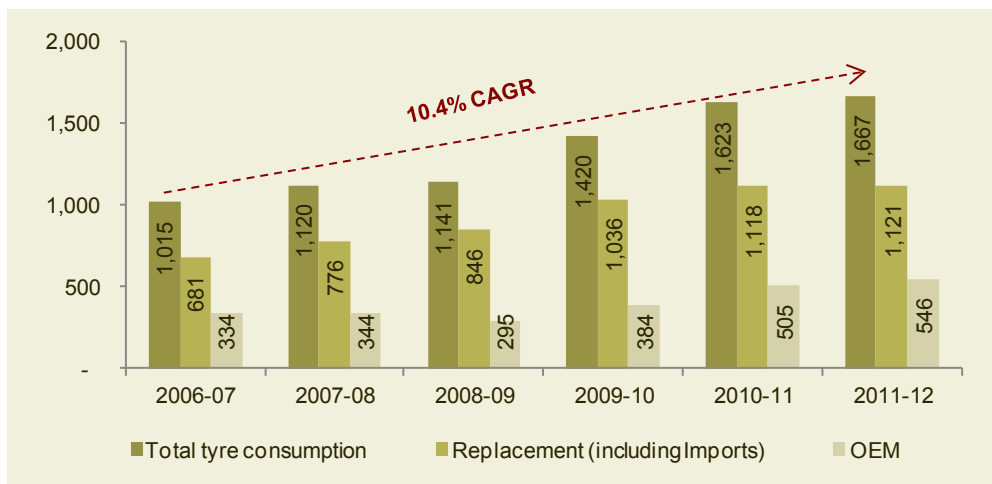
Market size of Tyre industry



Source: Industry, CRISIL Research

In terms of tonnage, tyre demand has grown at rate of 10.4% CAGR over the past five years (2006-07 to 2011-12). Both the replacement segment (10.5 per cent) and the OEM segment (10.3 per cent) have shown similar growth rates in this period. For the fiscal year ended 31 March 2012 demand in tonnage terms slowed to 2.7% as compared to 14.3% in the previous fiscal year. (Source: CRISIL Research)

Tonnage ('000 tonnes) growth across tyre segments



Source: Industry, CRISIL Research

The industry manufactured 1.8 MT of tyres for the fiscal year ended 31 March 2012, as compared to 1.7 MT for the same period last year. Total tyre exports stood at about 270 thousand tones for the fiscal year ended 31 March 2012, as compared to 212 MT for the same period last year. (Source: CRISIL Research)

Tyre Demand Drivers

Demand from commercial and passenger vehicles

Overall automotive demand is a key driver for tyre demand. Increased purchasing of commercial vehicles as well as passenger vehicles is expected to result in increased tyre demand. The drivers of automotive demand include overall economic growth in the country, as well as rising disposable incomes.

Replacement demand

Demand emanating from the replacement segment tends to be most affected during economic downturns as purchasers tend to push back their purchases to the extent possible. (Source: CRISIL Research)

In addition, a general weakness in the economy signals lower transportation of goods, which in turn is expected to result in lower demand for tyres.

Tyre Outlook

OEM demand

The growth in demand for tyres from the OEM segment is directly proportionate to growth in manufacturing and demand of the automotive industry. Domestic commercial vehicle demand is expected to grow between 9.0 to 11.0% CAGR over the next two fiscal years (2011-12 to 2013-14). Growth will be driven by continuing growth momentum in LCV sales albeit at a lower rate over a high base, while MHCV growth will be supported by a revival in industrial growth. Growth in LCV segment will be faster as compared to MHCV segment. (Source: CRISIL Research)

Domestic cars and utility vehicle demand is expected to grow at a rate of 11.0 to 13.10% CAGR over the next two years (2011-12 to 2013-14). This growth would be driven predominately by a recovery expected in 2013-14 after posing lower growth for the previous years. The export market is expected to grow at a rate of 13.0 to 15.0% CAGR over the next two fiscal years. (Source: CRISIL Research)

The domestic two-wheeler demand is expected to grow at 10.0 to 12.0% over the next two years (2011-12 to 2013-14), after registering a growth of approximately 20.0% between 2009-10 and 2011-12. Within the two-wheeler segment, scooters is expected to grow at the faster rate of between 13.0 to 15.0% driven by continued focus on urban markets and new model launches, while the growth rate in the motorcycles and mopeds segments will be between 8.0 to 10.0% and 9.0 to 11.0% CAGR, respectively over the next two years. Two-wheeler exports are expected to grow at a rate of 15.0 to 17.0 % CAGR over the next two years. (Source: CRISIL Research)

Replacement demand

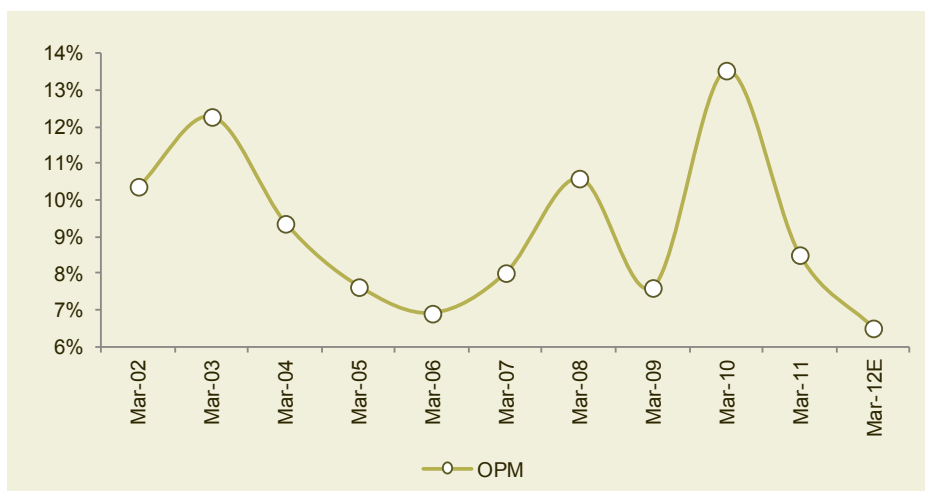
Growth in the replacement segment is affected by radialisation, tyre imports and replacement cycles of tyres for different vehicle segments. Radial penetration in the commercial vehicles segment has grown over the past two fiscal years, leading to an increase in the life cycle of tyres. However, the increase in distance travelled in vehicles like passenger cars and motorcycles, and utilisation levels of commercial vehicles which are likely to improve due to an expected stabilisation in economic activity, will shorten the replacement cycle of tyres. (Source: CRISIL Research)

Financial Performance

Increase in input costs led to decline in operating margins in fiscal 2012 for tyre manufactures in India

The Indian tyre industry's operating margins are directly linked to the cost of raw materials, which account for between 68-72% of operating costs. In the fiscal year ended 31 March 2011, the steep price increases on all key raw materials impacted margins of tyre manufactures leading to a margin decline of 470 bps despite an increase in tyre prices of approximately 15.0%. In 2011-12 as well price increase of raw materials continued to outpace the price increase of tyres. (Source: CRISIL Research)

Trend in operating margins



E: Estimated

Source: CRISIL Research

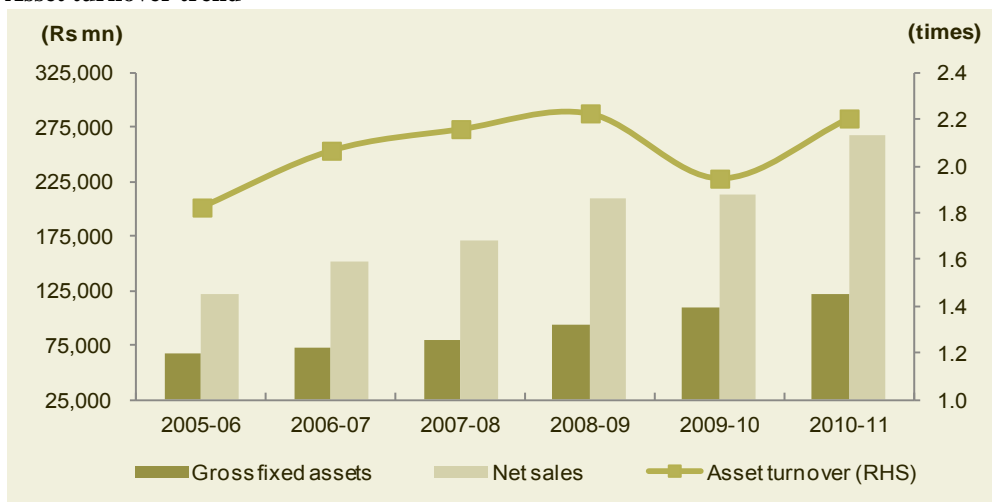
Lower profitability and utilisation to lead to lower returns in 2011-12

Key tyre manufacturers such as Bridgestone, Michelin, JK Tyres, Apollo Tyres, etc have announced a capital expenditure of ₹ 60 to 70 billion between fiscals ended 31 March 2011 and 2013. For the fiscal year ended 31 March 2008, the estimated capacity utilisation of the major players within the tyre industry was as high as 98%, while current levels of utilisation for the fiscal year ended 31 March 2012 have dropped to between 85.0 to 87.0 %. (Source: CRISIL Research)

RoCE vis-à-vis operating margins

The tyre industry is relatively less capital intensive compared to other automotive segments, thus having higher asset turnover ratios. Asset turnover improved to 2.2 in the fiscal year ended 31 March 2011 in comparisons with 1.9 in fiscal year ended 31 March 2010. However, asset turnover is estimated to have declined to around 1.7 for the fiscal year ended 31 March 2012, on account of a slowdown in demand, coupled with capacity additions during the year. (Source: CRISIL Research)

Asset turnover trend



Source: CRISIL Research

High raw material inventory has lead to elongated working capital cycle

Including natural rubber, nylon tyre cord fabric and synthetic rubber, the average holding period of raw materials increased by approximately 13 days in the year ended 31 March 2010. For the fiscal year ended 31 March 2011, the raw material inventory period remained at high levels as prices of all commodities continued to

rise. The average holding period of raw materials in the year ended 31 March 2012 is estimated to have remained at similar levels as the previous year. Average holding period of raw materials are expected to decline in 2012-13 with an expected drop in natural rubber prices, leading to lower stocking of the commodity. Overall working capital requirements are expected to remain stable in 2012-13. (Source: CRISIL Research)

Working capital

	March 2006	March 2007	March 2008	March 2009	March 2010	March 2011
Current ratio (times)	1.6	1.3	1.7	1.8	1.5	1.3
Raw material days	35.3	31.8	35.9	27.1	39.8	39.6
WIP holding days	6.5	5.4	5.8	5.0	5.4	5.4
Finished goods days	20.9	20.8	25.4	19.3	15.2	24.0
Debtor days	44.6	40.6	36.1	30.8	32.6	35.3
Creditor days	71.7	69.4	73.7	52.4	69.5	58.5

Data for 7 companies represents over 80 per cent of the industry

Source: CRISIL Research

CEMENT INDUSTRY

Overview

Current Scenario of the Indian Cement Industry

Historical Production and Growth

Indian cement production commenced in 1914, growing slowly over the next 65 years with a production of only 27 million MT of capacity through the period. Severe competition from imported cement combined with various governmental price and distribution controls contributed to the slow growth. The industry was partially decontrolled in the 1980s, resulting in a substantial increase in capacity and production – nearly 30 million MT of capacity was added during the 11 years from 1980 to 1990. In 1989, the Government freed the industry from price and distribution controls and delicensed it in 1991, which led to a significant increase in cement production capacities. Between 1991 and June, 2012 approximately 265 million MT (installed) of fresh capacity was added. Since 1980, save for recent years during which demand exceeded supply, cement capacity in India has steadily outpaced demand.

According to CRISIL Research, as of 31 March 2012, India is the second-largest producer of cement in the world with an installed capacity of approximately 317 million MT and production at 224 million MT.

As of 31 March 2012, the Indian cement industry comprised over 41 cement producers, operating 144 large cement plants with an average installed capacity of 1.68 million MT over the year. Over the years, the cement industry has made significant progress upgrading and assimilating the latest technology. Source: CMA March 12 Executive Summary (CMA data is excluding Holcem & Acc group data).

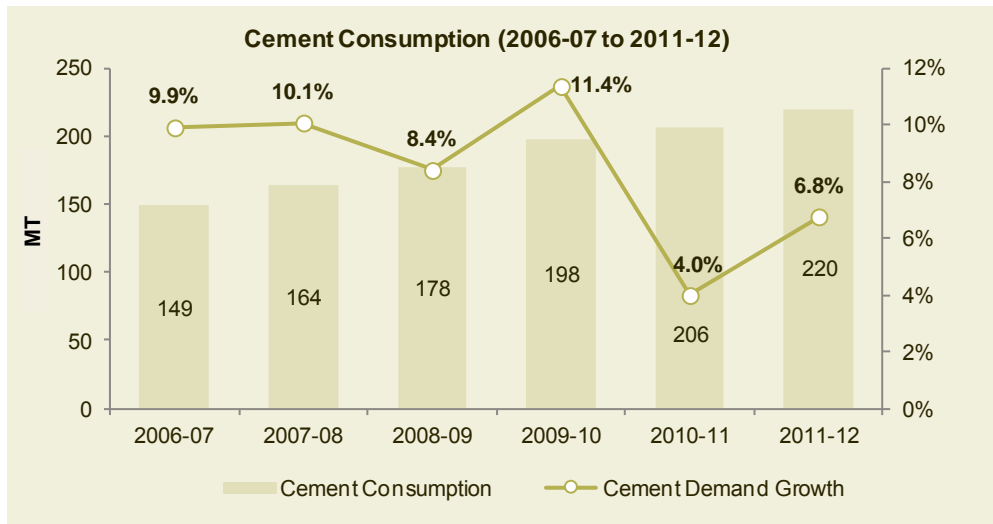
Actual cement production in the fiscal year ended 31 March 2012 was at 179.88 million MT as against 168.29 million MT in the previous fiscal year, registering a CAGR of 6.89%. Source CMA March 12 Executive Summary (CMA data is excluding Holcem & Acc group data).

In 2011, global cement consumption was reported at 3.6 billion tonnes, with China accounting for nearly half of the total output. India was the second largest producer with approximately 6.18% of the total output, closely followed by the United States at approximately 2.01%. Global cement consumption has increased significantly during the fiscal year ended 31 March 2012. During the same time, the Indian cement industry recorded a CAGR in cement production of 6.8%, principally due to improved economic conditions and increased construction activity. Despite this comparatively high growth rate, enjoyed by the Indian cement industry, India's per capita cement consumption of 156 kgs per annum is amongst the lowest in the world, with other developing nations like Egypt, Thailand and Vietnam having per capita consumption of cement of more than 200 kgs per annum. One of the defining features of the Indian cement industry is its highly clustered nature, as cement units are concentrated in close proximity to limestone deposits. As a result, cement units tend to be located close to both limestone deposits, as well as the markets those units service. This is one of the key factors which has resulted in the Indian market being more regional and fragmented in nature.

Cement demand

Propelled by a strong growth in the residential real estate sector and the Indian government’s commitment towards improving the infrastructure in the country, the demand for cement grew at a rate of 8.1% CAGR between fiscal year ended 31 March 2007 to 31 March 2012. While the demand for cement between the fiscal year ended 31 March 2007 to 31 March 2010 grew at a rate of 9.9% CAGR, fiscal year ended 2011 experienced a decrease in growth in comparison to the same period in the previous year to 4.0% CAGR due to extended monsoons slowing down the construction and housing activity. The demand for cement for the fiscal year ended 31 March 2012, gained traction due to the revival of constructions activity during the January-March quarter of 2012, leading to an overall demand growth of 6.8% CAGR (Source: CRISIL Research)

India’s Cement Demand Review

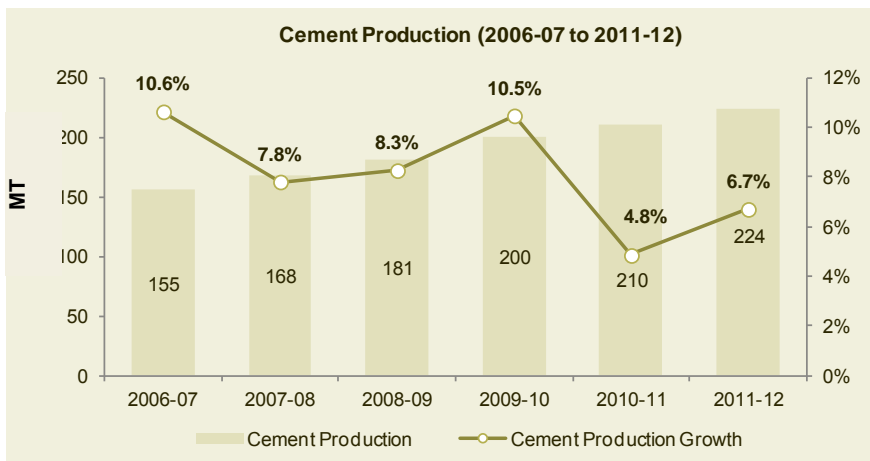


Source: CRISIL Research

Cement Supply

Cement production grew at a rate of 7.6% CAGR between the fiscal period ended 31 March 2007 and 31 March 2012. However, in comparison to fiscal year ended 2010 growth slowed down to 4.8% due to low construction demand as a result of prolonged monsoons during the fiscal year ended 2011. (Source: CRISIL Research)

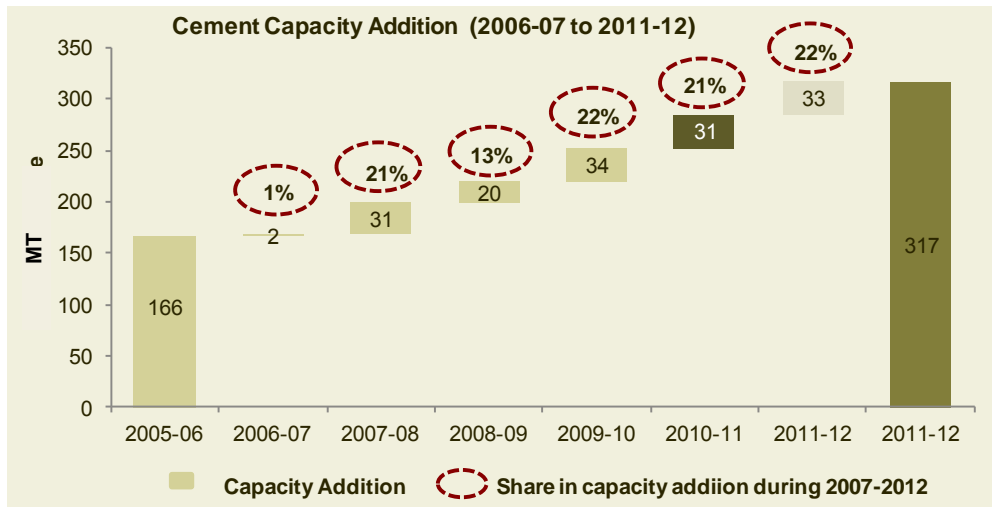
India’s Cement Supply Review



Source: Crisil Research

Capacity additions

Between the fiscal year ended 2007 to 2012, approximately 150 MT of additional cement capacity was added, which accounted for approximately 47% of the total cement capacity as on March 2012. The large capacity additions were in anticipation of significant demand arising from Government, infrastructure plans and housing development projects. (Source: CRISIL Research)



Source: CRISIL Research

Industry Characteristics

Units concentrated in proximity to raw material sources or markets

Since cement is a bulk commodity, the transportation costs contribute significantly to its overall cost. In order to minimise these costs, most cement manufacturing units are either located near limestone reserves or markets or both. As a result, cement manufacturing and sale is largely regional in nature with manufacturing units concentrated in specific locations called “clusters”. The twelve states of Madhya Pradesh, Uttar Pradesh (Central region), Rajasthan, Himachal Pradesh (Northern region), Chhatisgarh, West Bengal, Orissa (Eastern region), Gujarat, Maharashtra (Western region), Karnataka, Tamil Nadu and Andhra Pradesh (Southern region) account for a slight increases in production capacity as of compared to 31 March 2011. The concentration of capacity in these regions is largely due to the presence of limestone deposits.

Energy-intensive

Coal and power costs constitute a major share of total cement production costs, depending on the manufacturing process, with the wet process more energy-intensive than the dry process. Coal is used to fire kilns, and as a source of fuel for the captive power plants set up by the cement manufacturers.

To economise on costs, companies are increasingly using high-quality imported coal because of its high calorific content as compared to domestic coal. At the same time they are also shifting to captive power to avoid the high power tariffs and frequent power cuts in certain regions associated with locally supplied grid power. As a result of these initiatives average energy consumption in the industry has been declining, resulting in reduced energy costs.

High freight costs

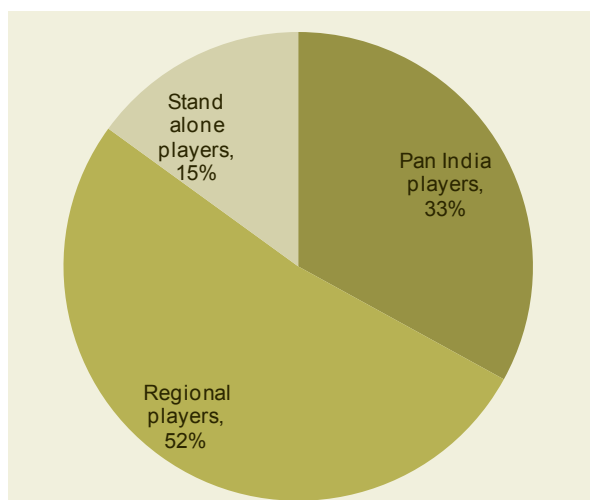
Due to the bulky nature of cement, outward freight costs account for a high proportion of total cost. As a result, companies prefer to be close not only to the limestone quarries, but also to the markets.

Regional variations and volatility in prices and margins of cement vary across regions due to the variation in the supply-demand balance, the level of concentration and demand growth. Historically, prices in the Southern region have generally been the highest in India. Due to a significant increase in production capacity in 2001 to 2003, prices were subject to intense pressure. In recent years, the demand-supply imbalance has corrected leading to cement prices increasing throughout India.

Market Share

The key players in the industry as of 31 March 2012 accounted for approximately 96 to 97% of the total installed capacity, and can be broadly classified into three segments namely Pan-India players, regional players, and standalone players

Breakup of Installed capacity (2011- 2012)



Source: CRISIL Research

Pan India players

Pan-India players include the Associated Cement Companies, Ambuja Cement, Grasim Industries, Century Textiles and UltraTech Cement Companies, and accounted for approximately 33% of the total installed capacity as of 31 March 2012. (Source: CRISIL Research)

Regional players

Regional players are restricted geographically to one or two local regions they operate in and usually dominate sales within their particular regions. Regional players accounted for approximately 52% of the total installed capacity in the country as of 31 March 2012. Some key regional players include Jai Prakash Associates (North and Central), Lafarge (concentrated in the East), India Cements (South), Shree Cement (North), Binani Cement (North), Kesoram Cement (South), OCL (East), Chettinad Cement (South), Dalmia Cement (South) and Madras Cement (South). (Source: CRISIL Research)

Standalone players

Standalone players such as Panyam Cement and Penna Cement are concentrated and operate only in one region. Standalone players account for approximately 15% of the total installed capacity, as of 31 March 2012. (Source: CRISIL Research)

Industry status

Industry Status	No. of Companies					% Share of Total Capacity				
	1997-98	2002-03	2008-09	2010-11	2011-12	1997-98	2002-03	2008-09	2010-11	2011-12
Pan India Players	4	4	2	2	2	33%	45%	42%	32%	33%
Regional Players	12	12	14	19	19	23%	31%	37%	45%	52%
Standalone Players.....	41	34	35	32	32	44%	24%	21%	23%	15%
Total.....	57	50	51	53	53	100%	100%	100%	100%	100%

Source: CRISIL Research

While regional players have more than doubled their share in total capacity level from 23% in 1997 to 52% as of 31 March 2012, share of standalone players has reduced significantly from 44% to 15 % during the same period. (Source: CRISIL Research)

Key Demand Drivers of the Indian Cement Industry

Housing

As per CRISIL Research, the housing sector accounts for about two-thirds of the overall demand for cement. Due to India's growing urban population and the government's expansive housing policies, such as tax incentives and higher plan allocations, housing activity remained buoyant over the past few years. Demand for private housing rose significantly between fiscal year ended 2006 to 2008 in comparison to the period for fiscal year ended 2001 to 2005, bolstered by employment opportunities created by the information technology (IT)/information technology enabled services (ITeS) industry, growing population, urbanisation, rising incomes and increasing trend of nuclear families. The 2008 global economic downturn weakened the demand for luxury housing, however, a substantial market for affordable housing remained buoyant. An anticipated revival in the demand for housing is expected to drive the demand for cement demand is expected over the next five years, according to CRISIL Research.

Housing Industry Phases

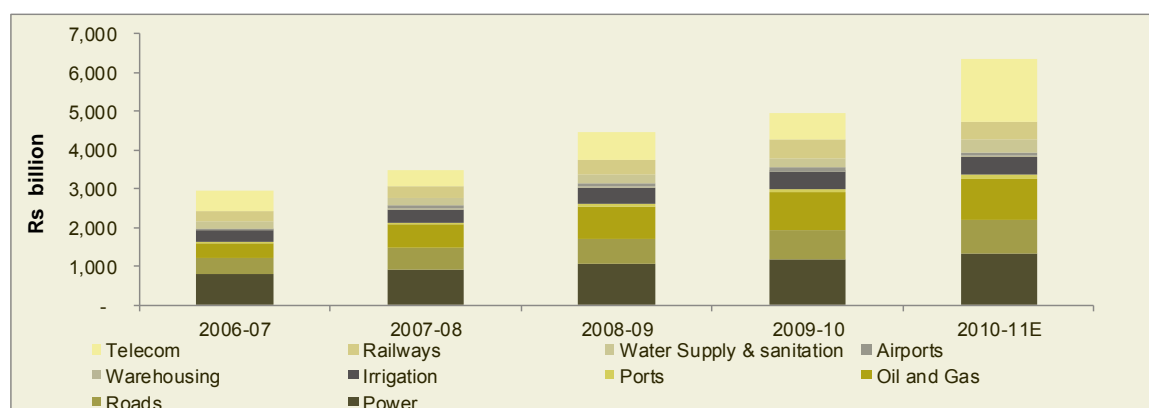
Phase I	2001-2005	Initial growth phase
Phase II	2006-2008	High growth phase
Phase III	2009-2011	Declining demand phase
Phase IV	2012-2016	Consolidation phase

Source: CRISIL Research

Infrastructure

The Government's increased focus and spending on infrastructure in order to sustain country's gross domestic product growth rate, and is likely to boost the demand for cement. In the 2010 Budget, the Government indicated a strong commitment towards developing infrastructure in India, by earmarking an investment of about ₹ 1,730 billion, which is expected to further boost the demand for cement.

Infrastructure spending in India



Note: 2010-11 are estimated figures

Source: CRISIL Research

Commercial Construction

The four broad segments of the commercial construction sector, retail, office space, hotels, and civil structures such as hospitals and schools have been experiencing strong growth and driving cement demand. From fiscal year ended 31 March to 2007 through to 2012, the organised retail grew at a rate of approximately 20% largely due to huge under-penetration, focus of existing retailers expanding their businesses and entrance of newcomers. The industry is expected to grow at a healthy rate of 24% over the next five years. (Source: CRISIL Research)

Additionally, large global companies are setting up facilities throughout the country. Construction of commercial complexes and office spaces have increased in large cities, such as Mumbai, the National Capital Region (NCR), Chennai, Bengaluru, Pune and Hyderabad. In the IT and IT enabled services (ITeS) space as well, domestic and global IT companies have made huge investments, which contributes to the growth in construction activity and also increasing cement demand. (*Source: CRISIL Research*)

General Industrial Growth

The Indian economy has witnessed strong growth over the past few years, resulting in rising operating rates within various industries such as steel, aluminium, textiles and petrochemicals. Hence, many players in these industries have announced expansion projects. Most of these projects are at advanced stages of implementation, leading to higher intake of cement. (*Source: CRISIL Research*)

Domestic Demand – Supply Scenario

One of the defining features of the Indian cement industry is its highly clustered nature, as cement units are concentrated in close proximity to limestone deposits. As a result, cement units tend to be located close to both limestone deposits, as well as the markets those units service. This is one of the key factors which has resulted in the Indian market being more regional and fragmented in nature.

On account of its regional nature, the Indian cement market is broken down into the key markets of Northern, Southern, Eastern, Central and Western India for purposes of understanding regional dynamics. Cost factors, consumption, and production differences contribute to the various demand and supply balances of each region.

OUR BUSINESS

The following discussion should be read in conjunction with our audited financial statements for fiscal 2012 and fiscal 2013 and the respective notes to such statements, prepared in accordance with Indian GAAP and included elsewhere in this Letter of Offer.

Introduction

We are part of one of the oldest conglomerates in India and were incorporated in October 1919. Since 1924, we have been under the leadership of late G.D. Birla, late B.M. Birla, and our current Promoter, Mr. B.K. Birla. We have diversified business interests in various sectors including tyres, cement and rayon.

We are among the top five largest tyre manufacturing companies in India by production volume for the year ended 31 March 2012 (*Source: Automotive Tyre Manufacturers Association 2011-12 ("ATMA")*). We own and operate two integrated tyre manufacturing plants located at Balasore, Odisha (the "**Balasore Tyre Plant**") and Haridwar, Uttarakhand (the "**Laksar Tyre Plant**") with a combined total installed capacity of 298,660 MT of tyres as of 31 March 2013. Our tyres are marketed under the brand name "Birla Tyres".

We own and operate two cement manufacturing plants, located at Sedam, Karnataka (the "**Vasavadatta Cement Plant**") and Basantnagar, Andhra Pradesh (the "**Kesoram Cement Plant**"). Our cement business has enjoyed an operating history of over 40 years, catering to the regional demands in Karnataka, Andhra Pradesh and Maharashtra. Our plants are strategically located near our leased limestone deposits in the states of Karnataka and Andhra Pradesh. We have a combined total installed capacity of 7.25 million MT as of 31 March 2013. Our cement is marketed under the brand name "Birla Shakti" and "Vasavadatta Cement".

We maintain separate marketing and distribution networks for our tyre and cement operations, comprising internal sales and marketing teams of 491 persons for tyre products and 132 persons for cement products. We also have agreements with approximately 209 tyre agents and 16 cement agents and a network of more than 8,831 tyre dealers and 1,544 cement dealers as of 31 March 2013, who market our tyre and cement products. Our tyre products are primarily distributed to purchasers located across India, while our cement and clinker is sold regionally to purchasers located in Karnataka, Andhra Pradesh and Maharashtra.

In addition, we also manufacture viscose rayon, filament yarn and transparent paper. Our rayon and transparent paper plant is located at Hooghly, West Bengal. Our rayon is marketed under the brand name "Kesoram Rayon", while our transparent paper is marketed under the brand name "Kesophane".

The tyre, cement and rayon (including transparent paper and chemicals) business operations contributed 62.6%, 32.9% and 4.5%, respectively, of our total revenues for the year ended 31 March 2012 and 59.3%, 35.2% and 5.5%, respectively, of our total revenues for the year ended 31 March 2013. For the years ended 31 March 2012 and 2013, our loss before tax was ₹ 710.3 crore and ₹ 377.2 crore, and our net loss for the year was ₹ 379.7 crore and ₹ 329.2 crore, respectively.

We plan to recommence construction of a new manufacturing unit at our Balasore Tyre Plant for the production of passenger car radial tyres with an expected capacity of 80 MT per day, subject to certain regulatory approvals. See "*—On going capacity expansion initiative—Passenger car radial unit at Balasore Tyre Plant*". We believe that this new capacity when added will make us one of few tyre companies in India that is able to offer a complete range of tyres across all vehicle sectors. We have also started expansion of our existing truck and bus radial tyre manufacturing capacity. See "*—On going capacity expansion initiative—Truck and bus radial expansion at Laksar Tyre Plant*".

We own our registered office at 8th floor, Birla Building, 9/1, R.N. Mukherjee Road, Kolkata 700 001, India. Our Equity Shares are currently listed on the BSE, NSE and CSE in India. Our Equity Shares are currently not traded on the CSE. The GDRs of our Company are listed on the Luxembourg Stock Exchange. The closing price of our Equity Shares on 21 May 2013 on the BSE was ₹ 73.95 per Equity Share and on the NSE was ₹ 74.15 per Equity Share. As of 21 May 2013, our market capitalization on the BSE was ₹ 338.25 crore and on the NSE was ₹ 339.17 crore.

Promoter History

Since 1924, we have been under the leadership of late G.D. Birla, late B.M. Birla and Mr. B.K. Birla. We

believe that late G.D. Birla, the late B.M. Birla and Mr. B.K. Birla have been among inspirational business leaders in India, and have received accolades for their contribution to industrialisation in India. The late G.D. Birla was conferred India's second highest civilian award, the Padma Vibhushan, by the GoI in 1957 and Mr. B.K. Birla was awarded the Medal of the Order of Menelik II, the highest Ethiopian civilian award, Office of the Order of Orange-Nassau, the Dutch order of chivalry, and the Officer of the Order of the Crown, the order of the Kingdom of Belgium for distinguished service.

Our Strengths

We believe that our key business strengths are as follows:

Strong corporate lineage. We are a part of the B.K. Birla Group, which we believe is among India's reputed industrial groups, having diverse business interests in the areas of tyre, cement, textiles and pulp and paper, with origins dating back to 1919. We are currently the flagship company of the B.K. Birla Group. We believe that we have benefited directly from the Birla family's thorough knowledge of India's business landscape through their long corporate history, which we believe has helped us gain a strong market recognition and reputation in India. Birla Tyres is among the top five tyre manufacturers in India by production volumes with a market share of approximately 15.0% (*Source: ATMA*). Our cement business has enjoyed an operating history of over 40 years, catering to the strong regional demands in Southern and Western India.

Our businesses are well-positioned to grow with the Indian economy. We have a diversified business model which is primarily focused on tyres and cement. We believe that our tyre and cement businesses are well positioned to benefit from future growth in Indian infrastructure. The GoI has announced plans to spend up to US\$1 trillion in the next five years commencing in 2012 on infrastructure across India (*Source: An Approach to the Twelfth Five Year Plan: Planning Commission: GoI*). We believe that this expected growth of India's infrastructure will be one of the key drivers in demand for cement in the near future. Further, we expect the development of better roadways and a growing middle class to lead to an increase in the demand for automobiles in the country, which we believe will lead to an increase in demand in the tyre sector.

Strong sales and distribution network. India's geographic spread and market size make it imperative to have a strong and efficient distribution system in order to maximise marketing and sales opportunities for our products. We have an extensive pan-India sales and distribution network for the marketing and sales of our tyre products. As of 31 March 2013, we had a 491 person internal sales and marketing team which we believe works seamlessly with 209 agents and 8,831 dealers across India to market and sell our tyre products.

As cement products are marketed regionally, we focus our sales and distribution mainly in the states of Karnataka, Andhra Pradesh and Maharashtra. As of 31 March 2013, we had 132 person internal sales and marketing teams which work with 16 sales agents and 1,544 dealers across the states of Karnataka, Andhra Pradesh and Maharashtra to market and sell our cement products.

We have long-term relationships with our sales agents, who often are local entrepreneurs in regional markets. We believe this gives us a unique advantage in providing us with intimate knowledge of the demands and needs of customers in the regional markets where our agents are present and operate. Through our network of agents and dealers, we are able to reach a wide base of customers in the markets in which we operate.

Proximity of our cement manufacturing plants to our principal markets and raw material resources. As cement is a bulk commodity, transportation costs contribute significantly to the overall cost of sales, and proximity to markets is an important factor in our cost and profitability. Our plants located in Andhra Pradesh and Karnataka are in close proximity to our customers primarily located in the southern states of Karnataka and Andhra Pradesh and Maharashtra.

Our grinding units are also located close to our captive power plants. Further, we procure most of our fly ash from NTPC which has power plants in close proximity to both our Vasavadatta Cement Plant and Kesoram Cement Plant, and both of our production facilities are located within close proximity of our limestone reserves. This decreases the transportation costs associated with obtaining fly ash and limestone. Collectively, we believe this gives us a competitive advantage.

Wide range of products with a strong Birla brand recognition. We offer a wide range of products through our diverse businesses which we believe enjoy strong brand recognition in the markets in which we operate. Under our tyre business we offer a diverse range of products under the brand "Birla Tyres" in the truck and bus, two-

and three-wheeler, farm and off-the-road tyre market sectors in India. Currently our tyres are fitted as original equipment by leading vehicle manufacture's in India, including Tata Motors, Ashok Leyland and Bajaj Auto. We sell our cement products under the brands "Birla Shakti" and "Vasavadatta Cement". We are in the process of consolidating our cement products under the single brand of "Birla Shakti," which we believe enjoys a strong brand equity in our region of operations.

Experienced management team and strong operational team. Our senior management team consists of experienced and qualified professionals with a deep understanding of the markets in which we operate. Our senior management team possesses extensive and diverse industry experience in India, with an average of over 20 years of experience. We also have a strong and committed operational team and work force. The members of our management team and professional staff have a variety of professional qualifications and come from a diverse set of backgrounds. We believe our marketing and technical teams have demonstrated the ability to operate our businesses effectively and further enhance our product portfolio to develop brand recognition and customer loyalty in the markets where we operate. We believe the quality of our management team and professional staff is vital for sustaining and growing our business in the midst of increasing marketplace competition.

Strategy

The principal components of our business strategy are as follows:

Diversifying into higher margin products and focusing on existing higher margin segments and markets. We plan to recommence construction of a new manufacturing unit at our Balasore Tyre Plant for the production of passenger car radial tyres with an expected capacity of 80 MT per day, subject to certain regulatory approvals. See "*—On going capacity expansion initiative—Passenger car radial unit at Balasore Tyre Plant*". We believe that with this expansion we will become one of the few tyre companies in India that will be able to offer tyres in all the major tyre segments including truck and bus tyres, passenger cars tyres, off-the-road vehicle, farm tyres and two- and three-wheeler tyres. The expansion will provide us with sales diversification and exposure to the higher margins available in the passenger car radial tyre sector.

We believe that this expansion into higher margin products along with our continuing focus on building market share will enable us to achieve higher profits. With our existing network of agents and dealers, we believe we will be able to market our expanded capacity and new products in the domestic markets in which we operate. We also target to establish our presence in the higher margin passenger car radial tyre sector and motorcycle tyre sector by expanding our dealer network and creating high visibility through pan-India marketing. As a key strategy to penetrate these nascent markets we also propose to manufacture the entire range of passenger car radial tyres and motor cycle tyres to meet consumer demands.

Our Laksar Tyre Plant is exempt from excise duty which is extended to tyres manufactured and sold within the replacement segment) until 27 May 2018 for unit II, 9 March 2020 for unit III and 28 October 2019 for unit IV. We believe this exemption provides us a competitive advantage in the replacement market over our competitors. We intend to target the domestic replacement market for our tyre products as we have historically been able to achieve higher margin on sales to the domestic market. We also plan to focus on the export market for our bias truck and bus tyres, off-the-road and two- and three-wheeler tyres, as we believe we have been able to penetrate certain niche markets such as Afghanistan, Bangladesh, Pakistan, Philippines and Vietnam to which we export, where the realisation on our bias tyre products is higher than in our domestic markets.

Strengthening financial performance through cost optimization and improvements in production efficiency. We intend to strengthen our financial performance by improving operating efficiencies of our existing assets, increasing our production capacity for higher margin products, developing new products and implementing measures to reduce our costs. We plan to control costs by seeking to optimize operational efficiency and productivity through improvements in production processes, including expansion of our current captive power plants to help us further reduce our power costs.

We have focused our efforts to improve the raw material procurement process by taking steps such as low-cost country sourcing, identifying material substitutions, re-engineering of tyres to reduce input costs and reutilising material waste. Efforts are also being put towards achieving manufacturing excellence by deploying measurement systems for strict input - output control and reducing any tyre claims for defects. Supply chain improvements are also being considered to reduce inventory days by creating lean planning and distribution mechanisms.

We also plan to reduce our existing debt. We intend to focus on higher margin products and identify the right product mix for effective capacity utilisation and increased profitability in the tyre business.

Securing cost-effective and stable supply of raw materials. For the years ended 31 March 2012 and 2013, raw material costs constituted approximately 81.4% and 71.0% of our net sales in our tyre business, respectively, and approximately 10.1% and 11.5% of our net sales from our cement business, respectively. We aim to continue sourcing raw materials at competitive prices from domestic and global sources. We plan to focus on creating strategic partnerships with our key suppliers to source more raw materials at competitive rates. We have been awarded long-term mining licenses by the State Governments of Andhra Pradesh and Karnataka for the mining of limestone at quarries located adjacent to our cement facilities. We have also entered into agreements with NTPC (which has a power plant that is located next to Kesoram Cement Plant) to acquire fly ash. Using the existing rail networks between our cement plants, we supply fly ash from our Kesoram Cement Plant to Vasavadatta Cement Plant through our own wagons.

In our tyre business, one of the key factors affecting our results of operations is our ability to source the raw materials required for production from multiple sources in a timely and cost-effective manner. Over time, we have developed an effective strategy to mitigate some of the risks related to our principal procurement sources. In relation to our rubber requirements, we primarily rely on purchasing rubber from a number of different domestic and international suppliers. We have implemented certain initiatives to efficiently procure raw materials in the domestic market, which we believe will help us to gradually increase our access to rubber directly from rubber plantations in India and thereby reduce our dependence on suppliers of rubber. We plan to evaluate opportunities to acquire rubber plantations overseas to meet our requirements.

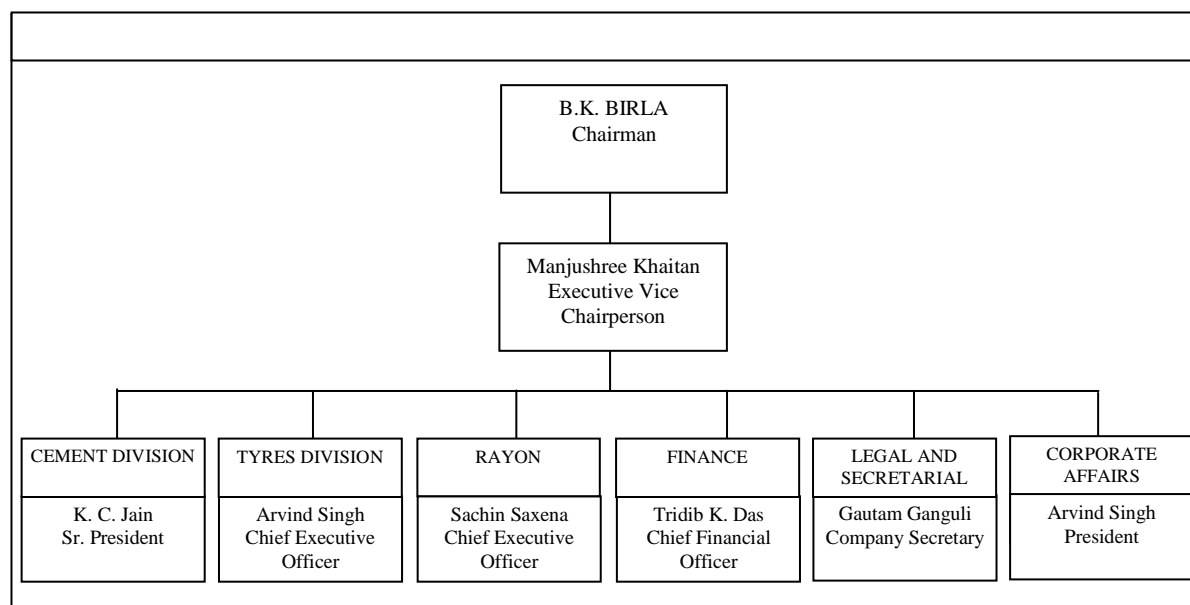
Further enhancing our brand equity. We are one of the leading brands by market share in the truck and bus tyre sector in India (*Source: ATMA*), and we have enjoyed a long history of association with some of the leading OEMs in the truck and bus sectors such as Tata Motors, Ashok Leyland and Bajaj Auto. We have recently introduced new point-of-sale marketing materials for our radial tyres in the truck and bus sectors, and intend to roll out an advertising campaign for our tyres across India to further enhance the Birla Tyres brand. We are in the process of consolidating most of our cement products under the single brand "Birla Shakti", which we believe enjoys a strong regional recognition in the markets that we are active. We intend to consolidate our marketing under this single brand to strengthen brand loyalty and to market our products more effectively.

Building on OEM linkages, after sales service support and focusing on the replacement market for our passenger car radial tyre business. We believe that our existing relationships with leading automobile manufacturers such as Tata Motors, Ashok Leyland, and Bajaj Auto in India offers us a strategic and scalable platform to further develop our tyre business. As we develop the passenger car radial tyre business, we intend to work closely with various international and domestic OEMs and leverage these relationships to create brand loyalty for our passenger car radial tyre products in replacement market.

We also continuously endeavour to offer and innovate new products in the market to meet the changing demands of our customers. We have relationship programmes that we conduct with our agents and dealers where we reach out to our existing customers to understand their needs and promote our tyres. We also offer various after sales services and tyre care camps. We intend to focus on building close working relationships with our customers, agents and dealers through these services and plan to offer more services and products to enhance our presence in the replacement market. In our effort to work closely with our customers in providing dedicated after sales service, we are planning to set up a number of service centres across major cities in India.

Organizational Structure

Kesoram Industries Limited



Our Products

Our tyre and cement sales have historically contributed substantial part of our revenue. We expect these businesses to continue contributing significantly to our overall revenue. We also have active manufacturing operations in the field of rayon and transparent paper.

Tyres

Product Categories

Our tyre plants primarily manufacture, distribute and sell a variety of bias and radial tyres and tyre-related products. Bias tyres are cross-ply tyres where the nylon reinforcements are at an angle to each other making a criss-cross reinforcement structure. These tyres are particularly suitable for heavy duty applications and poor road conditions. Radial tyres are tyres with the reinforcements running radially. They also have steel reinforcements under the tread which provides them with enhanced traction, grip and wear characteristics. In addition, we believe the flexible radial reinforcements on the sidewalls of the radial tyre provide better comfort for persons in the vehicle as compared to bias tyres in addition to being more fuel efficient.

We manufacture the following types of tyres under the "Birla Tyres" brand:

- truck and bus bias tyres;
- truck and bus radial tyres;
- farm tyres;
- off-the-road vehicle tyres; and
- two- and three- wheeler tyres.

Once the construction of our new passenger car radial tyre unit at the Balasore Tyre Plant is completed, we will commence manufacturing of passenger car radial tyres. See "*Ongoing capacity expansion initiative— Passenger car radial unit at Balasore Tyre Plant*".

The following table sets forth our historical total tyre and tyre-related product sales by major product categories for the periods indicated:

Financial year ended 31 March				
	2012	%	2013	%
(in ₹ crore, except percentages)				
Tyres				
Truck and bus bias tyres	2,520.5	64.3%	2,399.2	66.9%
Truck and bus radial tyres.....	394.4	10.1%	445.6	12.4%
Farm tyres	104.5	2.7%	91.5	2.6%
Off-the-road vehicle tyres.....	32.5	0.8%	39.1	1.1%
Two- and three-wheeler tyres	181.1	4.6%	213.8	6.0%
Tubes and Flaps and others.....	689.4	17.6%	399.0	11.1%
Total tyre sales.....	3,921.9	100.0%	3,588.2	100.0%

The following table sets forth our capacity for different tyre segments, the actual daily output and the utilisation for Balasore Tyre Plant and Laksar Tyre Plant for the periods indicated:

Balasore

		Financial year ended 31 March					
		2012			2013		
Sr. no.	Product	Capacity (MT/ day)	Actual average daily output (MT/ day)	Utilisation rate (%)	Capacity (MT/ day)	Actual average daily output (MT/ day)	Utilisation rate (%)
<i>Tyres</i>							
1.	Truck & Bus Bias Tyres.....	184.0	129.3	70.3	184.0	91.8	49.9
2.	OTR Tyres	19.0	4.8	25.4	19.0	4.8	25.1
3.	Farm Tyres	25.0	7.3	29.4	25.0	4.4	17.8
<i>Tubes and Flaps and others</i>							
1.	Tubes and Flaps and others	47.0	32.9	69.9	47.0	23.3	49.6
Total.....		275.0	174.3	63.4	275.0	124.3	45.2

Laksar

		Financial year ended 31 March					
		2012			2013		
Sr. no.	Product	Capacity (MT/ day)	Actual average daily output (MT/ day)	Utilisation rate (%)	Capacity (MT/ day)	Actual average daily output (MT/ day)	Utilisation rate (%)
<i>Tyres</i>							
1.	Truck & Bus Bias Tyres.....	267.5	165.8	62.0	267.5	171.2	64.0
2.	Truck & Bus Radial Tyres	140.2	49.8	35.5	140.2	50.4	35.9
3.	Farm Tyres	25.0	4.2	16.8	25.0	7.7	30.8
4.	Two-Three-Wheeler Tyres.....	94.9	40.7	42.9	94.9	44.2	46.6
<i>Tubes and Flaps and others</i>							
1.	Tubes and Flaps and others	27.0	16.6	61.4	27.0	17.3	64.0
Total.....		554.6	277.1	50.0	554.6	290.7	52.4

Truck and Bus Bias Tyres

We manufacture a comprehensive range of bias tyres for the truck and bus sectors. Our truck and bus bias tyres are marketed under four different categories, namely, high load, high mileage, load and mileage, and load economy, catering to the various requirements of our customers. Truck and bus bias tyre sales accounted for approximately 64.3% and 66.9% of our total tyre and tyre-related product sales for the years ended 31 March 2012 and 2013, respectively.

Truck and Bus Radial Tyres

We manufacture a comprehensive range of radial tyres for trucks and buses. We have historically achieved higher gross margins from selling radial tyres as compared to bias tyres. In recent years, we have been successful in realizing our strategy to increase the sales of our radial tyres. Radial tyre sales accounted for approximately 10.1% and 12.4% of our total tyre and tyre-related product sales in the years ended 31 March 2012 and 2013, respectively.

Farm Tyres

We manufacture a wide range of tractor tyres for farm vehicles. Tractor tyre sales accounted for approximately 2.7% and 2.6% of our total tyre and tyre-related product sales for the years ended 31 March 2012 and 2013, respectively.

Off-the-road Vehicle Tyres ("OTR")

We manufacture a wide range of OTR tyres, primarily for earth moving equipment vehicles. OTR tyre sales accounted for approximately 0.8% and 1.1% of our total tyre and tyre-related product sales for the years ended 31 March 2012 and 2013, respectively.

Two- and three-wheeler Tyres

We manufacture a comprehensive range of two- and three-wheeler tyres. In 2009, we commenced our two- and three-wheeler tyre production as part of our strategy to focus on higher margin products. The sale of two- and three-wheeler tyres has achieved higher margins compared to our other tyre products. Two- and three-wheeler tyre sales accounted for approximately 4.6% and 6.0% of our total tyre and tyre-related product sales in the financial years ended 31 March 2012 and 2013, respectively.

Tubes and Flaps and others

Our tube product lines include pneumatic tubes for a wide range of trucks, buses, two- and three-wheelers and farm vehicles. Tubes and flaps and others are produced at both of our tyre plants. Our flap product lines include flaps for the trucks, buses, two- and three-wheelers and farm vehicles. Sales of tubes and flaps and others accounted for approximately 17.5% and 11.1% of our total tyre and tyre-related product sales in the financial years ended 31 March 2012 and 2013.

Production Facilities

We currently own and operate two tyre plants, located in Balasore, Odisha, and Haridwar, Uttarakhand, where we manufacture radial tyres, bias tyres, two- and three-wheeler tyres, tyre inner tubes and flaps. As of 31 March 2013, the Balasore Tyre Plant has a capacity of producing 184.0 MT per day for truck and bus bias tyres, 47.0 MT per day for tubes and flaps and others, 25.0 MT per day for farm tyres and 19.0 MT per day for off-the-road tyres, while the Laksar Tyre Plant has a capacity of 267.5 MT per day for truck and bus bias tyres, 140.2 MT per day for truck and bus radial tyres, 94.9 MT per day for two- and three-wheeler tyres, 27.0 MT per day for tubes and flaps and others and 25.0 MT per day for farm tyres.

Balasore Tyre Plant

Our Balasore Tyre Plant commenced operations in 1992 and primarily manufactures bias tyres for truck and bus, off-the-road and farm vehicles. The unit is on a plot of land measuring approximately 185.0 acres. The Balasore Tyre Plant employs approximately 3,180 full-time employees and has been granted approval by the State Government to employ approximately 1,802 contract labourers on a day-to-day basis as of 31 March 2013. We have been granted consent to operate license by the State Pollution Control Boards ("SPCB") until 31 March 2013. Our operations are currently in the process of a review by the SPCB of Odisha. See "*Risk Factor titled—'We are required to be in strict compliance with the orders passed by the High Court of Orissa to continue operations at our Balasore Tyre Plant and there is no guarantee that we will be able to comply with the orders'.*"

The following table sets forth the bias tyre installed capacity of the Balasore Tyre Plant for the periods indicated:

	As of or for the year ended 31 March	
	2012	2013
	(in MT per day, except percentages)	
Production capacity	275.0	275.0
Actual average daily output	174.3	124.3
Utilization level.....	63.4%	45.2%

Laksar Tyre Plant

Our Laksar Tyre Plant commenced operations in 2008 and primarily manufactures bias and radial tyres such as truck and bus, farm tyres and two- and three-wheeler tyres. The unit is on a plot of land measuring approximately 177.5 acres. The Laksar Tyre Plant employs approximately 5,893 full-time employees and has been granted approval of the State Government to employ approximately 1,814 contract labourers on a day- to-day basis as of 31 March 2013.

The following table sets forth the tyre installed capacity of the Laksar Tyre Plant for the periods indicated.

	As of or for the year ended 31 March	
	2012	2013
	(in MT per day, except percentages)	
Production capacity	554.6	554.6
Actual average daily output	277.1	290.7
Utilization level.....	50.0%	52.4%

Quality control

At our plants, quality assurance controls are incorporated into various stages of the manufacturing process which are in compliance with international standards, such as ISO-9001, TS-16949, ISO-14001, SA-8000 and OSHAS-18001. We have procedures at each plant for testing incoming raw materials and component parts as well as for testing our finished goods. We maintain standard quality reporting measurement reports to keep a record of quality control at our plants.

We practice productive maintenance and loss prevention programs and we have on-site maintenance and repair facilities. We also maintain an inventory of spare parts and machinery to reduce the risk of equipment failure.

Ongoing capacity expansion initiative

Passenger car radial unit at Balasore Tyre Plant

We plan to recommence the construction of our facility for passenger car radial tyres unit at Balasore Tyre Plant after receiving all required regulatory and statutory approvals. We estimate that this project will cost an aggregate ₹ 667.9 crore, out of which we have incurred ₹ 480.4 crore as of 31 March 2013. The source of the expenditure till date is a mix of internal accruals and debt. We intend to fund the remainder of this project primarily through debt.

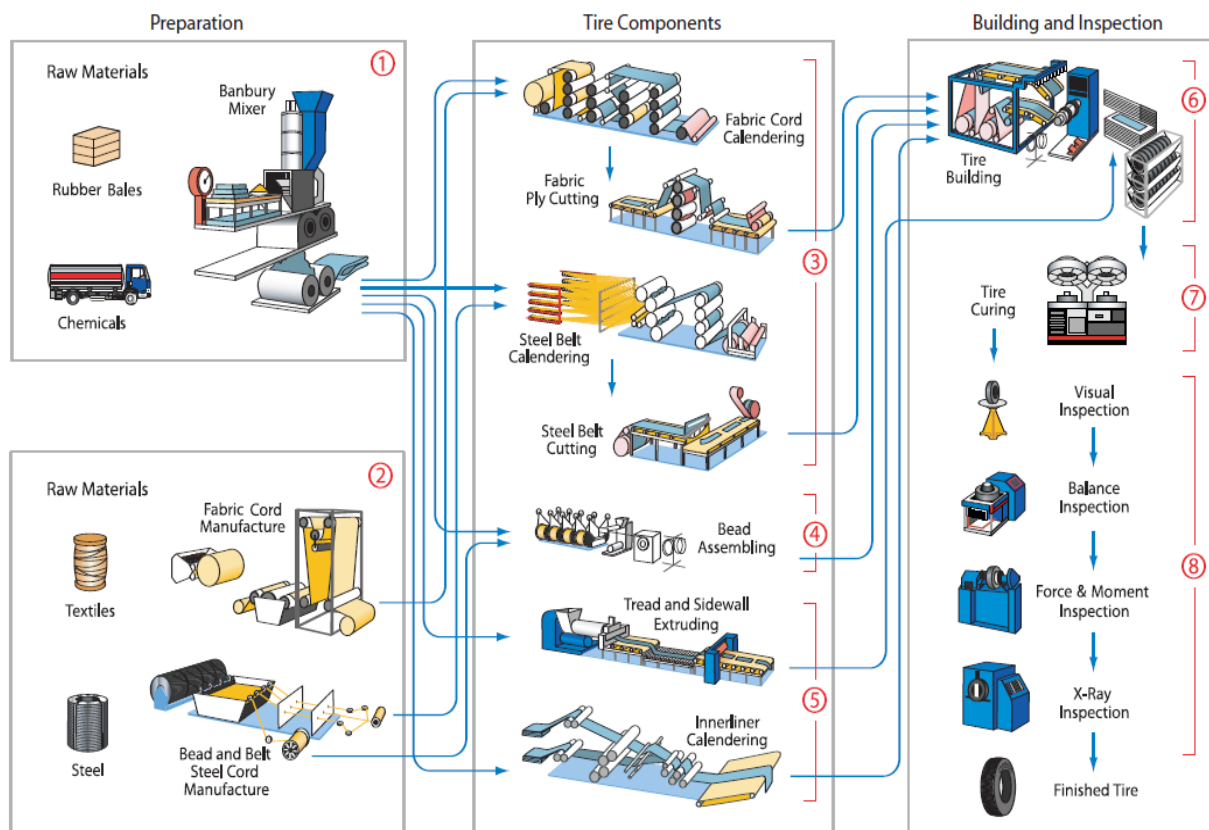
Our initial plan was to commence operations by 31 March 2012, however, a public interest litigation was filed against us on 26 August 2011 at the High Court of Orissa with regard to our Balasore Tyre Plant. The High Court passed an interim order on 28 March 2012 directing us to stop operations at the Balasore tyre manufacturing facility and stop construction activity in respect of the new passenger car radial tyre project until a consent order is obtained from the SPCB. The allegations against us were for violation of provisions of the Environment Protection Act, 1986 ("Environment Protection Act"), Water (Prevention and Control of Pollution) Act, 1974 ("Water Act") and the Air (Prevention and Control of Pollution) Act, 1981 ("Air Act"). We subsequently obtained a consent order in May 2012 from the SPCB, pursuant to which we were granted consent to operate the Balasore Tyre Plant until 31 March 2013 (for which we have subsequently applied for a renewal, which application is currently pending), subject to strict compliance with the conditions imposed in the consent order. On the basis of this consent order, the High Court of Orissa modified the interim order permitting us to

continue operations at the main manufacturing unit in compliance with the consent order. However, we have not yet been permitted to carry on any activity at the new passenger car radial tyre project. In the interim, we have filed a miscellaneous application for modification of the restraining order to carry out the expansion of the new passenger car radial manufacturing facility of the Balasore Tyre Plant. We estimate on obtaining all relevant consents and approvals, we would require approximately 10 months to complete the project.

Truck and bus radial expansion at Laksar Tyre Plant

We plan to expand our existing truck and bus radial manufacturing capacity at our Laksar Tyre Plant and to increase our capacity from 140 MT per day to 225 MT per day. The exact time frame for the completion of this expansion will depend on market conditions. We estimate that this project will cost an aggregate ₹ 350.0 crore, out of which we have incurred ₹ 218.3 crore as of 31 March 2013. Subject to market condition improving, we intend to fund this expansion primarily through debt.

Production Process



Raw Materials and Supplies

The principal raw materials used to manufacture tyres are natural and synthetic rubber, nylon tyre cord fabric, carbon black and reinforcement components including steel cord. Other important raw materials that we use in the tyre manufacturing process include chemicals, zinc oxide, process oils, stearic acid and bead wire.

Rubber accounts for the majority of the raw materials consumed by us on an annual basis. We purchase a substantial majority of our natural rubber from multiple sources in the domestic market with the balance sourced from international markets. Our synthetic rubber and nylon tyre cord fabric requirements are procured from both the domestic and international vendors depending on availability and cost. Most of our carbon black is sourced domestically, with the rest purchased from international markets.

Our contractual relationships with raw material suppliers are generally based on long-term arrangements and purchase order arrangements with price terms tied to index and spot market prices. For other principal materials, procurement arrangements include supply agreements that may contain formula based pricing or spot purchase

contracts. These arrangements only cover quantities needed to satisfy normal manufacturing demand at prevailing market rates.

Raw material prices are volatile. In particular, natural rubber prices, after increasing significantly in the first half of the year ended 31 March 2011, have since stabilized at lower levels. For instance, average monthly RSS-4 prices reached a high of ₹ 23,868 per 100kg in April 2011 and since then have fallen to an average of approximately ₹ 17,684 per 100kg for the year ended 31 March 2013 according to the Rubber Board of India. In the year ended 31 March 2012 and 2013, raw material costs constituted approximately 81.1% and 70.7% of net revenue from operation of our tyre business, respectively.

The following table sets forth the domestic natural rubber grade RSS-4 prices in ₹ per KG for the periods indicated.

	Year ended 31 March	
	2012	2013
	(in ₹ per KG)	
High	243.0	201.0
Low	184.0	156.5
Average	208.0	176.8

Source: Rubber Board of India

Sales and Distribution

Our marketing efforts are geared towards maintaining and building upon the strong brand recognition and brand loyalty. We market and distribute our tyres through a combination of our network of dealers in the replacement market, our OEM customers and export arrangements with our international distributors. Our sales in the replacement market are backed by dealer deposits. Dealer deposits tends to eliminates credit risk, as no further supplies of our tyre products are made to the dealers beyond the deposit limit. Our OEM sales are made on short-term credit basis, while our export sales are backed by letters of credit arrangements. We engage periodically in point-of-sale advertising through joint promotions with our dealers and general advertising to promote our tyres. We also offer various forms of technical support and collaboration to our domestic dealers and customers.

Our sales agents' appointments are generally renewed on an annual basis and sales are made on an order-by-order basis. We have long-term relationships with nearly all our agents and dealers, some of which have been our customers since we started our operations. We offer operational support to our dealers in the form of technical support and training programs as well as offering incentive schemes. We assist our dealers in marketing by offering advertising and promotion materials, point-of-sale displays and a reward points program to our dealers.

As on 31 March 2013, the Company has a network of around 8,831 tyre dealers. Please refer to the table below for the location details of these dealers.

The following table sets forth the number of tyre dealer located regionwise as of 31 March 2013.

Region	No. of Dealer
Central	1,490
Northern	1,941
Eastern	1,838
Western	1,308
Southern	2,254

The following table sets forth the historical sales recorded by our tyre division for the periods indicated by the type of sale:

	Year ended 31 March			
	2012	%	2013	%
	(in ₹ crore, except percentages)			
Total tyre sales				
Replacement ⁽¹⁾	2,486.9	63.4	2,634.8	73.4
OEM ⁽²⁾	940.9	24.0	423.3	11.8
Export ⁽³⁾	494.1	12.6	530.1	14.8
Total sales	3,921.9	100.0	3,588.2	100.0

Notes:

- (1) Replacement market sales comprise all sales to Indian customers, less OEM sales.
- (2) OEM sales comprise all sales to domestic vehicle manufacturers.
- (3) Export sales comprise all tyre sales to customers outside India.

Replacement Market

The majority of our sales are made into the domestic tyre replacement market. We supply tyres to dealers through our sales agents, who sell our tyres to retail chains, as well as to other automotive products sellers, repair garages and to certain commercial vehicle fleet operating companies (such as bus companies and transport companies). Our top 50 dealers in India accounted for approximately 21% of our total tyre sales in the domestic replacement market for the year ended 31 March 2013.

OEM Market

We sell tyres to some of the leading truck and bus and two- and three-wheeler manufacturers in India, including Tata Motors, Ashok Leyland and Bajaj Auto. Our OEM sales agreements are based on open purchase orders with these manufacturers. We work closely with our OEM customers to develop products that are custom made to suit their specific requirements. We believe our long standing relationships with our existing OEM customers enable us to receive repeat business from them despite increasing competition. We believe that our presence in the OEM market helps build brand awareness for our tyres and will help us leverage this relationship further in the replacement market.

Export Market

Our export sales network consists primarily of distributors who supply our tyres to wholesalers and retailers outside of India. Our top five tyre export markets accounted for approximately 73.9% and 74.7% of our total tyre export sales in the years ended 31 March 2012 and 2013, respectively. Our tyres are currently sold to end-users in approximately 30 countries including Afghanistan, Bangladesh, Philippines, Thailand and Vietnam. We export primarily bias tyres, as such tyres are generally more durable, and consequently better suited for driving conditions in such countries.

After sales servicing

We have dedicated technical services staff, comprising qualified and experienced service engineers who attend to customer queries and problems. We endeavour to address all technical queries as soon as we receive any complaint. Accordingly, we deploy our service personnel across regions to provide prompt response to customer complaints. Our customers can also reach us through any of our agents and dealers across the country. We also frequently conduct tyre care camps and free tyre check camps (even amongst non users of our products) to educate vehicle owners about the need for tyre maintenance and provide guidance on tyre care and maintenance.

Research and Development

We direct our research activities toward new product development, continuous improvement of our existing product lines, value engineering of products, use of new materials and compound development. We validate our new products and improved products through field tests.

Competition

The Indian tyre industry is competitive and we expect competition to continue and increase in the future. We compete with other manufacturers of tyres in India including MRF Limited, Apollo Tyres, JK Tyres & Industries, CEAT Limited and Goodyear India. We also face competition from international tyre manufacturers operating in India, such as Michelin Automotive Tyres, Bridgestone Corporation and Continental AG, as well as imports, primarily from China. Competition occurs principally on the basis of branding, pricing, quality and after sales service.

High Quality Assurance Standards

We place great emphasis on quality control procedures in our manufacturing processes. Our tyres undergo a series of test and inspections at every stage of manufacturing and are thoroughly evaluated by our technology department before they are delivered to our customers. This strict adherence system helps to ensure that we maintain our reputation for quality and performance in India. We have been accredited under various certifications such as ISO-9001, TS-16949, ISO-14001, SA-8000 and OSHAS-18001 for our quality assurance and standards in the tyre industry.

Seasonality

We do not experience any significant seasonality for our major tyre products.

Cement

Cement is the key ingredient in concrete, the primary building material in the industrial and residential construction sectors. Cement acts as the binding agent, which when mixed with sand, stone or other aggregates and water, produces either ready mixed concrete or mortar. Mortar is the mixture of cement with sand and water, and ready-mixed concrete is the mixture of cement with sand, gravel or other aggregates and water.

We produce and sell cement, manufactured using clinker produced in our plants as well as other ingredients procured from various local suppliers. Our primary products are Portland Pozzolana Cement ("**PPC**") and Ordinary Portland Cement ("**OPC**"). We have also recently started the production of slag cement. All of the cement manufactured by us complies with the standards of the Bureau of Indian Standards. The majority of our cement products are marketed under the brand name of "Birla Shakti", a small portion of our cement is sold under the brand name of "Vasavadatta Cement". We believe the "Birla Shakti" enjoys recognition in the markets where we operate.

OPC is a cement widely used in general construction, including the construction of houses, multi-story buildings, bridges, runways and highways. PPC is a cement developed by grinding clinker, gypsum and pozzolanic materials, such as fly ash and volcanic ash. Fly ash, the pozzolanic material is typically used in the production of PPC, reduces the amount of clinker required and allows us to produce PPC at a lower cost. Fly ash is a waste generated from the operation of coal-fired power stations and is readily available and cheaper than clinker. Due to the use of fly ash, which gives PPC a lower hydration heat and more sulphate resistance, our PPC is particularly suitable for use in coastal areas and in the construction of bridges, highways, housings, ports, mass concrete dams, irrigation systems and fully plated foundations.

We also produce and sell limited amounts of other specialty cements such as slag cement, which is produced from the same basic raw materials, however, varies in chemical composition. Our margins vary for the different types of cement we produce. The sale of PPC has historically achieved higher margins compared to our other cement products. Our production of various cements is driven by market demand for different types of cement. This diverse cement product offering enables us to satisfy various performance specifications from customers, allowing us to serve a broad spectrum of the end market.

We currently operate two cement plants, our Kesoram Cement Plant located in Basantnagar, Andhra Pradesh, and our Vasavadatta Cement Plant located in Sedam, Karnataka.

The following table sets forth our production of clinker, OPC, PPC and slag cements for the periods indicated.

	Year ended 31 March	
	2012	2013
	(in million MT)	
Clinker		
Vasavadatta Cement Plant	3.2	3.4
Kesoram Cement Plant	0.8	0.9
Total Clinker	4.0	4.3
Cements		
OPC⁽¹⁾		
Vasavadatta Cement Plant	2.1	2.2
Kesoram Cement Plant	0.2	0.3
Total OPC	2.3	2.5
PPC⁽²⁾		
Vasavadatta Cement Plant	1.8	1.8
Kesoram Cement Plant	0.8	0.9
Total PPC	2.6	2.7
Total Cements	4.9	5.2

Notes:

- (1) One MT of OPC generally contains 0.96 / 0.97 MT of clinker.
(2) One MT of PPC generally contains 0.67 / 0.70 MT of clinker.

Production Facilities

Kesoram Cement Plant

We own and operate our Kesoram Cement Plant unit situated on a plot of land measuring approximately 1,621.1 acres in Basantnagar, Andhra Pradesh. The plant is strategically located to allow us to distribute cement products to all marketing areas in this region. Kesoram Cement Plants employs 609 full-time employees as of 31 March 2013. This plant principally supplies to our major markets in the various region of Andhra Pradesh. At our Kesoram Cement Plant, quality assurance controls are incorporated into the various stages of the manufacturing process which are in compliance with international standards, such as ISO 9001, ISO 14001 and ISO 18001.

The following table sets forth the current clinker capacity, installed cement capacity, grinding capacity and utilization level of the Kesoram Cement Plant's production units for the periods indicated.

	As of and for the year ended 31 March	
	2012	2013
	(in million MT, except percentages)	
Installed Clinker Capacity (annualised)	1.1	1.1
Installed Cement Capacity (annualised).....	1.5	1.5
Cement Production	1.1	1.2
Utilization Level	71.6%	76.7%

Vasavadatta Cement Plant

We currently own and operate our Vasavadatta Cement Plant unit situated on a plot of land measuring approximately 1,241.5 acres in Sedam, Karnataka which has an aggregate capacity of 5.8 million MT per annum. The plant is strategically located to allow us to distribute cement products to all marketing areas in this region. The Vasavadatta Cement Plants employs 984 full-time employees as of 31 March 2013. This plant principally supplies to Karnataka, Maharashtra and Andhra Pradesh. At our plant, our quality assurance controls are incorporated into various stages of the manufacturing process which are in compliance with international standards, such as ISO 9001, ISO 14001 and ISO 18001.

The following table sets forth the current clinker capacity, installed cement capacity, grinding capacity and utilization level of the Vasavadatta Cement Plant's production units for the periods indicated.

As of and for the year ended 31 March		
	2012	2013
(in million MT, except percentages)		
Installed Clinker Capacity (annualised)	4.6	4.6
Installed Cement Capacity (annualised).....	5.8	5.8
Cement Production	3.9	4.0
Utilization Level	67.6%	69.8%

The following table sets forth the total sales of cement and clinker from the Kesoram Cement Plant and the Vasavadatta Cement Plant for the financial years ended 31 March 2012 and 2013.

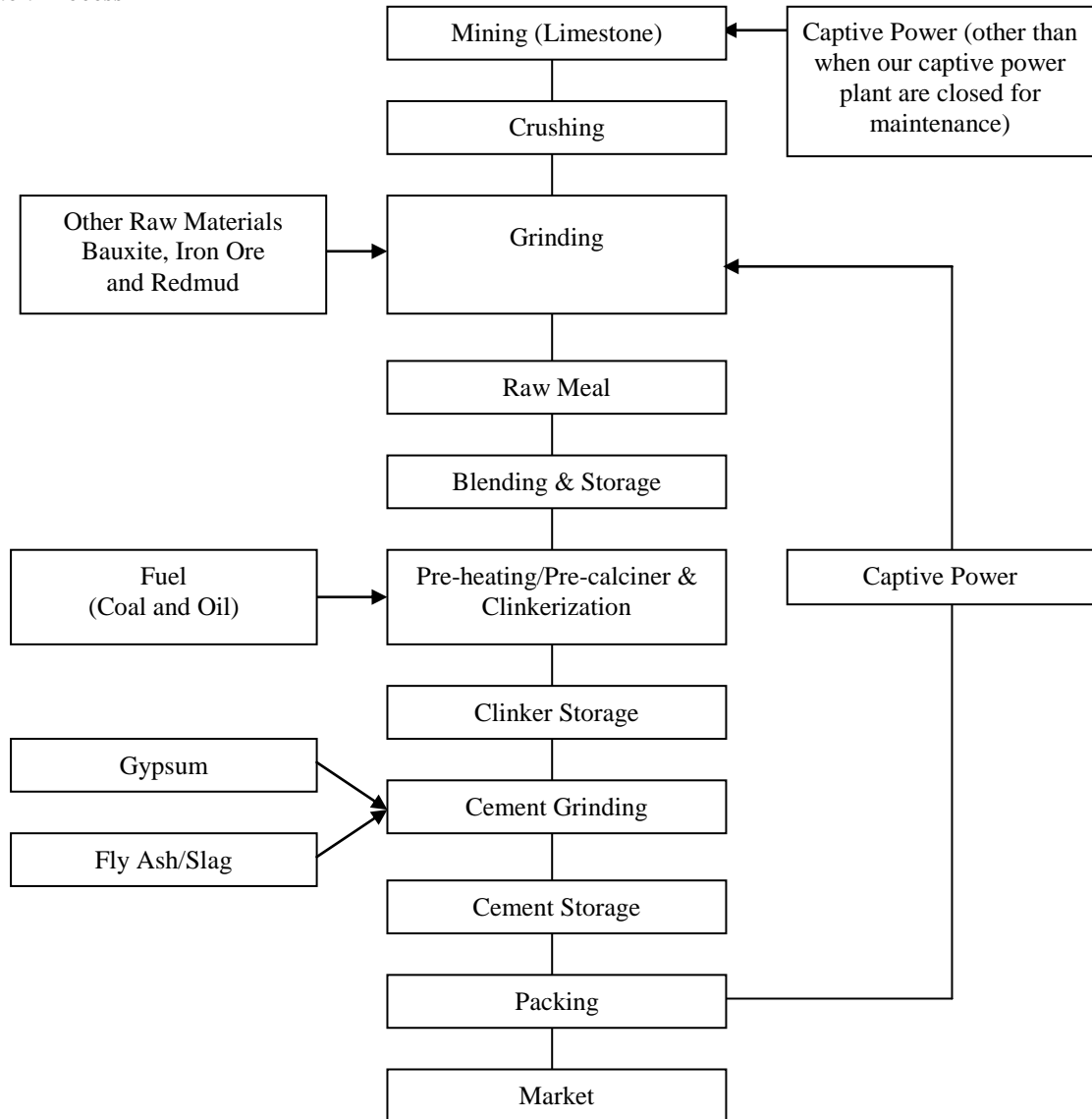
Unit	Financial year ended 31 March			
	2012		2013	
	Sales (in ₹ crore)	% of Total cement and clinker sales	Sales (in ₹ crore)	% of total cement and clinker sales
Kesoram Cement Plant	439.1	21.3%	445.4	20.9%
Vasavadatta Cement Plant	1,621.2	78.7%	1,689.8	79.1%

Expansion of our cement business

We have obtained clearance from the Ministry of Environment and Forestry and the State Government of Karnataka, to expand our Vasavadatta Cement Plant's clinker capacity by 1.7 million MT. We intend to evaluate our expansion strategy once market conditions are more favourable.

Further, we have been granted access to land by the State Government of Maharashtra to set up a 3 million MT cement clinker grinding and package plant in Hotgi, Solapur, Maharashtra. We estimate that this project will cost an aggregate ₹ 522.7 crore, out of which we have incurred ₹ 46.9 crore on the acquisition and development of the land as of 31 March 2013. The source of the expenditure till date is through internal accruals. We intend to fund the remainder of this project primarily through debt. We anticipate completion of this project by 31 March 2015.

Production Process



Logistics

As cement is a bulk commodity, transportation costs contribute significantly to the overall cost of sales, and therefore proximity to markets is an important factor affecting our cost and profitability. In addition to the strategic locations of our plants, we are supported by a nationwide Indian railway distribution network reaching almost all the regions in which we operate. We have access to rakes from our Vasavadatta Cement Plant to transport our cement from Sedam Railway Station (located approximately four Kms from the cement plant) and from our Kesoram Cement Plant to transport our cement from Raghavapuram Railway Station (located approximately five km of our cement plant). Rail freight costs for the transport of our cement are fixed periodically by the Indian Ministry of Railways.

Raw Materials and Supplies

The principal raw materials for cement production are limestone, sandstone, fly ash and gypsum.

Our costs of raw materials consumed in the production of cement accounted for approximately 14.0% and 14.0% of our total expenses for the years ended 31 March 2012 and 2013, respectively.

Limestone

The main raw material used in the production of cement is limestone. The cement production process requires approximately 1.37 MT of limestone for every MT of clinker produced, resulting in an estimated annual

requirement of approximately 6.2 million MT of limestone at Vasavadatta Cement Plant and 1.5 million MT of limestone at Kesoram Cement Plants, based on full utilisation of current installed capacity. We currently have mining licences for two limestone quarries with a total area of approximately 2,369 acres for our Vasavadatta Cement Plant and approximately 1,193 acres for our Kesoram Cement Plant. Both of these quarries are situated near our cement plants in Karnataka and Andhra Pradesh. At these quarries we currently mine three varieties of limestone: siliceous limestone; grey limestone; and purple limestone. Each of these varieties of limestone can be used in the production of cement. We have also installed limestone crushers at the pits of these quarries, which help us in reducing transportation cost. In June 2012, we entered into a memorandum of understanding with the Government of Karnataka for mining limestone in Malkhed, Karnataka at a plot of land measuring approximately 2,500 acres.

We have commissioned independent reserve reports from Ms. Synergy Geotech (Pvt) Limited, and based on the estimates provided by them, as of May 2010, our limestone and shale reserves are at approximately 514 million MT for the limestone quarry located in Karnataka and 31 million MT for the limestone quarry located in Andhra Pradesh. Based on the current estimates we believe we have sufficient limestone available to us to meet our current and anticipated production requirements at our Vasavadatta Cement Plant and Kesoram Cement Plant.

Gypsum

The other major raw material used in the manufacturing of cement is gypsum, which acts as a retarding agent to control the setting time for cement. Between three and five MT of gypsum are required to produce 100 MT of cement. Our current annual requirement of approximately 0.27 million MT of gypsum is usually obtained from domestic supplies and we generally maintain stocks in levels sufficient to meet our production requirements.

Fly Ash

Fly ash, which is used in the manufacture of PPC, is obtained from power plants that are situated near our cement plants. We also generate some of our own fly ash from our captive power plants. These sources historically have been sufficient for us to source our existing annual requirements of approximately 0.9 million MT.

Other

Bauxite and laterite iron ore are also required in small quantities, both of which are readily available from local suppliers. We procure raw materials from domestic suppliers generally located close to our plants. Materials other than limestone are transported to the production plant mainly by means of both road and rail transportation. We use independent road haulage operators to transport raw materials to our plants.

Power and Fuel

Our cement plants have captive power generating almost all our power requirements. Power and fuel expenses are the most significant expenses in the cement production process comprising approximately 38.0% and 40.4% of our total expenses in the years ended 31 March 2012 and 2013 respectively for Vasavadatta Cement Plant and Kesoram Cement Plant. Coal and electricity are our principal sources of energy for cement production. Coal is used to burn raw materials in the kiln during the production process while electricity is used in all processes. Our related charges for electricity were ₹ 145.3 crore and ₹ 225.0 crore in the years ended 31 March 2012 and 2013, respectively, and our costs for coal were ₹ 351.2 crore and ₹ 385.9 crore, in the years ended 31 March 2012 and 2013, for coal, respectively, at Vasavadatta Cement Plant and Kesoram Cement Plant. Our average cost of electricity derived from all sources in cement production was ₹ 3.93 and ₹ 4.96 per kwh for the years ended 31 March 2012 and 2013, respectively.

Coal

Currently our long term domestic linkages, historically have only met majority of our coal requirements, the balance of our coal requirements are typically met through import and e-auctions. We obtain imported coal from South Africa through the ports located at Chennai, Tamil Nadu and Krishnapatanam, Andhra Pradesh and then by rail primarily to our Vasavadatta Cement Plant. There are no restrictions on the import of coal and the import duty is currently at 1.03% including cess pursuant to the 2012 budget announced by the GoI. The GoI has also introduced a clean energy cess of ₹ 50 per tonne of coal on both domestic as well as imported coal.

We primarily use domestically-sourced coal at our Kesoram Cement Plant, as the plant is in close proximity to domestic suppliers of coal which makes it economical. The domestic coal consumed by us is supplied primarily from Singareni Collieries Company Ltd. The supply of domestic coal in India is subject to price and distribution controls imposed by the GoI. We have not experienced any difficulty in obtaining adequate supplies in the past. All purchases of coal are delivered by rail or road from the various coalfields to our plants. Rail freight costs for the transport of coal are fixed periodically by the Indian Ministry of Railways. The price of coal is fixed by the GoI and reviewed from time to time. We also purchase indigenous coal from the market and via e-auction on an as needed basis to supplement domestic supplies.

We have established Gondkhari Coal Mining Limited, a joint venture in which we hold a 45.6% stake. When operational, this will provide us with a direct source of coal, making us less vulnerable to supply and price shocks. However, based on the recommendation of the Inter Ministerial Group reviewing coal block allocations in India, the Central Government has de-allocated the Gondkhari coal block but our Company has challenged the de-allocation of our coal block through a writ petition before the Delhi High Court. See “*Risk Factor — The Central Government has de-allocated certain coal blocks, including our coal block pursuant to our joint venture, Gondkhari Coal Mining Limited*”

Electricity

We currently have power generating capacity of 77.5 MW at our Vasavadatta Cement Plant and 15 MW at our Kesoram Cement Plant. The electricity generated from coal based power plants at our cement plants has historically met most of our requirements. Although we believe our captive power plants are sufficient to meet our requirements, we are obligated under our standby arrangement that we have entered into agreement with the respective State power corporations of Karnataka and Andhra Pradesh, for minimum amount of power. In order to meet this requirement, we purchase the minimum amount specified under the agreement with the State power corporations. We primarily use the power supplied from the State power corporation when we shut down operation at our captive power plants for routine and other maintenance.

We commissioned a new captive power plant on 1 August 2012 at our Vasavadatta Cement Plant with a capacity of 17.5 MW increasing our capacity to 77.5 MW from 60 MW. We intend to sell the surplus power generated from this plant in the open market through the energy exchange.

The following table shows the aggregate amounts of coal used by us for the periods indicated and the approximate cost of per MT, as of the respective dates:

	As of and for the year ended 31 March			
	2012		2013	
	Cement Operations	Captive Power Plant	Cement Operations	Captive Power Plant
Quantity of Coal (MT)	634,343	405,167	657,757	536,316
Cost (₹ crore)	351.2	145.3	385.9	205.6
Cost of coal (in ₹ per MT of cement).....	712.5		739.4	

Efficiency

While electricity and coal consumption varies between our plants, the figures for our average electricity and coal consumption in the production of cement at Vasavadatta Cement Plant and Kesoram Cement Plant for the period indicated as set out below:

Vasavadatta Cement Plant:

	Electricity consumption	Coal consumption	Electricity consumption	Coal consumption
	as of and for the year ended 31 March			
	2012		2013	
	(kwh per MT of cement)	(kcal/kg. of clinker)	(kwh per MT of cement)	(kcal/kg. of clinker)
OPC	80.2	708	78.7	706
PPC	65.7	-	62.7	-

Kesoram Cement Plant:

	Electricity consumption	Coal consumption	Electricity consumption	Coal consumption
as of and for the year ended 31 March				
	2012		2013	
	(kwh per MT of cement)	(per kcal/kg. of clinker)	(kwh per MT of cement)	(kcal/kg. of clinker)
OPC	104.4	756	99.2	756
PPC	83.1	-	82.2	-
Slag	-	-	-	-

We continually strive to reduce energy costs at our plants. Our current energy reduction program includes the increased use of high quality imported coal, with a planned level of optimum amount of imported coal in our overall fuel mix. We believe this should enable us to reduce our consumption of thermal energy. The price of imported coal has been increasing in the recent years, mainly due to an increase in the FOB value as well as an increase in freight shipping rates.

Sales and Distribution

We believe our sales have been significantly and positively impacted by the strength of our brands. Brand loyalty in the Indian cement industry is particularly important as a majority of India's cement sales occur in bag form, as opposed to bulk sales, with a substantial majority of bags sold through our agent and dealer networks. We believe our brand, "Birla Shakti", is well-recognized by customers and is one of the leading brands in terms of market share within its respective regional markets. We are currently exploring consolidating all our cement production under the "Birla Shakti" brand. Currently "Birla Shakti" brand is used to market both OPC, PPC and Slag Cement from both of cement plants, while Vasavadatta Cement brand is used to market OPC from Vasavadatta Cement Plant. Maharashtra is the primary market area for our "Birla Shakti" branded cement, accounting for approximately 66.3% of the total "Birla Shakti" sales by quantity over the last two years.

As on 31 March 2013, the Company has a network of around 1,544 cement dealers. Please refer to the table below for the location details of these dealers.

Region	Dealers
Western.....	460
Southern.....	1,084

OPC and PPC are the primary products we sell, accounting for 43.7% and 55.6% and 45.5% and 53.5%, respectively, of our total revenues for the years ended 31 March 2012 and 2013, respectively. The following tables set forth our revenue and sales quantities by product for the periods indicated.

Vasavadatta Cement Plant:

	Year ended 31 March			
	2012		2013	
	(in ₹ crore, except quantities in million MT)			
	Quantity	Amount	Quantity	Amount
OPC	2.1	808.6	2.2	875.9
PPC	1.8	799.6	1.7	792.7
Slag Cement.....	-	-	-	14.8
Total Cement.....	3.9	1,608.2	4.0	1,683.4
Clinker Sales.....	-	13.0	-	6.4
Total Sales	3.9	1,621.2	4.0	1,689.8

Kesoram Cement Plant:

Year ended 31 March				
2012		2013		
(in ₹ crore, except quantities in million MT)				
	Quantity	Amount	Quantity	Amount
OPC	0.3	91.2	0.3	95.1
PPC	0.8	345.5	0.9	350.1
Total Cement	1.1	436.8	1.1	445.3
Clinker Sales and others	-	2.4	-	-
Total Sales	1.1	439.1	1.1	445.3

The following table sets forth our domestic cement sales quantities across states and the per cent of total sales of each for the periods indicated.

Vasavadatta Cement Plant:

Year ended 31 March				
2012		2013		
(in million MT, except percentages)				
	Quantity	%	Quantity	%
Maharashtra	2.6	67.3	2.6	65.3
Karnataka	0.9	21.9	0.9	23.5
Andhra Pradesh	0.4	9.8	0.4	9.8
Tamil Nadu	-	0.6	-	1.1
Others	-	0.4	-	0.3
Total	3.9	100.0	4.0	100.0

Kesoram Cement Plant:

Year ended 31 March				
2012		2013		
(in million MT, except percentages)				
	Quantity	%	Quantity	%
Andhra Pradesh	0.6	57.7	0.7	57.6
Maharashtra	0.3	31.1	0.4	32.3
Tamil Nadu	0.1	8.6	0.1	6.7
Karnataka	-	1.0	-	0.2
Other	-	1.7	-	3.2
Total Sales	1.1	100.0	1.1	100.0

Bag sales for Vasavadatta Cement Plant accounted for 80.7% and 85.7% of total domestic cement sales in the years ended 31 March 2012 and 2013, respectively, with bulk sales accounting for the remainder. Because of the high cost of bags, the cost of selling bagged cement is higher than the cost of selling cement in bulk. We usually arrange for delivery of bagged cement to our customers. Shipments are made free-on-truck at the plant site.

Agents or distributors accounted for 38.6% of sales revenue at our Vasavadatta Cement Plant and 58.3% at our Kesoram Cement Plant for the year ended 31 March 2013. During that period, no distributor accounted for more than 5% of our total cement revenues.

Research and Development

We have a research and development centre located at both our plants. Our research and development centre plays a pivotal role in continuous quality improvement. Our Vasavadatta as well as Kesoram Cement Plants' research and development centres are recognised by the Department of Industrial and Scientific Research Centre, Government of India, as in-house research and development centres. The research and development centres' main activities focus on projects to innovate and modify processes and products. Our centre follows various testing procedures established by the Bureau of Indian Standards deemed fit for the project concerned.

Competition

The cement industry in India continues to be highly fragmented as compared to other cement producing countries. The share of cement production of the top three cement groups has increased to 39.0% in the financial year ended 31 March 2012 from 38.0% in the financial year ended 31 March 2011 (*Source: CMA records excluding Holcim and ACC Limited data*), and there are still over 24 different cement companies in India which have less than 5 million MT of cement capacity.

On 24 June 2012, the Competition Commission of India ("**CCI**") levied a penalty of more than ₹ 6,300 crore on 11 cement manufacturing companies for violating provisions of the Competition Act of 2002 dealing with cartelisation. A separate order levied a penalty of ₹ 397.5 crore on a twelfth cement company on 30 July 2012. While we were not one of the companies to be fined by the CCI, market prices of cement may fall if the CCI has in fact identified a cartel which is engaging in anti-competitive pricing activity and is successful in breaking the cartel. Any fall in market prices for cement could have an adverse effect on our results of operations.

Environmental Compliance

Our principal environmental obligations relate to dust emissions and mining. In order to comply with emission standards, we reduce dust emissions from our plants using fabric bag filters and electrostatic precipitators, which are upgraded as regulation requires. We are in material compliance with current emission regulations and with ISO-14000 standards. We are in material compliance with the environmental rules and regulations applicable to our mining activities.

Seasonality

Demand for cement in India tends to be seasonal, with a larger volume of total cement sales occurring in the period from October to May. This seasonality is due to a number of factors, including weather patterns. The rainy season has historically occurred between June to September and government expenditures on infrastructure and other projects have traditionally been higher in the second half of the fiscal year. Accordingly, we receive a higher proportion of our revenue and income in the second half of the year. However, we do not believe that this seasonality materially affects our results of operations.

Rayon and Transparent Paper

We also manufacture viscose rayon filament yarn, transparent paper and other products, which contributed approximately ₹ 284.9 crore and ₹ 337.5 crore, or approximately 4.5% and 5.5% of our total revenues for the years ended 31 March 2012 and 2013, respectively.

The principal raw materials used to manufacture viscose rayon filament yarn and transparent paper is wood pulp. As of the year ended 31 March 2013, we sourced approximately 82.1% and 17.9% of our wood pulp requirements from domestic and international suppliers, respectively. The process of manufacturing viscose rayon filament yarn involves processing the wood pulp with caustic soda and passing the by-product through spinnerets with sulphuric acid to produce varying degrees of thickness referred to as deniers. We currently manufactured deniers of varying thickness from 75 deniers to 700 deniers. While the manufacture of transparent paper involves the process of passing viscose through a carbon sulphide medium, post which the by-product is treated and washed off all chemicals and is dried and sold as reams.

Our rayon and transparent paper plant is located Hooghly, West Bengal. Our rayon is marketed under the brand name "Kesoram Rayon," while our transparent paper is branded under the brand name "Kesophane". Our rayon plant had 52 spinning machines with installed capacity of 6,500 MT per annum as of 31 March 2013. Kesoram Rayon is an ISO 14001 & ISO 9001 certified plant.

The following table sets forth the rayon and transparent paper plant installed capacity at our Hoogly Plant for the periods indicated.

	As of or for the year ended 31 March	
	2012	2013
	(in MT per day, except percentages)	
Production capacity	17.8	17.8
Actual average daily output	20.4	20.6
Utilization level.....	114.9%	115.5%

Other businesses

As of 8 December 2010, our Hindustan Heavy Chemical plant at Khardah which produced caustic soda lye, liquid chlorine, sodium hypochlorite, hydrochloric acid and sulphuric acid with capacities of 12,410 MT, 5,045 MT, 6,205 MT, 8200 MT and 18,700, respectively as of 31 March 2012 has been under suspension of work. For further information see "Risk Factor — We have experienced failures of internal and operational controls in the past which have affected us and led to suspension of work in some of our businesses. Any future failures of internal or operational controls could have a material adverse effect on our business, financial condition and result of operations" on page 13.

Environmental Regulations and Practices

The Environment Protection Act, the Water Act and the Air Act provide for the prevention, control and abatement of pollution in India. Pollution Control Boards ("PCBs") have been constituted in all the States in India to exercise the authority provided under these statutes for the purpose of preventing and controlling pollution. Companies are required to obtain approvals of the relevant SPCBs for emissions and discharge of effluents into the environment. The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008 ("Hazardous Waste Rules") impose an obligation on every occupier and operator of a facility generating hazardous waste to dispose of such hazardous wastes properly including proper collection, treatment, storage and disposal. Every occupier and operator of the facility generating hazardous waste is required to obtain an approval from the PCB for collecting, storing and treating the hazardous waste.

The Environmental Impact Assessment Notification dated 14 September 2006 read with notification dated 1 December 2009 and 4 April 2011 issued under the Environment Protection Act and the Environment (Protection) Rules, 1986 requires prior approval of the Ministry of Environment and Forests if any new project in certain specified areas is proposed to be undertaken. To obtain environmental clearance, a no-objection certificate must first be obtained from the applicable regulatory authority. The environment clearance (for commencement of the project) is valid for up to 30 years for mining projects and five years for all other projects and activities. This period of validity may be extended by the concerned regulator for up to five years.

The Public Liability Insurance Act, 1991 imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of hazardous substances covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under this act mandate that the employer has to contribute towards the environment relief fund, a sum equal to the premium paid on the insurance policies. The amount is payable to the insurer.

Employees

We had a total of 13,877 full-time employees as of 31 March 2013. In addition to full-time employees, we also employ contract labour in our manufacturing facilities, in compliance with the Contract Labour (Regulations & Abolition) Act, 1970.

The following table sets forth a breakdown of our employees by function as of 31 March 2013:

Employees	As of 31 March 2013
Corporate office.....	62
Cement business	1,593
Tyre business.....	9,740
Rayon business.....	2,482
Total.....	13,877

We offer our employees comprehensive on-going training in order to raise their competence and capability. This training is tailored to our evolving business environment and corporate needs with the objective of improving

customer services. We have also implemented a performance appraisal system which allows the performance of our employees to be assessed through an objective and transparent process.

We also offer retirement plans for managerial staff, and certain Government welfare schemes for non-managerial employees.

The aggregate salaries, wages, bonus etc. paid/payable to our employees for the year ended 31 March 2013 was ₹ 321.9 crore.

Unions

Most of our employees (excluding management) at our tyre, cement and rayon plants are part of organised unions. In December 2010, a section of contract workers provided by various contract agencies that were working at the Khardah unit of Hindustan Heavy Chemicals were a part of what we believe to be an illegal strike and they obstructed employees from entering the unit. We were forced to declare suspension of work due to the strike. See "*Risk Factor — We may experience failures of internal and operational controls in the past including suspending work in some of our businesses. Any future internal and operational control failures could have a material adverse effect on our business, financial condition and result of operations.*"

Insurance


All our production plants are insured against fire, riot, strike and malicious damage risks with various underwriters. Insurance policies also cover selected items of machinery for the risk of machinery breakdown. Our policy is to provide cover on reinstatement value of the assets in their present state. Our policies have limited coverage with regard to product liability. See "*Risk Factors— We may not have adequate insurance to cover any and all losses incurred in our business operations.*" We also obtain project insurance in respect of the construction and upgrades of our production plants and grinding units covering all risk pertaining to erection, testing and commissioning subject to exclusions which are consistent with industry practice.

We believe that our insurance arrangements are consistent with industry standards for tyre and cement manufacturers in India. Our insurance cover is reviewed on a yearly basis.

Intellectual Property Rights

We believe that the trademarks which are of material importance and significant to our business are those using the words "Birla Tyres", "Birla Shakti" and "Vasavadatta Cement".

We currently own a number of trademarks, together with related logos and appropriate suffixes in relation to our tyres and cement businesses to denote certain products, in India under the Trademarks Act, 1999, and in various other jurisdictions, which include the "Birla Tyres" mark and the "Vasavadatta Cement" marks. Further, we have applied for, and are currently awaiting registration of a number of trademarks and trade names in various jurisdictions, including, for the registration of the "Birla Tyres" mark in Indonesia. For further details, see "*Government Approvals—Pending Intellectual Property registrations.*"

Further, we have recently applied for the trademark over the Kesoram Industries Limited  KESORAM INDUSTRIES LIMITED corporate logo in India. For further details, see "*Risk Factors —We have not registered certain intellectual property rights and any failure to enforce our rights could have an adverse effect on our business prospects*" and section titled "*Government Approvals*".

Land

The following table sets forth details relating to our principal properties in hectares:

S. no.	Name of unit	Location of unit	Freehold land	Leasehold land	Total land
1.	Kesoram Cement Plant	Basantnagar, Andhra Pradesh	173.40	482.75	656.15
2.	Vasavadatta Cement Plant	Sedam, Karnataka	228.19	274.25	502.44
3.	Balasore Tyre Plant.....	Balasore, Odisha	74.80	-	74.80

S. no.	Name of unit	Location of unit	Freehold land	Leasehold land	Total land
4.	Laksar Tyre Plant.....	Haridwar, Uttarakhand	71.84	-	71.84
5.	Kesoram Rayon Plant	Nayasarai, Hooghly, West Bengal	40.94	0.88	41.82
6.	Kesoram spun pipes and Foundries plant	Khardah, West Bengal	52.95	-	52.95
7.	Hindustan Heavy Chemicals plant.....	Khardah, West Bengal	8.73	-	8.73
Total					1,408.73

Legal and Regulatory Proceedings

Except as disclosed in "Outstanding Litigation and Material Developments" we are not aware of any legal and regulatory proceeding that, if finally determined against us, would be expected to result in a material adverse effect on our business and operating results. See the section titled "*Outstanding Litigation and Material Developments*" beginning on page 203 of this Letter of Offer for a summary of legal and regulatory proceedings to which we are a party.

HISTORY AND CORPORATE STRUCTURE

Brief Corporate History of Our Company

Our Company was incorporated as a public company under the name Kesoram Cotton Mills Limited as per the provisions of the Indian Companies Act, 1913 and received a certificate of incorporation from the RoC dated 18 October 1919. Subsequently, pursuant to a resolution passed by the board and the shareholders of our Company in the board meeting and the AGM dated 5 May 1961 and 15 May 1961 respectively, the name of our Company was changed to Kesoram Industries & Cotton Mills Limited for commercial reasons, and we received a fresh certificate of incorporation consequent upon change of name dated 30 August 1961 from the RoC. Further, the name of our Company was changed to its present name for commercial reasons pursuant to a resolution passed by the board and the shareholders of our Company in the board meeting and the AGM dated 18 April 1986 and 31 May 1986 respectively, and we received a fresh certificate of incorporation from the RoC dated 9 July 1986.

Our Equity Shares are listed on the BSE, NSE and CSE. Our Equity Shares were voluntarily delisted from the DSE from 17 November 2003. Our GDRs are listed on the Euro MTF of the Luxembourg Stock Exchange.

Key Events and Milestones

Following are some of the key events and milestones in relation to our Company:

Year	Event
1919	Incorporation of the Company in the name of Kesoram Cotton Mills Limited.
1959	First rayon yarn manufacturing plant established and commissioned at Tribeni, District Hooghly, West Bengal.
1961	First transparent paper manufacturing plant established at Tribeni, District Hooghly, West Bengal.
1961	Name of our Company changed to Kesoram Industries & Cotton Mills Limited.
1964	Company diversified into manufacturing cast iron spun pipes and pipe fittings at Bansberia, District Hooghly, West Bengal.
1969	First cement manufacturing plant under the name of 'Kesoram Cement' established at Basantnagar, District Karimnagar, Andhra Pradesh.
1986	Second cement manufacturing plant under the name of 'Vasavadatta Cement' established at Sedam, District Gulbarga, Karnataka.
1986	Name of our Company changed to Kesoram Industries Limited.
1992	First automotive tyre and tube manufacturing plant established at Balasore, Orissa in technical collaboration with Pirelli Limited, United Kingdom with a capacity of 118 MT per day.
1999	Demerger of the textiles division of the Company.
2001	Amalgamation of Hindustan Heavy Chemicals Limited with the Company.
2009	<ul style="list-style-type: none"> • Commencement of a greenfield project at the Laksar Tyre Plant for production of bus/truck tyre, LCV tyre and bus/truck radial tyre with a 460 MT per day production capacity. • Commencement of expansion work for the passenger car radial project at Balasore.
2011	Commencement of production of two and three wheeler tyres at the Laksar Tyres Plant.

Awards, Certifications and Accreditations

Awards

Year	Award
2010	Award for " Excellence in workers' welfare " from the Federation of Andhra Pradesh Chambers of Commerce, Andhra Pradesh.
2008	Award for " Excellence in rural development " from the Federation of Andhra Pradesh Chambers of Commerce, Andhra Pradesh.
2007	Award for " Excellence in industrial productivity " from the Federation of Andhra Pradesh Chambers of Commerce, Andhra Pradesh. " Best Management Award " in 2007 from the Government of Andhra Pradesh.
2006	" Best workers' welfare activity award " from the Federation of Andhra Pradesh Chambers of Commerce, Andhra Pradesh. Award for " Best Improvement in Thermal Energy Performance " and " Second best in environmental excellence in limestone mines " from the National Council for Cement and Building Materials. " Global Cement Award " from the Global Cement and Lime Magazine, London.
2000	Award for " Recognition of outstanding achievement in the Modernization of Technique / Approaches of Plant Maintenance " from Japan Institute of Plant Maintenance.

Certifications

Some of the certifications received by us are as detailed below.

Sr. no.	Certification	Validity
Cement		
1.	Certification for conformation with the occupational health and safety management system in accordance with IS/ISO 18001: 2007 for Kesoram Cement Plant.	2 November 2014
2.	Certification for conforming with the environmental management system in accordance with IS/ISO 14001: 2004 for Kesoram Cement Plant.	7 August 2013
3.	Certification for conformation with the quality management system in accordance with IS/ISO 9001: 2008 for Kesoram Cement Plant.	31 October 2014
Tyres		
4.	Certificate for the Balasore Tyre Plant for conforming to the standards of occupational health and safety management system standard 18001: 2007 for manufacture of automobile tyres, tubes and flaps.	9 February, 2016
5.	Certificate for the Balasore Tyre Plant for conforming to the standards of environmental management system standard ISO 14001: 2004 for manufacture of automobile tyres, tubes and flaps.	9 February 2016
6.	Certificate for the Laksar Tyre Plant (Unit II, Unit III and Unit IV) for conforming to the standards of environmental management system standard ISO 14001: 2004 for the design and manufacture of tyres and tubes.	17 March 2014
7.	Certificate of quality management system for the Balasore Tyre Plant for conforming to the standards ISO 9001: 2008 with respect to the design and manufacture of automobile tyres, tubes and flaps.	20 April 2014
8.	Certificate for the Balasore Tyre Plant for conforming to the standards of social accountability standard 8000: 2008 for manufacture of automobile tyres, tubes and flaps.	19 March 2016
Rayon		
9.	Certificate for Kesoram Rayon, Nayasarai for conforming to the occupational health & safety management system standard OHSAS 18001: 2007 for manufacture and sale of viscose filament yarn, transparent paper and chemicals.	24 May 2015
10.	Certificate for Kesoram Rayon, Nayasarai for conforming to the environment management system standard NS-EN ISO 14001:2004/ISO 14001: 2004 for manufacture and sale of viscose filament yarn, transparent paper and chemicals.	13 December 2015
11.	Certificate for Kesoram Rayon, Nayasarai for conforming to the quality management system standard NS-EN ISO 9001:2008/ISO 9001: 2008 for manufacture and sale of viscose filament yarn, transparent paper and chemicals.	13 December 2015

Scheme of Amalgamation of Bulland Buildmart Private Limited with our Company

The High Court at Calcutta sanctioned the scheme of amalgamation between Bulland Buildmart Private Limited (“**Bulland Buildmart**”) (the erstwhile wholly owned subsidiary of the Company) and the Company under sections 391(2) and 394 of the Companies Act (“**Buildmart Amalgamation Scheme**”) pursuant to an order dated 14 July 2009. The Buildmart Amalgamation Scheme provided for the transfer of the entire business and undertakings of Bulland Buildmart as described below (“**Buildmart Business and Undertaking**”) to the Company pursuant to sections 391(2) and 394 of the Companies Act.

The Buildmart Amalgamation Scheme defined Buildmart Business and Undertaking as:

- “(i) *All the properties and assets, both moveable and immovable, investments and liabilities of Bulland Buildmart, immediately before the amalgamation;*
- (ii) *Without prejudice to the generality of the foregoing clause, the Buildmart Business and Undertaking shall include all rights, powers, interests, authorities, privileges, liberties and all properties and assets, both movable and immovable, real or personal, corporeal or incorporeal, in possession or revision, present or contingent of whatsoever nature and wherever situate, including land, buildings, office equipments, inventories, investments in shares, debentures, bonds and other securities, sundry debtors, cash and bank balances, loans and advances, leases, tenancy and agency rights and all other interests and rights in or arising out of such property and all debts, liabilities and obligations of Bulland Buildmart of whatsoever kind.”*

Our Company gave effect to the Buildmart Amalgamation Scheme from 1 October 2008, being the appointed date from which the Buildmart Amalgamation Scheme was applicable (“**Buildmart Amalgamation Appointed Date**”).

Set forth below are certain key features of the Buildmart Amalgamation Scheme:

Merger of Bulland Buildmart into the Company

On the Buildmart Amalgamation Appointed Date, the Bulland Buildmart business and undertaking was transferred and vested in the Company and became business, assets, properties, rights, privileges and debts, liabilities, duties and obligations (as the case may be) of the Company subject to all charges, liens, mortgages, if any, affecting such transfer, or any part thereof.

The Buildmart Amalgamation Scheme provided that on the Buildmart Amalgamation Appointed Date, all equity shares held by the Company in Bulland Buildmart, as well as inter-corporate deposits made by the Company in Bulland Buildmart, would stand cancelled and Bulland Buildmart would stand dissolved without winding up from 9 July 2010. Bulland Buildmart was eventually dissolved, without winding up by an order of the High Court at Calcutta dated 9 June 2010.

Accounting Treatment

The Buildmart Amalgamation Scheme provided for the following accounting treatment to be followed by the Company in accounting for the amalgamation of Bulland Buildmart into the Company:

- The Company recorded all assets and liabilities of Bulland Buildmart immediately preceding the Buildmart Amalgamation Appointed Date into its books of accounts at their respective book values on the basis of the audited accounts of Bulland Buildmart for the six month period ending on 30 September 2008.
- The net assets in terms of the books of accounts of Bulland Buildmart after the cancellation of the investment of the Company as on 30 September 2008 were credited to the Capital Reserve of the Company.

Legal proceedings

The Buildmart Amalgamation Scheme provided that all legal proceedings by, or against Bulland Buildmart and relating to Bulland Buildmart or its properties, assets, debts, liabilities, duties and obligations as on the Buildmart Amalgamation Appointed Date shall be continued and/ or enforced against the Company in the same manner and extent as would have been continued against Bulland Buildmart.

Contracts, Deeds, Licenses and Arrangements

With effect from the Buildmart Amalgamation Appointed Date, all subsisting contracts, deeds, bonds, licenses, agreements and other documents or instructions to which Bulland Buildmart was a party may be enforced in favour of or against the Company, fully and effectually.

Employees and Workmen

As on the Buildmart Amalgamation Appointed Date, all employees of Bulland Buildmart had become employees of the Company on the same terms and conditions on which they were engaged by Bulland Buildmart without any interruption in service.

Joint Venture Agreement

We have entered into a joint venture agreement dated 30 October 2009 (the “**Joint Venture**”) with Maharashtra Seamless Limited (“**MSL**”) and Dhariwal Infrastructure Private Limited (“**DIPL**”) to form a joint venture company, in the name of Gondkhari Coal Mining Limited (the “**JVC**”). The JVC has been formed pursuant to a letter from the Ministry of Coal, Government of India, (“**MOC**”) which has allocated the coal block of Gondkhari non-coking coal block in Kamptee Coalfields of Western Coalfields Limited (the “**Mine**”) jointly to our Company, MSL and DIPL. One of the conditions of the allocation, as contained in the allocation letter, was that a joint venture company be formed amongst our Company, MSL and DIPL, with equity holding in the JVC

in proportion to their assessed coal requirements so that the JVC can undertake mining activities for the exclusive benefit of the Company, MSL and DIPL. Therefore, a JVC was formed among our Company, MSL and DIPL to take on lease, develop, build, own and operate the Mine jointly.

The Central Government, pursuant to a notice dated November 15, 2012 has de-allocated the Gondkhari coal block stating that there was no substantial progress in the development of the block. For further details, see the section titled “*Risk Factors – The Central Government has de-allocated certain coal blocks, including our coal block pursuant to our joint venture, Gondkhari Coal Mining Limited*” on page 13 of this Letter of Offer.

The key terms of the Joint Venture are:

Share capital and subscription: The authorized share capital of the JVC is ₹ 5.0 crore. Our Company, MSL and DIPL have subscribed to the share capital of JVC in the following proportion:

Joint Venture Partners	No. of equity shares	% of Issued Share Capital
Our Company	145,472	45.5
MSL	96,960	30.3
DIPL	77,568	24.2
Total	320,000	100.0

The parties shall at all times maintain their shareholding in the paid up share capital of the JVC in the then applicable ratio of allocation of coal fixed by the MOC from time to time.

Further issue of shares: All further increases in the paid up equity share capital of the JVC shall be subscribed to by our Company, MSL and DIPL in the agreed proportion within 30 business days from the day on which the resolution confirming such increase was passed or any such period prescribed under the regulations. In the event that one party does not subscribe to any capital increase, the other parties shall have the right, but not the obligation, to subscribe, in proportion to their shareholding ratio in the JVC to such unsubscribed capital. However, if no party subscribes to the unsubscribed share capital, it may be issued to a third party, subject to approval from the MOC. However, in the event of dilution of shareholding of one party, such party, due to non subscription to further shares issued, shall be eligible to receive coal from the JVC only to the extent of it's the then shareholding percentage in the JVC.

Transfer/Vesting of shares: The shares of the JVC cannot be transferred to any third party unless the proposed transferee has entered into a deed of adherence to be bound by the terms of the Joint Venture and assumes all the obligations and accepts all assignments of the transferor. Further, the proposed transferee should be a company having a good reputation and otherwise eligible under the Coal Mines (Nationalization) Act, 1973 to obtain supply of coal from the Mine for its captive use.

Management and Board of directors: The board of directors of the JVC consists of seven directors, of which three are the representatives of our Company and two each are the representatives of MSL and DIPL respectively. Any decision pertaining to certain items mentioned in the Joint Venture Agreement cannot be taken at a board meeting without the affirmative consent of at least one director nominated by each of the parties. For the items where a shareholder's consent is sought or is required under Companies Act, then affirmative consent of each of the Company, MSL and DIPL is also required for each such decision. While the quorum for any board meeting and shareholders meeting is governed by the provisions of the Companies Act, the presence of at least one nominee director/authorized representative of each party is necessary to constitute quorum for a board meeting and/or shareholder's meeting in which a resolution for certain items mentioned in the Joint Venture Agreement as requiring an affirmative vote and a notice of not less than 7 days for board meeting and 21 clear calendar days for shareholders' meeting shall be given for any such meeting, unless the parties agree to a shorter notice in writing.

JVC Operations: The JVC shall, either itself or through any contractor, raise coal from the Mine. However, it shall not distribute coal in any particular year to any party beyond it's per annum requirement as fixed by the allocation letter. Any surplus coal overall or individually shall be handed over to CIL at transfer price to be decided by the Central Government. Further, the JVC shall always endeavour to comply with the time frame and other conditions stipulated in the allocation letter by the MOC.

Consequence of Default: This Joint Venture can be terminated with respect to the defaulting party, on default by a party and in the event of a default, such defaulting party shall be bound to sell all its shares to the non defaulting party(s) at face value in proportion to the ratio of their shareholding of the non defaulting party(s).

Deadlock Resolution: In the event that the parties reach a situation where a substantial disagreement persists among the parties for a period of not less than 60 days, which is not capable of being resolved by mutual discussion, the same shall be referred to the MOC for its consideration and the decision of the MOC shall be final and binding on the parties.

Term: The Joint Venture shall continue till the exhaustion of coal reserves and closure of the Mine, unless terminated earlier in accordance with the terms and conditions of the Joint Venture.

Our Main Objects

Our main objects as presently contained in our Memorandum, *inter alia*, include:

1. To carry on the business of makers, manufacturers, processors, purchasers, importers, exporters, sellers, dealers, brokers, agents, stockists, distributors and suppliers of all kinds of cloths, readymade garments and other products, by-products, goods, articles, compounds and preparations of all kinds with cotton nylon, rayon, silk, hessian, woolen and other kinds of fibre by whatever name called or made under any process whether natural or artificial and by mechanical or other means.
2. To carry on business of makers, manufacturers, processors, producers, importers, exporters, buyers, sellers, dealers, stockiest, distributors of all varieties of rubber, synthetic rubber, leather, carbon black, insulators, hides, skins, nylon, rayon, cellulose rayon, silk and artificial silk, starch and other sizing materials, glycerine, perfume soap, cosmetics, toilet preparations, hosiery, plastics, textiles, hessian, paper, newsprint, canvas, asbestos, dyestuffs, synthetic and artificial fibres, paper board, straw board, hard board, fibre board, chip board, corrugated paper, transparent paper, kraft paper, pulp, carbons, inks, corks, parchment, oil cloth, linoleum, tarpaulins, fertilizers, caustic soda, resins, enamels, coal-tar, tyres, tubes, glassware, flaps, tyre cord, wheels, vehicles, the compounds, substances, derivatives, substitutes and by-products of aforesaid materials and to prepare, press, vulcanize, repair and retreat such of them as are considered expedient.
3. To carry on the business of manufacturers, processors, purchasers, sellers, makers, importers, exporters, dealers, brokers, agents, stockiest, distributors and suppliers, of all kind of coke, asbestos, cement, firebricks, refractory articles, compounds, products and by-products or preparations allied thereto by whatever named called.
4. To carry on (either in connection with the aforesaid businesses or as a distinct separate business) the businesses of manufacturers, mechanical engineers, iron founders, manufacturers of tyres, tubes, motor, motor parts, motor accessories, agricultural implements and other machinery, fitters, tool makers, brass founders, metal makers, structural fabricators, boiler makers, millwrights, machinists, iron and steel converters, smiths, wire drawers, steel rollers, tube makers, metallurgists, saddlers, galvanisers, annealers, painters, electrical engineers, water supply engineers, gas makers, packing case makers, dealers in steel, framers, printers, carriers, automobile consultants, electro-platers, woodworkers, builders, pattern makers, refiners and chemical manufacturers.
5. To carry on business of makers, manufacturers, processors, producers, importers, exporters, buyers, sellers, dealers, distributors and suppliers of all kinds of chemical, electrical, mechanical, engineering, pharmaceutical, medicinal, photographic, surgical, industrial, scientific and consumer materials, articles, goods, products, by-products, preparations and apparatus.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association, we are required to have not less than three directors and not more than twelve directors. Our Company currently has nine Directors on its Board.

The following table sets forth details regarding our Board as on the date of this Letter of Offer:

Name, Designation, Occupation, Address and Term	Nationality	Director's Identification Number	Age (years)	Directorships in other companies
<p>Mr. Basant Kumar Birla</p> <p>Designation: Chairman and non executive Director</p> <p>Occupation: Industrialist</p> <p>Address: 18, Gurusaday Road, Kolkata, 700019, West Bengal, India</p> <p>Term: Subject to retirement by rotation</p>	Indian	00055856	92	<ul style="list-style-type: none"> • Century Textiles and Industries Limited; • Jay Shree Tea and Industries Limited; • Century Enka Limited; • Pileri Investment and Industries Corp. Limited; • B.K. Birla Foundation.
<p>Ms. Manjushree Khaitan</p> <p>Designation: Executive Vice Chairperson</p> <p>Occupation: Industrialist</p> <p>Address: Basant Vihar, 18, Gurusaday Road, Kolkata, 700019, West Bengal, India</p> <p>Term: For a period of five years, with effect from 5 February 2013</p>	Indian	00055898	57	<ul style="list-style-type: none"> • Manjushree Plantations Limited
<p>Mr. Kamal Chand Jain</p> <p>Designation: Whole time Director</p> <p>Occupation: Service</p> <p>Address: Plot No 12, Whisper Valley Behind Darga, Hyderabad, 500008, Andhra Pradesh, India</p> <p>Term: For a period of three years with effect from 1 April 2012</p>	Indian	00029985	73	<ul style="list-style-type: none"> • Mangalam Cement Limited; • Gondhkhari Coal Mining Limited.
<p>Mr. Krishna Gopal Maheshwari</p> <p>Designation: Non executive Director</p> <p>Occupation: Industrialist</p> <p>Address: 507, Raheja Centre,</p>	Indian	00078470	90	<ul style="list-style-type: none"> • Hyderabad Industries Limited; • Jayashree Traders Private Limited.

Name, Designation, Occupation, Address and Term	Nationality	Director's Identification Number	Age (years)	Directorships in other companies
214, Nariman Point, Mumbai, 400021, Maharashtra, India Term: Subject to retirement by rotation				
Mr. Pesi Kushru Choksey Designation: Non executive Director (Independent) Occupation: Chartered Accountant Address: Bentleys - Room 16, 17 Oliver Street Colaba, Mumbai, 400039, Maharashtra, India Term: Subject to retirement by rotation	Indian	00060508	90	<ul style="list-style-type: none"> • Zensar Technologies Limited;
Mr. Amitabha Ghosh Designation: Non executive Director (Independent) Occupation: Chartered Accountant Address: Flat No-32, Mehr Naz, 91, Cuffe Parade, Mumbai, 400005, Maharashtra, India Term: Subject to retirement by rotation	Indian	00055962	82	<ul style="list-style-type: none"> • Centenary Advisory Services Private Limited; • Joonktolle Tea and Industries Limited; • Orient Paper and Industries Limited; • Palit Consultancy Private Limited; • Peninsula Land Limited; • Shreyas Shipping and Logistics Limited; • Shreyas Relay Systems Limited; and • Zenith Fibres Limited.
Mr. Prasanta Kumar Mallik Designation: Non executive Director (Independent) Occupation: Chartered Accountant Address: 14/140, Golf Club Road, Tollygunge, Kolkata, 700033, West Bengal, India Term: Subject to retirement by rotation	Indian	00094697	82	<ul style="list-style-type: none"> • Peerless Financial Services Limited; • International Combustion (I) Limited; • CHNHB Association, Kolkata; • NRC Limited; • Rupantar Investments Private Limited.
Mr. Vinay Sah Designation: Non executive Director (Nominee of Life Insurance Corporation of India Limited) Occupation: Service Address: B-4/4 Jeevan Santhi Colony, S.V. Road, Santacruz	Indian	02425847	53	Nil

Name, Designation, Occupation, Address and Term	Nationality	Director's Identification Number	Age (years)	Directorships in other companies
- West, Mumbai, 400054, Maharashtra, India Term: Subject to retirement by rotation				
Mr. Kashi Prasad Khandelwal Designation: Non executive Director (Independent) Occupation: Chartered Accountant Address: 24A, Shakespeare Sarani, Circus Avenue, Kolkata, West Bengal, India – 700 017 Term: Subject to retirement by rotation	Indian	00748523	62	<ul style="list-style-type: none"> • Balasor Alloys Limited; • Ashika Credit Capital Limited; • Ashika Global Securities Limited.

Brief Biographies of our Directors

Mr. Basant Kumar Birla, aged 92 years, was appointed as the Director of our Company in 1936. He is an industrialist and has read up to ISC, but did not appear in the final examination. He has more than 70 years experience in several diverse businesses. He is also associated with various charitable trusts and educational institutions.

Ms. Manjushree Khaitan, aged 57 years, was appointed as a Director of our Company on 30 October 1998. She is a whole time Director designated as the 'Executive Vice Chairperson' of our Company. She holds a post graduate degree in English Literature from Calcutta University. Further, as an industrialist, she has been associated with the chemicals industry, tea and coffee plantations, and information technology for more than 20 years. She is the chairperson of Manjushree Plantations Limited. She is also a member of the board of governors of Birla Institute of Technology and Science, Pilani. In addition, she is closely associated with several educational and cultural trusts, including Birla Education Trust. She has more than 20 years of experience in plantation and various manufacturing units.

Mr. Kamal Chand Jain, aged 73 years, was re-appointed as a Whole time Director of our Company on 1 April 2012 and heads the cement business of our Company. He holds a bachelors degree in commerce from Vikram University, Ujjain and is a member of the Institute of Chartered Accountants of India. He has more than 50 years of professional experience in accounting, finance and business management.

Mr. Krishna Gopal Maheshwari, aged 90 years, was appointed as a Director of our Company on 31 July 1963. He holds an intermediate degree in arts. He is an industrialist and has more than 64 years of experience in the fields of business and management.

Mr. Pesi Kushru Choksey, aged 90 years, was appointed as a Director of our Company on 3 August 1984. He is a senior member of the Institute of Chartered Accountants of India. He has been a senior partner at Price Waterhouse, Chartered Accountants, India. He has more than 60 years of experience in finance, accounting, audit, mergers and acquisitions as well as corporate structuring.

Mr. Amitabha Ghosh, aged 82 years, was appointed as a Director of our Company on 14 February 1994. He holds a bachelor of commerce degree from Calcutta University and is a member of the Institute of Chartered Accountants of India. He has over 60 years of experience in finance, banking and administration by virtue of his association with various financial institutions and committees, including being the chairman and managing director of Allahabad Bank, deputy governor of the Reserve Bank of India, chairman of the Reserve Bank of

India Services Board. He has also been on the board of the Reserve Bank of India, IDBI, NIBM and EXIM Bank.

Mr. Prasanta Kumar Mallik, aged 82 years, was appointed as a Director of our Company on 6 November 1995. He holds a bachelor's degree in commerce from Calcutta University and is a fellow member of the Institute of Chartered Accountants of India. He has been a senior partner at Price Waterhouse, Chartered Accountants, India. He has also been a president of the Institute of Chartered Accountants of India and is an ex-Sheriff of Kolkata. He has more than 60 years of experience in finance, audit, accounting and business management.

Mr. Vinay Sah, aged 53 years, was appointed as a Director of our Company on 3 November 2011 and is the nominee director of Life Insurance Corporation of India. He holds a masters degree in statistics from Lucknow University, India. He is also the zonal manager of Life Insurance Corporation of India, Western Zone, Mumbai, India. He has more than 30 years of experience in the field of insurance and business management.

Mr. Kashi Prasad Khandelwal, aged 62 years, was appointed as a Director of our Company on 10 April 2012. He holds a bachelors degree in law from Calcutta University and a Diploma in Information System Audit and Computerised Accounting and Auditing Technologies from the Institute of Chartered Accountants of India, New Delhi. In addition, he is a member of the Institute of Chartered Accountants of India and has been a member of the Central Council of the Institute of the Chartered Accountants of India. He has been associated with the World Bank, Washington, USA as a financial Audit Consultant for the Emergency Monrovia Urban Sanitation project in Liberia since August, 2010. He has more than 35 years of experience as a finance professional.

Relationships between Directors

Mr. Basant Kumar Birla is related to Mr. Krishna Gopal Maheshwari, who is his brother in law and to Ms. Manjushree Khaitan, who is his daughter. Except as stated above, none of our Directors are related to each other.

Details of Service Contracts

There are no service contracts entered into with any of the Directors for provision of benefits or payments of any amount upon termination of employment.

Details of current and past directorship(s) in listed companies whose shares have been/ were suspended from being traded on the BSE/ NSE and reasons for suspension.

None of our Directors are currently or have been, in the past five years, on the board of directors of a listed company whose shares have been or were suspended from being traded on the BSE or NSE.

Details of current and past directorship(s) in listed companies which have been/ were delisted from the stock exchange(s) and reasons for delisting.

None of our Directors are currently or have been on the board of directors of a public listed company whose shares have been or were delisted from being traded on any stock exchange.

Arrangements and Understanding with Major Shareholders, Customers, Suppliers or others.

Except for Mr. Vinay Sah who has been nominated by the Life Insurance Corporation of India pursuant to a letter dated 30 August 2011, none of our Directors or members of our senior management have been appointed pursuant to any arrangement or understanding with our major shareholders, customers, suppliers or others.

SECTION V – FINANCIAL INFORMATION

INDEPENDENT AUDITORS' REPORT

To the Members of Kesoram Industries Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Kesoram Industries Limited (the "Company"), which comprise the Balance Sheet as at 31st March, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
 - (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - (e) On the basis of written representations received from the directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Kolkata
27th April, 2013

Prabal Kr. Sarkar
Partner
Membership Number 52340

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kesoram Industries Limited the financial statements as of and for the year ended 31st March 2013

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii. (a) The inventory excluding stocks with third parties has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. (a) The Company has granted unsecured loans, to a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregated to Rs. 147,993,105 and Rs. 61,493,105, respectively. The company has not granted any secured /unsecured loans to firms or other parties covered in the register maintained under section 301 of the Act.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of the aforesaid loans, the company is regular in repaying the principal amount, as stipulated, and is also regular in payment of interest , as applicable.
- (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
- (e) The Company has taken unsecured loan, from two companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregated to Rs. 50,000,000 and Rs. nil, respectively. The company has not taken any secured /unsecured loans to firms or other parties covered in the register maintained under Section 301 of the Act.

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kesoram Industries Limited on the financial statements for the year ended 31st March 2013

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- (f) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- iv. In our opinion, and according to the information and explanations given to us, *except for deficiencies in relation to information technology general controls (ITGC) for sale of tyre, for which the management is yet to take remedial measures* there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for the sale of goods and further on the basis of our examination of books and records of the company and according to the information and explanations given to us, *except for aforesaid deficiency in ITGC for sale of tyre* we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the 'Companies (Acceptance of Deposits) Rules, 1975' with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of Provident Fund, Service tax, Tax Deducted at Source and Value Added Tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including , investor education and protection fund, employees' state

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kesoram Industries Limited on the financial statements for the year ended 31st March 2013

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insurance, income tax, wealth tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth-tax, customs duty, which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, service tax and excise duty as at March 31, 2013 which have not been deposited on account of a dispute, are as follows

Name of Statute	Nature of dues	Amount (Rs. In Crore)	Period to which the amount relates	Forum where the dispute is pending
Andhra Pradesh General Sales Tax Act, 1957	Sales Tax	8,003,377	2006-07 to 2009-10 2001-02	Andhra Pradesh High Court
Bombay Sales Tax Act, 1959	Sales Tax	7,131,347	2004-05 2003-04 2002-03 2002-03	Deputy Commissioner (Appeal)
Central Excise Act, 1944	Excise Duty	6,042,368	2002 - 03 1999 -00	Additional Commissioner
Central Excise Act, 1944	Excise Duty	1,886,987	1979-1981 1980-1981 1982-1983 1982-1983 2003-2004 2004-2005 2002-2004 1995-1996	Assistant Commissioner
Central Excise Act, 1944	Excise Duty	382,327,272	2004-06 2006-08 2003 - 05 2003 - 05 1995-1996 1985-1990 2000-2004 1986-87 to 1989-90 2009-10 2007-11	Commissioner
Central Excise Act, 1944	Excise Duty	16,516,746	2006-07 1995 - 96 2001 - 02 2002 - 03 2002 - 03 2004 - 05 2009-10 2009-10	Commissioner (Appeal)

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kesoram Industries Limited on the financial statements for the year ended 31st March 2013

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			2010-11 2011-12 2010-11		
Central Excise Act, 1944	Excise Duty	293,971,767	2006-07 2007-08 2004-05 2005-06 2007-08 2008-09 2002-03, 2004-05 1999-03 2005-06 2010-12 2004-06 2006-08 2007-08 2007-09 2008-09 2009-10 2006-07, 2009-10 2006-07 2009-10 2010-11	to to to to	Customs, Excise & Service Tax Appl. Tribunal
Central Excise Act, 1944	Excise Duty	7,611,452	2005 - 06		Tribunal
Central Sales Tax Act, 1956	Sales Tax	3,696,595	1997-98 2008-09 2007-08 1999-2000		Additional Commissioner
Central Sales Tax Act, 1956	Sales Tax	62,588,099	1995-96 2006-07 1996-97 2003-04 2004-05 2005-06 2006-07		West Bengal Commercial Taxes Appellate and Revision Board
Central Sales Tax Act, 1956	Sales Tax	5,452,639	2004-05 1996 - 97, 1998 - 99 2008-09 2009-10 2010-11 2011-12		Assistant Commissioner
Central Sales Tax Act, 1956	Sales Tax	514,233	2005-06		Commissioner
Central Sales Tax Act, 1956	Sales Tax	1,102,013	2007-08		Deputy Commissioner

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kesoram Industries Limited on the financial statements for the year ended 31st March 2013

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			2008-09 2009-10	
Central Sales Tax Act, 1956	Sales Tax	84,755,736	2003-04 2006-07 2003-04 2008-09	Odisha High Court
Central Sales Tax Act, 1956	Sales Tax	1,772,768	2001-2002 2002-2003	Tribunal
Central Sales Tax Act, 1956	Sales Tax	46,512,981	2003-04	Karnataka High Court
Central Sales Tax Act, 1956	Sales Tax	28,830,196	2008-09 2007-08	Sr. Joint Commissioner
Central Sales Tax Act, 1956	Sales Tax	139,127	2006-07	Jt. Commissioner
Central Sales Tax Act, 1956	Sales Tax	639,136	2001-02 2004-05	Sr. Jt. Commissioner (Appellate Authority)
Central Sales Tax Act, 1956	Sales Tax	169,942,317	2000-2001 2001-2002 2002-2003	Supreme Court
Delhi Sales Tax Act,1975	Sales Tax	4,170,263	1999-2000	Additional Commissioner
Finance Act, 1944	Service Tax	4,631,961	2008-09 to 2009-10	Commissioner
Finance Act,1994	Service Tax	3,546,867	2010-11 2009-10, 2010-11 2008-09 2008-09, 2009-10	Commissioner (Appeals), Central Excise, Customs & Service Tax.
Finance Act,1994	Service Tax	172,028	2007-09	Additional Commissioner of Service Tax
Income Tax Act, 1961	Income Tax	91,998,774	2005-06 2007-08 2010-11 2003-04	CIT (Appeal)
Tamil Nadu General Sales Tax Act, 1959	Sales Tax	1,807,934	1999-2000	Chennai High Court
UP Trade Tax Act, 1948	Sales Tax	888,138	2005-06, 2006-07	Additional Commissioner
West Bengal Sales Tax Act, 1994	Sales Tax	692,109	2008-09 1999-2000	Additional Commissioner
West Bengal Sales Tax Act, 1994	Sales Tax	38,953,232	1998-99 1995-96 1996-97 1987-88 2003-04	West Bengal Commercial Taxes Appellate and Revision Board

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kesoram Industries Limited on the financial statements for the year ended 31st March 2013

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			2004-05	
West Bengal Sales Tax Act, 1994	Sales Tax	2,127,844	1995-96 1997-98	Deputy Commissioner
West Bengal Sales Tax Act, 1994	Sales Tax	3,803,543	2001-02 2004-05	Sr. Jt. Commissioner (Appellate Authority)

- x. The company has no accumulated losses as at the end of the financial year and it has incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company
- xiii. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- xv. In our opinion, and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions during the year are not prejudicial to the interest of the Company.
- xvi. In our opinion, and according to the information and explanations given to us, the term loans have been applied, on an overall basis, for the purposes for which they were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the company has used funds raised on short-term basis for long-term investment. The company has excess current liabilities over current assets amounting to Rs 990.59 crores on a short term basis which has been used for non current assets..

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kesoram Industries Limited on the financial statements for the year ended 31st March 2013

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- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.
- xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Kolkata
27th April, 2013

Prabal Kr. Sarkar
Partner
Membership Number 52340

KESORAM INDUSTRIES LIMITED
Balance Sheet as at 31st March, 2013

In Rs crore

	Notes	31st March, 2013	31st March, 2012
I. EQUITY AND LIABILITIES			
(1) SHAREHOLDERS' FUND			
(a) Share capital	3	45.74	45.74
(b) Reserves and surplus	4	534.50	869.27
		<u>580.24</u>	<u>915.01</u>
(2) NON CURRENT LIABILITIES			
(a) Long term borrowings	5	2,774.39	2,755.77
(b) Deferred tax liabilities (net)	6	-	57.21
		<u>2,774.39</u>	<u>2,812.98</u>
(3) CURRENT LIABILITIES			
(a) Short term borrowings	7	1,630.80	1,349.57
(b) Trade payables	8	490.63	483.40
(c) Other current liabilities	8	918.09	890.19
(d) Short term provisions	9	79.75	71.56
		<u>3,119.27</u>	<u>2,794.72</u>
TOTAL		<u>6,473.90</u>	<u>6,522.71</u>
II. ASSETS			
(1) NON CURRENT ASSETS			
(a) Fixed Assets			
(i) Tangible Assets	10	3,443.84	3,584.74
(ii) Intangible Assets	10	2.93	2.11
(iii) Capital work in progress		704.49	623.52
(iv) Intangible assets under development		-	0.36
		<u>4,151.26</u>	<u>4,210.73</u>
(b) Non current investments	11	66.36	66.36
(c) Long Term loan and advances	12	126.66	156.23
(d) Other non current assets	13	0.94	2.21
		<u>4,345.22</u>	<u>4,435.53</u>
(2) CURRENT ASSETS			
(a) Inventories	14	912.75	995.16
(b) Trade receivables	15	835.67	672.44
(c) Cash and bank balances	16	83.66	69.59
(d) Short term loans and advances	12	282.97	311.73
(e) Other current assets	13	13.63	38.26
		<u>2,128.68</u>	<u>2,087.18</u>
TOTAL		<u>6,473.90</u>	<u>6,522.71</u>

Significant accounting policies 2

The accompanying notes are an integral part of the financial statements.

This is the Balance Sheet referred in our report of even date

For Price Waterhouse

Firm Registration Number 301112E
Chartered Accountants

Manjushree Khaitan

Executive Vice-chairperson

B. K. Birla *Chairman*

K. C. Jain

Wholetime Director

K. G. Maheshwari

P. K. Choksey

Prabal Kr. Sarkar

Partner
Membership No 52340

Tridib Kr. Das

Chief Financial Officer

Amitabha Ghosh *Directors*

P. K. Mallik

Vinay Sah

Place: Kolkata

Date : 27th April, 2013

Gautam Ganguli

Company Secretary

K. P. Khandelwal

KESORAM INDUSTRIES LIMITED

Statement of Profit and Loss for the year ended 31st March, 2013

in Rs crore, except per share data

Particulars	Notes	2012-2013	2011-2012
INCOME			
Revenue from operations (Gross)	17	6,082.70	6,282.60
Less: Excise Duty		371.88	361.74
Revenue from operations (Net)		5,710.82	5,920.86
Other Income	18	131.04	84.00
Total Revenue (I)		5,841.86	6,004.86
EXPENSES			
Cost of materials consumed	19	2,849.57	3,424.02
Purchases of stock-in-trade		83.53	52.19
Changes in inventories of finished goods, Work-in-progress and stock-in-trade	20	(55.96)	125.14
Employee benefits expense	21	384.05	334.68
Other expenses	22	2,137.57	2,082.75
Total Expenses (II)		5,398.76	6,018.78
Profit/(Loss) before interest, tax and depreciation and amortisation (EBITDA) [(I) - (II)]		443.10	(13.92)
Depreciation and amortization expenses	10	306.12	297.59
Less: Transfer from Revaluation of Fixed Assets		0.19	0.19
		305.93	297.40
Finance costs	23	514.36	410.15
Profit/(Loss) before exceptional item and tax		(377.19)	(721.47)
Exceptional item		-	11.22
Profit/(Loss) before tax		(377.19)	(710.25)
Tax Expenses:			
Deferred tax charge/(credit)		(57.21)	(329.21)
Excess provision of current tax and fringe benefit tax in respect of earlier years written back			(1.30)
Reversal of Mat credit Entitlement		9.25	-
		(47.96)	(330.51)
Profit/(Loss) for the period		(329.23)	(379.74)
Earnings per equity share	25		
[Nominal Value per share: Rs 10 (2011-12: Rs 10)]			
(a) Basic - Rs		(71.98)	(83.02)
(b) Diluted - Rs		(71.98)	(83.02)
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

This is the Statement of Profit and Loss referred in our report of even date

For Price Waterhouse

Firm Registration Number 301112E

Chartered Accountants

Prabal Kr. Sarkar

Partner

Membership No 52340

Place: Kolkata

Date : 27th April, 2013

B. K. Birla | Chairman

Manjushree Khaitan
Executive Vice-chairperson

K. C. Jain
Wholetime Director

Tridib Kr. Das
Chief Financial Officer

Gautam Ganguli
Company Secretary

K. G. Maheshwari
P. K. Choksey
Amitabha Ghosh | Directors

P. K. Mallik
Vinay Sah
K. P. Khandelwal

KESORAM INDUSTRIES LIMITED
Cash Flow Statement for the year ended 31st March, 2013
in Rs crore,

	2012-2013	2011-2012
A. Cash Flow from Operating Activities		
Net Profit/(Loss) before tax	(377.19)	(710.25)
Adjustments for:		
Depreciation and amortisation	305.93	297.40
Debt/advance/deposits written off	4.37	5.67
Provision for bad and doubtful debts	1.28	2.58
Provision for contingencies	-	30.00
Finance costs	514.36	410.15
Unrealised loss/(gain) on derivative contracts	(1.52)	(1.02)
Unrealised loss/(gain) on foreign currency fluctuation	1.17	29.92
(Profit)/Loss on sale of fixed assets (net)	0.06	(0.04)
Profit on current investment (other than trade) sold	-	(0.00) *
Liabilities no longer required written back	(18.71)	(11.46)
Interest income	(18.57)	(9.56)
Dividend income from long term investment (other than trade)	(5.62)	(5.72)
Dividend income from current investment (other than trade)	-	(0.37)
Operating profit before working capital changes	405.56	37.30
Changes in Working Capital:		
Increase / (decrease) in trade and other payables	54.40	17.22
(Increase) / decrease in trade and other receivables	(101.78)	42.65
(Increase) / decrease in inventories	82.41	123.39
Cash Generated from Operations	440.59	220.56
Taxes paid (net of refunds)	8.12	24.97
Net cash generated from operating activities	448.71	245.53
B. Cash flow from Investing Activities:		
Purchase of fixed assets	(199.02)	(554.20)
Sale of fixed assets	2.02	2.85
Purchase of Long Term Investments (other than trade)	-	(0.54)
Purchase of Current Investments (other than trade)	-	(566.50)
Proceeds from sale of Current Investments (other than trade)	-	566.50
Loan given	-	(0.35)
Realisation of loans given	1.54	-
Interest received	16.77	6.77
Income from Long Term Investments (other than trade)	5.62	5.72
Dividend from Current Investments (other than trade)	-	0.37
Net cash used in investing activities	(173.07)	(539.38)
C. Cash flow from Financing Activities		
Dividends paid	(4.64)	(14.82)
Dividend distribution tax paid	(0.74)	(2.41)
Finance cost paid	(520.99)	(409.84)
Proceeds from		
- Long term borrowings	723.91	1,733.88
- Short term borrowings	502.03	4,184.25
Repayment of		
- Long term borrowings	(739.17)	(861.72)
- Short term borrowings	(612.53)	(4,677.15)
Increase/(decrease) in cash credit and overdrafts from banks	390.56	338.36
Net cash used in financing activities	(261.57)	290.55
Net increase in cash and cash equivalents	14.07	(3.30)
Cash and cash equivalents at the beginning of the year	69.59	72.89
Cash and cash equivalents at the end of the year	83.66	69.59

KESORAM INDUSTRIES LIMITED
Cash Flow Statement for the year ended 31st March, 2013

in Rs crore,

Notes:

1. The above cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard - 3 on Cash Flow Statements.

	<u>31st March, 2013</u>	<u>31st March, 2012</u>
2. Cash and Cash Equivalents comprise :		
Cash on hand	0.11	0.16
Cheques on hand	63.62	2.31
Balances with banks on current account	18.05	65.17
Others		
In post office saving bank account	0.00 *	0.00 *
Other Bank Balances:		
Balances with banks		
On deposit accounts	0.07	0.07
On unpaid dividend accounts	1.81	1.88
	<u>83.66</u>	<u>69.59</u>

* Amount is below the rounding off norm adopted by the Company

This is the Cash Flow Statement referred to in our report of even date.

For Price Waterhouse

Firm Registration Number 301112E
Chartered Accountants

B. K. Birla | *Chairman*

Manjushree Khaitan
Executive Vice-chairperson

K. G. Maheshwari

P. K. Choksey

K. C. Jain
Wholetime Director

Amitabha Ghosh

Directors

Prabal Kr. Sarkar
Partner
Membership No 52340

Tridib Kr. Das
Chief Financial Officer

P. K. Mallik

Vinay Sah

Place: Kolkata
Date : 27th April, 2013

Gautam Ganguli
Company Secretary

K. P. Khandelwal

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

1. General Information

Kesoram Industries Limited (the Company) is a public company domiciled and incorporated under the provisions of the The Indian Companies Act, 1913. The Company is flagship company of B. K. Birla group of companies. The Company is a multiproduct and multi location company. Cement and automobile tyre business are its core businesses and it also has interest in rayon and cellulose paper, cast iron spun pipes and caustic soda & allied chemicals. Its shares are listed on three stock exchanges in India (Bombay Stock Exchange, National Stock Exchange and Calcutta Stock Exchange) and its Global Depository Receipts (GDR) are listed on Luxembourg Stock Exchange. The Company markets its automobile tyres under the brand name "Birla Tyres" and cement is marketed under "Birla Shakti" brand.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting principles in India under the historical cost convention on accrual basis, except for certain tangible assets which are being carried at revalued amounts. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities

2.2 Tangible Fixed assets and Depreciation

- (a) Fixed Assets, except land, building and certain items of plant and machineries, are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase cost, borrowing costs if capitalisation criteria are met and other directly attributable cost of bringing the assets to its working condition for intended use. The cost also comprises of exchange differences arising on translation /settlement of long term foreign currency monetary items pertaining to acquisition of such depreciable assets. Any trade discounts and rebates are deducted in arriving at the purchase price.
- (b) Land, buildings and certain plant and machineries of Rayon and Transparent Paper Unit as at 31st March, 1982 and of Cement (at Basantnagar) and Spun Pipes & Foundries Units as at 31st March, 1983 are stated at valuation made by the professional valuers in 1982-83 at the then current value.
- (c) Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing assets beyond its previously assessed standard of performance.

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

- (d) Capital work in progress is stated at cost [including borrowing cost, where applicable and adjustment for exchange difference referred to in Note 2.8 below], incurred during construction/ installation/ pre-operative period relating to items or projects in progress.
- (e) Losses arising from the retirement of and gains and losses arising from disposal of fixed assets which are carried at costs are recognised in the Statement of profit and loss.
- (f) Depreciation on revalued items of fixed assets referred to in 2.2 (b) above is calculated on their respective revalued amounts at rates considered applicable by the valuers on straight line method as against the methods/ rates/ bases which would have otherwise been adopted for the purpose of the annual accounts of the Company and accordingly includes additional depreciation charge. An amount equivalent to the aforesaid additional depreciation charge is transferred to the credit of the statement of profit and loss from revaluation reserve.
- (g) Depreciation on fixed assets acquired up to 31st March, 1983 and not covered by revaluations referred to in 2.2 (b) above pertaining to Transparent Paper Division of Rayon & Transparent Paper Unit is calculated under reducing balance method at applicable rates as per Schedule XIV to the Companies Act, 1956 as revised during 1993-94.
- (h) Depreciation on fixed assets acquired up to 31st March, 1993 other than items covered in 2.2 (f) and 2.2 (g) above is calculated under straight line method at the rates considered adequate to amortise the depreciable book value over the remaining part (as at 1st April, 1993) of the specified period recomputed by applying the Schedule XIV rates as revised during 1993-94 in keeping with the Circular No.14/93 dated 20th December, 1993 of the Department of Company Affairs, Government of India.
- (i) Depreciation on additions to fixed assets from 1st April, 1993 [except for deferral of annual depreciation charge for three years from 1999-2000 to 2001-2002 on certain fixed assets of Cement Units as indicated in 2.2(j) below], is calculated under straight line method at applicable rates as per Schedule XIV to the Companies Act, 1956 as amended during 1993-94.
- (j) Pursuant to Central Government's approval under Section 205(2)(c) of the Companies Act, depreciation not provided in 1999-2000, 2000-2001 and 2001-2002 accounts on certain fixed asset items of Cement Units are amortised over the remaining part of specified period (as at 1st April, 2000, 1st April, 2001 and 1st April, 2002 respectively) based on the prescribed rates.
- (k) Leasehold land is amortised over the lease period.

2.3 Intangible assets and Amortisation

Intangible asset are capitalised where it is expected to provide future enduring economic benefits and amortised on a straight line basis over a period of three years from the date of capitalisation. Capitalisation costs include license fees and the cost of implementation/ system integration services. The Costs are capitalised in the year in which the relevant software is implemented for use.

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

2.4 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of profit and loss in the period in which they are incurred.

2.5 Impairment

Cash generating units/ assets are assessed for possible impairment at Balance Sheet date based on external and internal sources of information. Impairment losses, if any, are recognised as an expenses in Statement of Profit and Loss.

2.6 Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

2.7 Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined on weighted average / first-in, first-out (FIFO) basis, as considered appropriate by the Company. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Provision is made for obsolete/slow moving/defective stocks, wherever necessary.

2.8 Foreign Currency Translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end exchange rates. Gains/losses (other than relating to reporting of Long term foreign currency monetary items) arising out of fluctuations in the exchange rates are recognised in Statement of Profit and Loss in the period in which they arise. Exchange differences arising on reporting of Long term foreign currency monetary items (i) relating to acquisition of depreciable capital assets is adjusted to the carrying amount of such assets (to be depreciated over the balance life of the related asset) and (ii) in other cases accumulated in a 'Foreign Currency Monetary Item Translation Difference Account' (to be amortised over the balance period of the related long term monetary asset/liability). Differences between the forward exchange rates and the exchange rates at the date of transactions are accounted for as income/expense over the life of the contracts.

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

2.9 Derivative Contracts

In respect of derivative contracts (other than forward exchange contracts covered under Accounting Standard 11 on 'The Effects of Changes in Foreign Exchange Rates'), gains/losses on settlement and mark to market loss (net) relating to outstanding contracts as at the Balance Sheet date is recognised in the statement of Profit and Loss .

Refer Note 2.8 above for forward exchange contracts covered under Accounting Standard 11 on 'The Effects of Changes in foreign Exchange Rates'.

2.10 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sales of goods

Sales are recognised when the substantial risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and are recognised net of trade discounts/allowance, sales return and sales taxes/value added tax.

2.11 Other Income

Interest: Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend: Dividend income is recognised when the right to receive dividend is established.

2.12 Employee Benefits

Short-term Employee Benefits (i.e. benefits payable within one year) are recognised in the period in which employee services are rendered.

Contributions towards superannuation at rates specified in related approved scheme covering eligible employees are recognised as expense and funded.

Provident Fund: Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as defined contribution schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis.

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

In respect of certain employees, Provident Fund contributions are made to a Trust administered by the Company. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any shortfall in the fund size maintained by the Trust set up by the Company is additionally provided for. Actuarial losses/ gains are recognised in the Statement of profit and loss in the year in which they arise.

Gratuity: The Company provides gratuity, a defined benefit plan (the 'Gratuity Plan') covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on respective employee's salary and the tenure of employment. The Company's liability is provided and funded on the basis of year end Actuarial valuation(using the Projected Unit Credit method) . Actuarial losses/gains are recognised in the Statement of profit and loss in the year in which they arise.

Compensated Absences: Accumulated compensated absences which are expected to be availed or encashed within 12 months from the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlements as at the year end.

Accumulated compensated absences which are expected to be availed or encashed beyond 12 months from the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial loss/gains are recognised in the Statement of Profit and Loss in the year in which they arise. The Company presents the entire leave as a current liability in the balance sheet, since it does not have a unconditional right to defer its settlement for 12 months after the reporting date.

Contribution to Central Government administered Employees' State Insurance Scheme for eligible employees is recognised as charge in Statement of Profit and Loss in the year in which they arise.

2.13 Taxes on income

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act,1961.

Deferred taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of earlier years.

As at the balance sheet date, unless there is an evidence to the contrary, deferred tax assets pertaining to business loss are only recognised to the extent that there are deferred tax liabilities offsetting them.

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is a convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the year.

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

2.14 Government Grants

Grants of Capital nature and related to specific Fixed Assets are deducted from gross value of assets. Other grants of capital nature are credited to Capital Reserve. Grant related to revenue are recognised in the statement of profit and loss on a systematic basis to match them with related costs.

2.15 Lease

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Such assets acquired are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expense on a straightline basis in the statement of profit and loss over the lease term.

2.16 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

2.17 Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit/(loss) for the period after deducting preference dividends if any and any attributable tax thereto for the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of equity shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

2.18 Provision and Contingent Liabilities

Provisions: Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Contingent Liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

2.19 Segment reporting

Identification of segments

The company's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The company operates predominantly within the geographical limits of India and accordingly secondary segments have not been considered.

Inter-segment transfers

The company accounts for intersegment sales and transfers at cost.

Unallocated items

Unallocated items include general corporate income and expense items which are not allocable to any business segment.

Segment accounting policies

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

2.20 Measurement of EBITDA

As permitted by the Guidance Note published by The Institute of Chartered Accountants of India on the Revised Schedule VI to the Companies Act, 1956, the company has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the company does not include depreciation & amortisation expense, finance costs and tax expense.

2.21 Use of estimates

The presentation of financial statements in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in the future periods.

3. SHARE CAPITAL

Rs/ Crores

	<u>31st March, 2013</u>	<u>31st March, 2012</u>
AUTHORISED		
Nil (31st March, 2012: 50,00,000) Redeemable Cumulative Preference Shares of Rs 100 each	-	50.00
Nil (31st March, 2012: 4,00,000) Redeemable Cumulative Second Preference Shares of Rs 100 each	-	4.00
Nil (31st March, 2012: 6,60,00,000) Ordinary Shares of Rs 10 each	-	66.00
1200,00,000 (31st March, 2012: Nil) Equity Shares of Rs 10 each	<u>120.00</u>	<u>-</u>
	<u>120.00</u>	<u>120.00</u>
ISSUED, SUBSCRIBED AND PAID-UP		
Nil (31st March, 2012- 4,57,43,318) Ordinary Shares of Rs 10 each fully paid up	-	45.74
4,57,41,080 (31st March, 2012- Nil) Equity Shares of Rs 10 each fully paid up	<u>45.74</u>	<u>-</u>
	<u>45.74</u>	<u>45.74</u>

(a) Reconciliation of the number of shares outstanding as at 31st March, 2013 and 31st March, 2012 is set out below:

Particulars	<u>31st March, 2013</u>	<u>31st March, 2012</u>
Number of shares outstanding at the beginning of the year	4,57,43,318	4,57,43,318
Number of shares forfeited during the year	2,238	-
Number of shares outstanding at the end of the year	<u>4,57,41,080</u>	<u>4,57,43,318</u>

(b) Re-Classification of Authorised share capital

The authorised share capital of Rs 120,00,00,000 (Rupees one hundred twenty crores only) comprising of 50,00,000 Redeemable preference shares of Rs 100/- each, 4,00,000 Redeemable cumulative second preference shares of Rs 100/- each and 6,60,00,000 ordinary shares of Rs 10/- each has been re-classified into 12,00,00,000 (Twelve crore) Equity shares of face value of Rs 10/- each during the year through a resolution passed by postal Ballot.

(c) Forefeiture of Equity Shares

In terms of Company's Articles of Association, the company forfeited 2,238 Equity shares standing in the name of 175 allottees who failed to pay allotment money despite of several reminders.

(d) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs 10 each. Each holder of equity shareholders is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in the proportion to their shareholdings.

During the year ended 31st March, 2013, the amount of per share dividend recognised as distributions to equity shareholders was Rs 1/-. The total dividend appropriation for the year ended 31st March, 2013 amounted to Rs 5.35 crore including corporate dividend tax of Rs 0.78 crore.

(e) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company.

SN	Name of the shareholders	<u>31st March, 2013</u>		<u>31st March, 2012</u>	
		No. of shares	% age	No. of shares	% age
1	Pilani Investments and Industries Corporation Limited	24,15,750	5.28	24,15,750	5.28
2	Life Insurance Corporation of India	49,84,017	10.90	49,84,017	10.90
3	Finquest Securities Pvt. Ltd	25,12,200	5.49	-	-
		<u>99,11,967</u>	<u>21.67</u>	<u>73,99,767</u>	<u>16.18</u>

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

4. RESERVES AND SURPLUS

	31st March, 2013	<i>in Rs crore</i> 31st March, 2012
Capital Reserve		
(a) Development Grant/ Subsidy	0.40	0.40
(b) Amalgamation Reserve	2.91	2.91
	<u>3.31</u>	<u>3.31</u>
Capital Redemption Reserve	<u>3.59</u>	<u>3.59</u>
Debenture Redemption Reserve		
Balance at the beginning of the year	-	65.00
Less: Amount transferred to surplus balance in the statement of profit and loss	-	65.00
	<u>-</u>	<u>-</u>
Forfeiture of shares (refer note 3 (c))	0.00 *	-
Revaluation Reserve		
Balance at the beginning of the year	2.70	2.89
Less: Adjustment relating to depreciation and withdrawal on/of revalued fixed assets**	0.19	0.19
	<u>2.51</u>	<u>2.70</u>
General Reserve	<u>224.00</u>	<u>224.00</u>
Other Reserves:		
(a) Doubtful Debts & Contingencies	0.20	0.20
(b) Share Buy Back Reserve	7.01	7.01
	<u>7.21</u>	<u>7.21</u>
Surplus/(Deficit)		
Balance at the beginning of the year	628.46	948.51
Add:- Profit/(Loss) for the period	(329.23)	(379.74)
Amount available for appropriation	299.23	568.77
Less: Appropriations:		
Proposed Dividend	4.57	4.57
Tax on Proposed Dividend	0.78	0.74
Total dividend (including corporate dividend tax)	5.35	5.31
Amount transferred to/ (from) Debenture Redemption Reserve (net)	-	(65.00)
Total appropriations	5.35	(59.69)
	<u>293.88</u>	<u>628.46</u>
	<u>534.50</u>	<u>869.27</u>

** Comprising -

(i) Additional depreciation charge on revalued fixed assets transferred to Statement of profit and loss

0.19

0.19

* Amount is below the rounding off norm adopted by the Company

5. LONG TERM BORROWINGS

	Non current portion		Current maturities	
	31st March, 2013	31st March, 2012	31st March, 2013	31st March, 2012
<i>in Rs crore</i>				
Term Loans:				
From Bank				
Indian rupee loan (secured)	2,057.55	2,245.00	549.95	255.00
Foreign currency loan (secured)	157.96	210.31	111.23	393.19
From others				
Indian rupee loan (secured)	262.91	-	12.09	-
Finance lease (Secured)	0.15		0.10	
Deposits (unsecured):				
From selling agents and others	295.82	300.46	-	-
	<u>2,774.39</u>	<u>2,755.77</u>	<u>673.37</u>	<u>648.19</u>
The above amount includes:				
Secured borrowings	2,478.57	2,455.31	673.37	648.19
Unsecured borrowings	295.82	300.46	-	-
Amount disclosed under the head "other current liabilities" (refer Note 8)	-	-	(673.37)	(648.19)
	<u>2,774.39</u>	<u>2,755.77</u>	<u>-</u>	<u>-</u>

The finance lease obligation is in respect of a Audi A6 car acquired in 2012 which is secured against the said asset. The above mentioned facility is to be repaid in equal monthly installments over the period of loan and at an interest rate of 10% p.a. The period of repayment with respect to balance sheet date is 28 months

(a) Repayment terms and nature of securities given for Indian rupee term loans are as follows:

				<i>in Rs crore</i>
Bank	31-Mar-13	31-Mar-12	Nature of Security	Repayment Terms
Bank of Baroda	160.00	200.00	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company, subject to prior subsisting charge on moveable and immovable fixed assets pertaining to Vasavadatta Cement unit.	Repayable in four specified annual instalments commencing from March 2013. Interest is payable monthly @ base rate plus 1.25% p.a.
Punjab National Bank	235.00	300.00	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company, subject to prior subsisting charge on moveable and immovable fixed assets pertaining to Vasavadatta Cement unit.	Repayable in twenty quarterly instalments starting from June 2012 distributed as first sixteen instalments of Rs 16.25 crore each and balance four instalments of 10 crore each Interest is payable monthly @ base rate plus 1.5% p.a. plus term premium.

Bank	31-Mar-13	31-Mar-12	Nature of Security	Repayment Terms
State Bank of India	500.00	600.00	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company, subject to prior subsisting charge on moveable and immovable fixed assets pertaining to Vasavadatta Cement unit. (First pari passu charge on all moveable fixed assets and second pari passu charge on current assets yet to be created).	Repayable in four annual instalments commencing after twenty four months from the date of first disbursement of the loan (First two instalments of Rs. 100 crores each and balance two instalments of Rs. 200 crores each). Interest is payable monthly @ base rate plus 2% p.a. with annual reset.
Indusind Bank Ltd	212.50	250.00	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company, subject to prior subsisting charge on moveable and immovable fixed assets pertaining to Vasavadatta Cement unit	Repayment commencing by the end of the calendar quarter after expiry of 12 months moratorium from the date of disbursement, in quarterly instalments of Rs.12.50 crores for 8 quarters and Rs.18.75 crores each for 8 quarters thereafter. Interest payable monthly @ base rate plus 0.75% p.a. with annual reset.
ICICI Bank Ltd.	300.00	300.00	First pari passu charge on all moveable and immovable fixed assets (both present and future) of various units (excluding Spun Pipes & Foundry and Hindustan heavy Chemicals unit) of the company subject to charge on fixed asset of vasavadatta cement unit.	Repayable in 20 equal quarterly instalments commencing from the 27th month from the date of disbursement. Interest is payable monthly @ base rate plus 2.7% p.a. with annual reset.
State Bank of India	500.00	500.00	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company, subject to prior subsisting charge on moveable and immovable fixed assets pertaining to Vasavadatta Cement unit	Repayable in 12 quarterly instalments commencing from the quarter ending February, 2014 distributed as 11 instalments of Rs. 41.67 crores and the last instalment of Rs. 41.63 crores in November, 2016. Interest is payable monthly @ base rate plus 2% p.a.
South Indian Bank Ltd.	150.00	150.00	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company, subject to prior subsisting charge on moveable and immovable fixed assets pertaining to Vasavadatta Cement unit (First pari passu charge on all immovable fixed assets yet to be created).	Repayable in 3 quarterly instalments of Rs. 37.50 crores each commencing from the end of 24 months and last instalment of Rs. 37.50 crores to be remitted before expiry of 35 months from the date of availment. Interest is payable @ base rate plus 1.5% p.a. with annual reset.
Syndicate Bank	200.00	200.00	Subservient Charge on Fixed & Current assets(both present & Future) of the company.	Repayable in 5 equal monthly instalments of Rs. 40 crores starting from the end of 20th month from the date of disbursement. Interest is payable monthly @ base rate plus 0.25% p.a. with annual reset.
South Indian Bank Ltd.	100.00	-	First pari passu charge on all moveable and immovable fixed assets (both present and future) of various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company to be created (First pari passu charge on immovable fixed asset of the company yet to be created)	Repayment commencing after a moratorium of 12 month in 6 quarterly installment of Rs 1.5 crore , next 4 quarters of Rs 3 crore each , next 17 quarters of Rs 4.39 crore and last installment of Rs 4.37 crore thereafter Interest is payable @base rate plus 2.50% p.a with annual reset
South Indian Bank Ltd.	50.00	-	First pari passu charge on all moveable and immovable fixed assets (both present and future) of various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company (First pari passu charge on immovable fixed asset of the company yet to be created)	Repayment commencing after a moratorium of 12 month in 6 quarterly installment of Rs 0.75 crore, next 4 quarters of Rs 1.5 crore each , next 17 quarters of Rs 2.20 crore and last installment of Rs 2.19 crore thereafter Interest is payable @base rate plus 2% p.a with annual reset
Yes Bank Ltd.	200.00	-	Exclusive charge on all fixed assets (including land & building) of Spun pipe Division and equitable mortgage of freehold land at Solapur district to be created	Repayable in 2 equal yearly installment after a moratorium period of 1 year from the date of disbursement. Interest is payable @11% fixed
	2,607.50	2,500.00		

(b) Repayment terms and nature of securities given for foreign currency term loans are as follows:

				<i>in Rs crore</i>
Bank	31-Mar-13	31-Mar-12	Nature of Security	Repayment Terms
ICICI Bank Ltd.	197.73	199.86	First pari passu charge on both present and future movable fixed assets of Cement expansion project at Vasavadatta Cement Unit by way of hypothecation and first pari passu charge of mortgage over both present and future immovable fixed assets of Vasavadatta Cement Unit of the Company.	Repayable in ten unequal half yearly instalments commencing from end of 30 months from and including average utilisation date along with interest at @ blended rate plus 1.25% p.a.
Standard Chartered Bank	-	45.42	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company, subject to prior subsisting charge on moveable and immoveable fixed assets pertaining to Vasavadatta Cement unit (second pari passu charge on current assets yet to be created).	Repaid in three unequal annual instalments commencing from end of second year. Interest is payable monthly @ 6 month libor rate plus 1.75% p.a.
DBS Bank Ltd.	-	96.32	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company, subject to prior subsisting charge on moveable and immoveable fixed assets pertaining to Vasavadatta Cement unit (Second pari passu charge on current assets yet to be created).	Repaid in two equal instalments payable at the end of the 36th & 39th month respectively. Interest is payable monthly @ 6 months Libor plus 2.60% p.a.
Standard Chartered Bank	19.37	70.22	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units and corporate office) of the company, subject to prior subsisting charge on moveable and immoveable fixed assets pertaining to Vasavadatta Cement unit (Second pari passu charge on current assets yet to be created)	Repayable on different maturity dates which varies from 917 to 1051 days with interest rate which varies from libor plus 100 - 200 bps.
HSBC Bank Ltd.	-	110.12	First pari passu charge by way of hypothecation over the movable assets (both present and future) and immovable assets of the tyre division at Utrakhand.	Repaid on different maturity dates which varies from 846 days to 1051 days with interest rate which varies from libor plus 100 - 130 bps.
Yes Bank Ltd.	-	32.21	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company, subject to prior subsisting charge on moveable and immoveable fixed assets pertaining to Vasavadatta Cement and Birla Tyres(Utrakhand) units . (First pari passu charge on moveable fixed assets except Birla Tyres (Utrakhand) and immoveable fixed assets of Vasavadatta cement unit and second pari passu charge on current assets yet to be created).	Repaid in full in current year on 10th August, 2012 with interest @ libor plus 125 bps.

in Rs crore

Bank	31-Mar-13	31-Mar-12	Nature of Security	Repayment Terms
DBS Bank Ltd.	52.09	49.35	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company, subject to prior subsisting charge on moveable and immovable fixed assets pertaining to Vasavadatta Cement unit.	Repayable on different maturity dates which varies from 1038 days to 1061 days with interest rate which varies from libor plus 100 - 200 bps.
	<u>269.19</u>	<u>603.50</u>		

(c) Repayment terms and nature of securities given for Indian rupee term loans are as follows:

in Rs crore

Financial Institution	31-Mar-13	31-Mar-12	Nature of Security	Repayment Terms
Tata capital financial services limited	50.00	-	First pari passu charge on all moveable and immovable fixed assets (both present and future) and second pari passu charge on all current assets (both present and future) of the various units of the company. (First pari passu charge on immovable fixed asset of the company yet to be created)	Repayable in 12 equal quarterly installments commencing from the end of 12 month from the date of first disbursement. Interest is payable monthly @ long term lending rate minus 4.50%
L&T Infrastructure finance company ltd.	225.00	-	First pari passu charge on all moveable and immovable fixed assets (both present and future) of various units (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) of the company to be created	Repayable in 28 quarterly installments with 6 quarters of Rs 3.75 crores, 4 quarters of Rs 7.5 crores and 18 quarters of Rs 10.97 crore each. Interest is payable monthly @L&T Infra plrs minus/plus spread
	<u>275.00</u>	<u>-</u>		

6. DEFERRED TAX LIABILITIES (NET)

		<u>31st March, 2013</u>	<u>31st March, 2012</u>
<i>in Rs crore</i>			
Deferred Tax Liabilities			
Difference between written down value of block of assets as per Income Tax Laws and book written down value of the fixed assets		429.25	426.51
	A	<u>429.25</u>	<u>426.51</u>
Deferred Tax Assets			
Business losses (including unabsorbed depreciation)		397.54	357.05
Items allowable for tax purpose on payment		20.73	1.62
Provision for contingencies		9.73	9.73
Others		1.25	0.90
	B	<u>429.25</u>	<u>369.30</u>
	C (A-B)	<u>-</u>	<u>57.21</u>

(a) During the year the Company has recognised deferred tax assets on business losses to the extent of deferred tax liability.

(b) Deferred Tax Assets and Deferred Tax Liabilities have been offset as they relate to the same governing taxation laws.

7. SHORT TERM BORROWINGS

	<u>31st March, 2013</u>	<i>in Rs crore</i> <u>31st March, 2012</u>
Term Loan		
<u>From Bank</u>		
Indian rupee loan (unsecured)	50.00	100.00
Foreign currency loan (Secured)	384.84	519.41
<u>From other</u>		
Indian rupee loan	100.00	-
Working Capital Loan		
<u>From Bank</u>		
Overdraft/ Cash credit (secured)	587.37	509.41
Working capital demand loan (secured)	451.60	139.00
Packing credit loan (secured)	49.96	74.20
Deposits (unsecured)		
Deposit from public	3.71	4.80
Deposit from others	3.32	2.75
	<u>1,630.80</u>	<u>1,349.57</u>
The above amount includes:		
Secured borrowings	1,473.77	722.61
Unsecured borrowings	157.03	626.96
	<u>1,630.80</u>	<u>1,349.57</u>

(a) Working capital loan is secured against hypothecation of current assets and second charge on movable and immovable fixed assets, both present and future unit of the Company (excluding Spun Pipes & Foundry and Hindustan Heavy Chemicals units) subject to prior subsisting charge on movable and immovable fixed asset pertaining to vasavadatta cement. The cash credit and working capital demand loan are repayable on demand.

8. OTHER CURRENT LIABILITIES

	<i>in Rs crore unless otherwise stated</i> <u>31st March, 2013</u>	<u>31st March, 2012</u>
Trade payables (Refer Note 35)	490.63	483.40
Other Liabilities		
Current maturities of long-term debt (Refer note 5)	673.27	648.19
Current maturities of long-term Finance lease (Refer note 5)	0.10	-
Interest accrued but not due on borrowings	5.81	6.31
Interest accrued and due on borrowings	24.42	29.30
Unpaid dividends	1.81	1.88
Unpaid matured deposits and interest accrued thereon	0.07	0.07
Other payables		
Advance from customers	20.15	25.41
Statutory dues	89.09	96.20
Liability for purchases of capital assets	18.30	27.67
Retention & Earnest deposits	7.98	11.79
Employee's benefits payable	23.06	23.93
Marked to market loss on derivative contracts	2.56	4.09
Other Payables	51.47	15.35
	<u>918.09</u>	<u>890.19</u>
	<u>1,408.72</u>	<u>1,373.59</u>

(a) There are no amount due and outstanding to be credited to Investor Education and Protection Fund at Balance Sheet Date other than unclaimed dividend of Rs. 87,023 (31st March, 2012: Rs. 79217) pertaining to cases under litigation regarding beneficial ownership of shares.

9. SHORT TERM PROVISIONS

	<u>31st March, 2013</u>	<i>in Rs crore</i> <u>31st March, 2012</u>
Provision for employee benefits		
Provision for gratuity (Refer Note 21) (a)	14.46	10.76
Provision for leave encashment (unfunded)	22.76	18.36
Other Provisions		
Provision for disputed statutory dues	7.10	7.05
Provision for Contingencies	30.00	30.00
Provision for proposed dividend	4.57	4.57
Provision for corporate dividend tax	0.78	0.74
Provision for Fringe benefit tax	0.08	0.08
	<u>79.75</u>	<u>71.56</u>

10. FIXED ASSETS

in Rs crore

	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK		
	As at 31st March, 2012	Additions during the year	Other Adjustments	Deletions/ Adjustments	As at 31st March, 2013	As at 31st March, 2012	For the year	On Deletions/ Adjustments during the year	As at 31st March, 2013	As at 31st March, 2013	As at 31st March, 2012
I. Tangible Assets:											
Owned:											
Land :											
- Freehold	172.61	12.80	-	-	185.41	-	-	-	-	185.41	172.61
- Leasehold	0.80	-	-	-	0.80	0.59	0.00 *	-	0.59	0.21	0.21
Buildings	651.69	10.21	-	0.31	661.59	83.87	18.34	0.07	102.14	559.45	567.82
Plant and Equipments	4,305.28	159.16	1.39 (a)	37.69	4,428.14	1,512.77	279.32	6.48	1,785.61	2,642.53	2,792.51
Furniture and Fixtures	25.73	2.08	-	0.20	27.61	12.33	1.29	0.18	13.44	14.17	13.40
Office Equipment	25.77	2.94	-	1.41	27.30	13.37	3.36	1.22	15.51	11.79	12.40
Vehicles	10.69	7.32	-	1.90	16.11	3.67	1.14	0.81	4.00	12.11	7.02
Others:											
Livestock	0.09	0.03	-	*	0.12	-	-	-	-	0.12	0.09
Railway Siding	25.49	0.13	-	-	25.62	6.81	1.09	-	7.90	17.72	18.68
Asset taken on Finance Lease:											
Vehicles	-	0.35	-	-	0.35	-	0.02	-	0.02	0.33	-
Sub Total (A)	5,218.15	195.02	1.39	41.51	5,373.05	1,633.41	304.56	8.76	1,929.21	3,443.84	3,584.74
II. Intangible Assets:											
Computer Software	4.34	2.38	-	-	6.72	2.23	1.56	-	3.79	2.93	2.11
Technical Knowhow	7.65	-	-	-	7.65	7.65	-	-	7.65	-	-
Sub Total (B)	11.99	2.38	-	-	14.37	9.88	1.56	-	11.44	2.93	2.11
Total (A+B)	5,230.14	197.40	1.39	41.51	5,387.42 (b)	1,643.29	306.12	8.76	1,940.65	3,446.77	3,586.85
Previous Year	5,040.88	165.08	30.44	6.26	5,230.14 (b)	1,349.16	297.59	3.46	1,643.29	3,586.85	

* Amount is below the rounding off norm adopted by the Company

	<u>31st March, 2013</u>	<u>31st March, 2012</u>
(a) Net exchange loss / (gain) being adjustment relating to foreign currency fluctuation (Refer Note 2.8)	1.39	30.44
(b) Including :		
(i) Jointly owned:-		
- Building	0.01	0.01
- Furniture and Fixtures & Office Equipments	0.76	0.76
- Plant & Equipments	0.17	0.14
(ii) Cost of assets lying with third parties	0.65	3.84
(iii) Freehold land includes land given on operating lease to third party.	0.01	0.01
(iv) Land, buildings and certain plant and equipments of Rayon and Transparent Paper Unit as at 31st March, 1982 and of Cement (at Basantnagar) and Spun Pipes & Foundries Units as at 31st March, 1983 are stated at valuation made by the professional valuers in 1982-83 at the then current value. The gross book value of revalued fixed assets is as follows:		
- Freehold Land	2.98	2.98
- Buildings	11.39	11.39
- Plant and Equipments	63.39	63.39
	<u>77.76</u>	<u>77.76</u>

11. INVESTMENTS

in Rs crore, except as otherwise stated

	Number	Face Value of each Share Rs.	<u>Book Value 31st March, 2013</u>	<u>Book Value 31st March, 2012</u>
NON CURRENT INVESTMENT (valued at cost less provision for other than temporary diminution)				
A. Long Term - Trade (Unquoted)				
Investment in Equity Instruments of Joint Venture Company (Fully paid up)				
Gondkhari Coal Mining Limited	22,730	10	0.02	0.02
B. Long Term - Other than Trade				
Investment in Equity Instruments (Fully paid up)				
- Unquoted				
Birla Buildings Ltd.	30,000	10	0.03	0.03
Coromandel Stampings & Stones Ltd.	10,000	10	0.00 *	0.00 *
Kesoram Insurance Broking Services Ltd.	1,43,000	10	0.03	0.03
Calcutta Stock Exchange Association Ltd.	10,455	1	2.09	2.09
Essel Mining & Industries Ltd.	119	10	0.24	0.24
Meghdoot Co-operative Housing Society Ltd.	10	100	0.00 *	0.00 *
Padmavati Investment Ltd.	7,231	10	0.55	0.59
Vasavadatta Services Ltd.	18,800	10	0.02	0.02
JPM Merchandise Agencies Ltd (Alloted during the year as per Scheme of Arrangement of Padmavati Investment Ltd.)	21693	10	0.04	-
- Quoted				
Aditya Birla Nuvo Ltd.	6,14,162	10	4.65	4.65
Century Enka Ltd.	13,40,680	10	12.91	12.91
Century Textiles & Industries Ltd.	27,46,100	10	16.93	16.93
Grasim Industries Ltd.	1,42,220	10	0.57	0.57
HGI Industries Ltd.	4,96,100	10	0.00 *	0.00 *
Hindalco Industries Ltd.	53,586	1	0.15	0.15
Jay Shree Tea & Industries Ltd.	3,88,116	5	0.01	0.01
Kesoram Textile Mills Ltd.	49,96,986	2	4.63	4.63
Mangalam Cement Ltd.	38,19,563	10	20.12	20.12
Mangalam Timber Products Ltd.	25,28,462	10	3.37	3.37
Manjushree Plantations Ltd.	2,33,423	10	1.20	1.20
Less : Provision for other than temporary diminution			<u>1.20</u>	<u>1.20</u>
Ultratech Cement Ltd.	81,268	10	-	-
Vidula Chemicals & Manufacturing Industries Ltd.	44,750	10	0.06	0.06
Less : Provision for other than temporary diminution			<u>0.06</u>	<u>0.06</u>
			<u>66.36</u>	<u>66.36</u>

* Amount is below the rounding off norm adopted by the Company

(a) Aggregate amount of quoted investments	64.60	64.60
(b) Aggregate amount of unquoted Investments	3.02	3.02
(c) Aggregate provision for diminution in value of investments	1.26	1.26
(d) Aggregate market value of quoted investments (excluding investments in HGI Industries Ltd., Kesoram Textile Mills Ltd., Manjushree Plantations Ltd. and Vidula Chemicals & Manufacturing Industries Ltd. in absence of any current quotation)	265.36	284.58

12. LONG/SHORT TERM LOANS AND ADVANCES

	Non-current		Current		<i>in Rs crore</i>
	31st March, 2013	31st March, 2012	31st March, 2013	31st March, 2012	
<i>Unsecured, considered good unless stated otherwise</i>					
Capital advances	23.99	57.13			
(A)	23.99	57.13	-	-	
Security Deposits	41.10	28.06			
(B)	41.10	28.06	-	-	
Loans and advances to related parties	6.15	6.44			
(C)	6.15	6.44	-	-	
Advances recoverable in cash or kind	0.64	0.64	199.83	237.67	
(D)	0.64	0.64	199.83	237.67	
Other loans and advances					
Advance Tax [net of provision of taxation Rs 335.70 crore (31st March, 2012 : Rs 335.70 crore)]	-	-	19.97	25.96	
MAT Credit entitlements	35.25	44.50	-	-	
Prepaid Expenses	-	-	5.47	5.81	
Accruals under duty exemption scheme	-	-	-	3.93	
Loan to employees	0.04	0.28	0.39	0.25	
Loan to other body corporate	3.00	5.75	1.50	-	
Balance with statutory/government authorities	16.49	13.43	55.81	38.11	
(E)	54.78	63.96	83.14	74.06	
Total (A+B+C+D+E)	126.66	156.23	282.97	311.73	

13. OTHER NON-CURRENT/ CURRENT ASSETS

	Non-current		Current		<i>in Rs crore</i>
	31st March, 2013	31st March, 2012	31st March, 2013	31st March, 2012	
<i>Unsecured, considered goods unless stated otherwise</i>					
Long term trade receivables	-	1.14	-	-	
Non current bank balance (Refer Note 16)	0.94	1.07	-	-	
(A)	0.94	2.21	-	-	
Unamortised expenditure					
Unamortised foreign currency monetary item translation difference account	-	-	-	0.88	
(B)	-	-	-	0.88	
Others					
Allotment money receivable	-	-	-	0.00*	
Insurance claim	-	-	13.45	36.87	
Interest accrued on deposits	-	-	0.18	0.51	
(C)	-	-	13.63	37.38	
Total (A+B+C)	0.94	2.21	13.63	38.26	

* Amount is below the rounding off norm adopted by the Company

14. INVENTORIES

(Refer Note 2.7)

	31st March, 2013	31st March, 2012	<i>in Rs crore</i>
Raw Materials [Includes material in transit Rs 45.07 crore (31st March, 2012: Rs 45.11 crore)]	252.18	417.01	
Work-in-Progress	99.91	114.08	
Finished Goods [Includes goods in transit Rs 8.56 crore (31st March, 2012: Rs 8.62 crore)]	381.66	317.20	
Stock-in-trade (in respect of goods acquired for trading)	10.55	6.37	
Stores and Spare Parts [Includes material in transit Rs 8.50 crore (31st March, 2012: Rs 6.55 crore)]	168.45	140.50	
	912.75	995.16	

15. TRADE RECEIVABLES

in Rs crore

	<u>31st March, 2013</u>	<u>31st March, 2012</u>
Outstanding for a period exceeding six months from the date they are due for payment		
Secured - Considered good	8.67	13.27
Unsecured - Considered good	9.73	10.05
Unsecured - Considered doubtful	<u>3.86</u>	<u>2.76</u>
	22.26	26.08
Less: Provision for doubtful debts	<u>3.86</u>	<u>2.76</u>
(A)	<u>18.40</u>	<u>23.32</u>
Other debts		
Secured - Considered good	213.27	196.17
Unsecured - Considered good	<u>604.00</u>	<u>452.95</u>
(B)	<u>817.27</u>	<u>649.12</u>
Total (A+B)	<u>835.67</u>	<u>672.44</u>

16. CASH AND BANK BALANCES

in Rs crore

	<u>Non-current</u>		<u>Current</u>	
	<u>31st March, 2013</u>	<u>31st March, 2012</u>	<u>31st March, 2013</u>	<u>31st March, 2012</u>
Cash and cash equivalents				
Cash on hand		-	0.11	0.16
Cheques on hand		-	63.62	2.31
Balances with bank:				
On Current accounts		-	18.05	65.17
[including Remittances in transit Rs nil (31st March, 2012- Rs. 45.85 crore)]				
Others				
In post office saving bank account		-	0.00 *	0.00 *
Other Bank Balances				
Deposit with original maturity for more than 12 months	0.94	1.07	0.00 *	0.00 *
Deposit with original maturity for more than 3 months but less than 12 months			0.07	0.07
Balances with bank:				
On unpaid dividend accounts		-	1.81	1.88
	<u>0.94</u>	<u>1.07</u>	<u>83.66</u>	<u>69.59</u>
Amount disclosed under other non current assets (Refer Note 13)	<u>(0.94)</u>	<u>(1.07)</u>	<u>83.66</u>	<u>69.59</u>
	<u>-</u>	<u>-</u>	<u>83.66</u>	<u>69.59</u>
(a) Other bank balances on deposits accounts includes:-				
- Deposits pledged with the sales tax			0.00 *	0.00 *
- Held as lien by bank against bank guarantees			0.06	0.06

* Amount is below the rounding off norm adopted by the Company

(b) Other bank balances as of 31st March, 2013 and 31st March, 2012 include restricted bank balances of Rs 1.81 crore and Rs 1.88 crore respectively. The restrictions are primarily on account of bank balances held in unclaimed dividends accounts.

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

17. REVENUE FROM OPERATIONS

	2012-2013	<i>in Rs crore</i> 2011-2012
Sale of products	6,059.64	6,265.12
Other operating revenues	23.06	17.48
	<u>6,082.70</u>	<u>6,282.60</u>
Less: Excise duty	371.88	361.74
	<u>5,710.82</u>	<u>5,920.86</u>

18. OTHER INCOME

	2012-2013	<i>in Rs crore</i> 2011-2012
(a) Interest Income		
- On loans	0.52	0.96
- On bank and other deposits	0.74	0.82
- On delayed payment by customers	15.18	5.45
- On income tax refund	2.13	2.33
(b) Dividend Income		
- from long term investments	5.62	5.72
- from current investments	-	0.37
(c) Net gain on sale of investments		
- current investments	-	0.00 *
(d) Profit on fixed assets sold/ discarded (net)	-	0.04
(e) Claims from insurance company	1.28	29.41
(f) Liabilities no longer required written back	18.71	11.46
(g) Miscellaneous income	86.86	27.44
	<u>131.04</u>	<u>84.00</u>

* Amount is below rounding off norm adopted by the Company

19. COST OF MATERIALS CONSUMED

	2012-2013	<i>in Rs crore</i> 2011-2012
Raw Materials Consumed		
Opening Stock	417.01	424.49
Purchases	2,589.26	3,334.84
	<u>3,006.27</u>	<u>3,759.33</u>
Less : Closing Stock	252.18	417.01
	<u>2,754.09</u>	<u>3,342.32</u>
Raising cost of limestone [Refer Note (a) below]	95.48	81.70
	<u>2,849.57</u>	<u>3,424.02</u>
(a) Limestone raising cost include:		
Salaries, Wages, Bonus etc.	6.58	6.76
Contribution to Provident and other Funds	0.53	0.56
Workmen and Staff welfare	0.49	0.59
Dead Rent, Royalty etc.	35.90	35.34
Power and Fuel	0.13	0.11
Stores and spares parts consumed	19.02	20.36
Machinery repairs	14.67	13.01
Other repairs	0.40	0.23
Rates and taxes	0.13	0.17
Insurance	0.03	0.04
Contractors-Transport	4.95	-
(b) Purchase of finished goods comprise:		
	<u>Quantity</u>	
	<u>2012-2013</u>	<u>2011-2012</u>
Tubes	Nos 11,44,791	3,54,702
Flaps	Nos 14,03,749	10,32,205
	<u>38.37</u>	<u>15.07</u>
	<u>45.16</u>	<u>37.12</u>
	<u>83.53</u>	<u>52.19</u>

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

20. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

	2012-2013	<i>in Rs crore</i> 2011-2012
Opening Stock		
- Work - in - progress	114.08	172.81
- Finished Goods	<u>323.57</u>	<u>392.98</u>
	437.65	565.79
Less: Closing Stock		
- Work - in - progress	99.91	114.08
- Finished Goods	<u>392.21</u>	<u>323.57</u>
	492.12	437.65
Less: Transferred to Capital Jobs	1.49	3.00
	<u>(55.96)</u>	<u>125.14</u>

21. EMPLOYEE BENEFITS EXPENSE

	2012-2013	<i>in Rs crore</i> 2011-2012
Salaries, Wages, Bonus etc.	321.90	284.17
Contribution to Provident Fund [Refer note (b) below]	25.79	23.64
Contribution to Superannuation Fund	0.68	0.68
Contribution to Labour Welfare Fund	0.07	0.10
Contribution to Gratuity Fund [Refer note (a) below]	14.46	10.76
Contribution under Employees State Insurance Scheme	2.57	3.65
Workmen and Staff Welfare	18.58	11.68
	<u>384.05</u>	<u>334.68</u>

(a) Gratuity

The Company operates a gratuity plan through the "KICM Gratuity Fund". Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier. The benefits vest after five years of continuous service. (Also refer Note 2.12)

The Company has contributed Rs 14.46 crore (2011-2012 : Rs 10.76 crore) towards gratuity during the year ended 31st March, 2013.

The detail of fund and plan assets position are as follows.

	2012-2013	<i>in Rs crore</i> 2011-2012
I. Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation		
(a) Present Value of Obligation at the beginning of the year	68.27	63.81
(b) Current Service Cost	5.76	4.84
(c) Interest Cost	5.16	4.83
(d) Actuarial Loss / (Gain)	8.88	5.34
(e) (Benefits Paid)	<u>(7.37)</u>	<u>(10.55)</u>
(f) Present Value of Obligation at the end of the year	<u>80.70</u>	<u>68.27</u>
II. Reconciliation of opening and closing balances of the fair value of Plan Assets		
(a) Fair Value of Plan Assets at the beginning of the year	57.51	57.46
(b) Expected Return on Plan Assets	4.60	4.60
(c) Actuarial Gain/(Loss)	0.74	(0.34)
(d) Contributions by employer	10.76	6.34
(e) (Benefits Paid)	<u>(7.37)</u>	<u>(10.55)</u>
(f) Fair Value of Plan Assets as at the end of the year	<u>66.24</u>	<u>57.51</u>
III. Reconciliation of the present value of Defined Benefit Obligation in 'I' above and the fair value of Plan Assets in 'II' above		
(a) Present Value of Obligation as at the end of the year	80.70	68.27
(b) Fair Value of Plan Assets as at the end of the year	66.24	57.51
(c) Liability recognised in the Balance Sheet	14.46	10.76
(d) Experience (Gain) /Loss adjustment on plan liabilities	8.88	5.34
(e) Experience Gain/(Loss) adjustment on plan assets	0.74	(0.34)

	<u>2012-2013</u>	<u>in Rs crore</u> <u>2011-2012</u>
IV. Expense charged to the Statement of Profit and Loss		
(a) Current Service Cost	5.76	4.84
(b) Interest Cost	5.17	4.83
(c) (Expected Return on Plan Assets)	(4.60)	(4.60)
(d) Actuarial (Gain)/Loss	8.13	5.69
(e) Total expense charged to the statement of profit and loss	<u>14.46</u>	<u>10.76</u>

V. Percentage of each Category of Plan Assets to total Fair Value of Plan Assets

	<u>As at</u> <u>31st March, 2013</u>	<u>As at</u> <u>31st March, 2012</u>
(a) NAV / Interest based schemes with Insurance Companies	99.13%	97.72%
(b) Government (Central and State) Securities	0.83%	1.03%
(c) Others (including bank balances)	0.04%	1.25%
Total	100.00%	100.00%

VI. Amount recognised in current year and previous four years

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>in Rs crore</u> <u>2008-09</u>
(a) Present Value of Obligation as at the end of the year	80.70	68.27	63.81	57.28	50.13
(b) Fair Value of Plan Assets as at the end of the year	66.24	57.51	57.46	55.20	43.64
(c) Liability recognised in the Balance Sheet	14.46	10.76	6.34	2.08	6.49
(d) Experience (Gain) /Loss adjustment on plan liabilities	8.88	5.34	1.84	4.74	0.37
(e) Experience Gain/(Loss) adjustment on plan assets	0.74	(0.34)	(0.19)	7.02	(2.86)

	<u>2012-2013</u>	<u>in Rs crore</u> <u>2011-2012</u>
VII. Actual Return on Plan Assets	5.41	4.26

VIII. Principal Actuarial Assumptions

	<u>31st March, 2013</u>	<u>31st March, 2012</u>
(a) Discount Rate (per annum)	8.00%	8.25%
(b) Expected Rate of Return on Plan Assets (per annum)	8.00%	8.00%
(c) Salary Escalation	5.00%	5.00%
(d) Inflation Rate	5.00%	5.00%

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The expected rate of return on plan assets is based on the portfolio of assets held, investment strategy and market scenario. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are reasonably diversified.

(b) **Provident Fund**

Provident fund for certain eligible employees is managed by the Company through the "B. K. Birla Group of Companies Provident Fund Institution" and "Birla Industries Provident Fund", in line with the Provident Fund and Miscellaneous Provisions Act, 1952. The plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and employee together with the interest accumulated thereon are payable to employees at the time of their separation from the company or retirement, whichever is earlier. The benefits vest immediately on rendering of the services by the employee.

The Guidance on Implementing AS 15, Employee Benefits (Revised 2005) issued by Accounting Standard Board (ASB) states that benefits involving employers established provident funds, which require interest shortfalls to be compensated are to be considered as defined benefit plans. The Actuarial Society of India has issued the final guidance for measurement of provident fund liabilities. The actuary has accordingly provided a valuation and there is no shortfall as at 31st March, 2013.

The Company has contributed Rs 25.79 crore (2011-12 : Rs 23.64 crore) towards provident fund during the year ended 31st March, 2013.

(i) The detail of fund and plan assets position are as follows.

	<u>In Rs crore</u> <u>As at</u> <u>31st March, 2013</u>	<u>As at</u> <u>31st March, 2012</u>
Present Value of Obligation as at the end of the year	186.10	159.73
Fair Value of Plan Assets as at the end of the year	214.84	192.31

(ii) Principal Actuarial Assumptions

Discount Rate (per annum)	8.50%	8.25%
Expected Rate of Return on Plan Assets (per annum)	8.67%	8.67%

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

22. OTHER EXPENSES

	<u>2012-2013</u>	<i>in Rs crore</i> <u>2011-2012</u>
Consumption of stores and spare parts	104.87	103.97
Power and fuel [Refer Note (a) below]	855.90	761.50
Rent	10.94	10.00
Repairs and Maintenance [Refer Note (b) below]		
Building	9.53	7.03
Plant and Machinery	59.64	47.47
Others	6.45	5.93
Insurance	9.80	8.83
Rates and Taxes	41.61	40.82
Brokerage and Discounts	211.59	275.21
Packing, Carriage and Shipping [Refer Note (c) below]	518.45	466.67
Commission to selling agents	65.87	77.22
Directors' Fees	0.12	0.11
Debts/ Advances/ Deposits written off	4.37	5.67
Provision for doubtful debts	1.28	2.58
Provision for contingencies	-	30.00
Loss on fixed assets sold/ discarded (net)	0.06	-
Payments to the auditor [Refer Note (d) below]	2.49	1.98
Guarantee commission	0.03	0.28
Technical service charges	-	0.55
Conversion charges	8.22	10.06
Excise duty [refer Note (e) below]	2.17	2.66
Foreign currency translation loss (net)	28.93	52.09
Miscellaneous expenses [refer Note 24]	195.25	172.12
	<u>2,137.57</u>	<u>2,082.75</u>
(a) Power and Fuel includes consumption of stores and spares	687.02	615.11
(b) Repair and Maintenance includes:		
(i) Consumption of stores and spares parts	6.65	8.97
(ii) Salaries and Wages	22.17	15.90
(iii) Technical service fees	-	0.12
(c) Packing, carriage and shipping includes;		
(i) Consumption of stores and spares parts	68.08	61.54
(ii) Salaries and Wages	5.94	8.02
(d) Payment to auditor		
As Auditors :		
Audit Fees	1.05	0.93
Tax Audit Fees	0.38	0.34
Fees for issuing various certificates (including Limited Reviews)	0.56	0.61
Others	0.50	0.10
Reimbursement of Expenses	0.00 *	0.00 *
	<u>2.49</u>	<u>1.98</u>
(e) Represents excise duty related to the difference between the closing stock and opening stock of finished good		
(f) Fixed Assets (Note 10) /Capital Work in Progress include consumption of stores and spares parts during the year	19.27	34.29

* Amount below rounding off norms adopted by the Company

23. FINANCE COST

	<u>2012-2013</u>	<i>in Rs crore</i> <u>2011-2012</u>
Interest expenses	497.10	383.10
Other borrowing costs	17.26	27.05
	<u>514.36</u>	<u>410.15</u>

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

24 Miscellaneous expenses includes

(i) Consumption of stores and spares parts	2.53	3.65
(ii) Payment to cost auditor	0.07	0.06
(iii) Reversal of insurance income accounted in earlier year	10.09	-

25. Earnings Per Share

	<u>2012-2013</u>	<u>2011-2012</u>
Number of equity shares at the beginning of the year	4,57,43,318	4,57,43,318
Number of equity shares at the end of the year	4,57,41,080	4,57,43,318
Weighted average number of equity shares outstanding during the year	(A) 4,57,42,435	4,57,43,318
Nominal value of each equity Share (Rs.)	10	10
Profit/(Loss) after Tax (Rs. in crore)	(B) (329.23)	(379.74)
Earnings per share (Basic and Diluted) (Rs.)	(B/A) (71.98)	(83.02)

26. Expenditure in Foreign Currency during the year :

Technical Service Fees	4.87	0.29
Commission, Brokerage and Discount	0.13	0.30
Interest	30.86	21.12
Miscellaneous (Travelling, Listing fees etc.)	0.50	2.60

27. Earnings in Foreign Exchange during the year :

Exports (excluding export to Nepal and Bhutan) of goods [F.O. B.]	427.66	511.87
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28. C.I.F value of Imports

Raw Materials	538.16	887.35
Components and Spare Parts (including stores)	23.60	16.45
Capital Goods	79.01	136.54
	<u>640.77</u>	<u>1,040.34</u>

29. Contingent Liabilities

	<i>in Rs crore</i>	
	31st March, 2013	31st March, 2012
	As at	
(a) Guarantees given -		
(i) to excise authorities	0.12	0.12
(ii) by Banks on behalf of the Company (excluding relating to joint venture referred to in note 33 below)	68.78	58.40
(b) Claims against the Company not acknowledged as debts :		
(i) Rates, Taxes, Duties etc. demanded by various Authorities	230.75	213.95
(ii) Amount demanded by Provident Fund Authorities which is sub judice	0.87	0.87
(c) Rates, Taxes, Duties etc.	16.06	15.80
(d) Amount payable in connection with reorganisation of the Company in earlier year	3.37	3.49

30. Capital and other commitments

	<i>in Rs crore</i>	
	31st March, 2013	31st March, 2012
	As at	
(a) Capital Commitments		
Estimated value of contracts in capital account remaining to be executed [net of advances Rs. 19.04 crore (31st March, 2012 - Rs.51.29 crore)]	87.27	192.94
(b) Other Commitments		
The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme, of the Government of India, at concessional rates of duty on an undertaking to fulfil quantified exports in the next three years.	148.10	206.71
TOTAL	235.37	399.65

31 Legal action initiated by the company against an erstwhile management official and others in respect of certain transaction in one of the unit of the company continue to be sub judice. The company has initiated the detailed followup investigation in the matter which has since been completed indicating no requirement for any disclosures/ adjustment.

32 Derivative instruments and unhedged foreign currency exposure

Pursuant to the Announcement on Accounting for Derivatives issued by the Institute of Chartered Accountants of India in March, 2008, the Company has accounted for during the year net loss amounting to Rs. 2.57 crore (31st March, 2012 - Rs.4.09 crore) in respect of outstanding derivative contracts at the Balance sheet date by marking them to market as indicated in Note 2.9 above and the resultant excess liability of Rs 1.52 crore net of realised loss (net) of Rs 2.06 crore during the year arising from derivative contracts are provided for and included in Finance Cost 'under Note 23 to accounts. In 2011-12, the aforesaid mark to market loss along with realised loss (net) of Rs 6.27 crore was included in 'Finance Cost' under Note 23 to accounts.

33 Joint Ventures

The Company has the following investment in a jointly controlled entity

Name of the Joint Venture	Country of Incorporation	Proportion of ownership interest as on 31st March, 2013	Proportion of ownership interest as on 31st March, 2012
Gondhkhari Coal Mining Limited	India	45.46	45.46

The Company's share of each of the assets, equity & liabilities, income and expenses (each without elimination of the effect of transaction between the Company and Joint Venture) in the joint venture, based on the audited financial statements are as follows:

	<i>in Rs crore</i>	
	31st March, 2013	31st March, 2012
I ASSETS		
Tangible assets	0.00	0.02
Capital work in progress	6.42	6.29
Long term loan and advances	0.03 *	0.00 *
Cash and Bank balances	0.01	0.01
Short term loans and advances	0.00	0.03
other current asset	0.29	-
	6.75	6.35
II LIABILITIES		
Long term borrowings	6.11	5.76
Other long terms liabilities	0.62	0.62
Trade payables	0.04	0.08
Other current liabilities	0.30	0.08
	7.07	6.54
III INCOME		
Revenue	-	-
IV EXPENSES		
Employees benefits expense	0.08	0.06
Other Expenses	0.05	0.06
Depreciation and amortisation expenses	0.00 *	0.00 *
VI Share of Contingent Liabilities (Guarantees given by bank)	5.40	5.40

* Amount is below the rounding off norm adopted by the Company

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

34 Leases

As a lessee:Operating Lease

Rent expenditure (under Note 22) includes lease payments of Rs. 1.64 crore (2011-12 - Rs. 1.26 crore) relating to non cancellable operating lease. The leasing arrangement is for three to nine years and is in respect of office premises. The significant leasing arrangement inter alia includes option for renewal.

With respect to non-cancellable operating leases, the future minimum lease payments are as follows:

	<i>In Rs crore</i>	
	As at	
	31st March, 2013	31st March, 2012
(i) not later than one year	1.74	1.01
(ii) later than one year but not later than five years	6.87	4.30
(iii) later than five years	2.10	2.96

Finance Lease

With respect to Finance leases, the future minimum lease payments are as follows:

	<i>In Rs crore</i>	
	As at	
	31st March, 2013	31st March, 2012
(i) not later than one year	0.10	-
(ii) later than one year but not later than five years	0.15	-

As a lessor:Operating Lease

The Company has given one unit of building on operating lease to Lazarus Hospital for 5 years extendable up to 12 years on mutual consent

Gross carrying amount as on balance sheet date	1.98	1.98
Accumulated depreciation amount as on balance sheet date	0.11	0.07
Net carrying amount as on balance sheet date	1.87	1.91
Depreciation recognised in statement of profit and loss	0.03	0.03

With respect to non-cancellable operating leases, the future minimum lease payments are as follows:

	<i>In Rs crore</i>	
	As at	
	31st March, 2013	31st March, 2012
(i) not later than one year	-	0.24
(ii) later than one year but not later than five years	-	0.43
(iii) later than five years	-	-

General Description of the aforesaid arrangement:

Operating leases on renting a unit of building entered into by the Company is for a fixed term of 5 years extendable up to 12 years.

- 35 The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

	<i>In Rs crore</i>	
	As at	
	31st March, 2013	31st March, 2012
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	0.19	0.11
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	-
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	-	-
Further interest remaining due and payable for earlier years	-	-

The above information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company

36 Remittances in Foreign Currency on account of dividend

Financial Year	On account of	Number of non resident Shareholders	Number of share held	<i>In Rs crore</i>
				Dividend Amount
2012-13	2011-12 Final	2	73,41,875	0.74
2011-12	2010-11 Final	2	73,41,875	2.39

	<i>In Rs crore</i>	
	<u>31st March, 2013</u>	<u>31st March, 2012</u>
37 Shares of Jay Shree Tea & Industries Ltd. held by the Company at face value being bonus shares remaining unclaimed	0.02	0.02
38 Certain records/documents pertaining to production, raw materials, purchase records etc. of the Company's Assam Cotton Mills Unit were seized by the Excise Authorities and are presently not available with the Company.		
39 The time frame of completion of expansion of 80 MT/day capacity of car radial project at Balasore is being extended to end of 2013-14 and 85 MT/day capacity of truck radial tyre project at Uttrakhand are being extended beyond 2013-14		
40 The time frame for grinding facility of 2.5 million MT cement per annum to be situated at Solapur in the state of Maharashtra is being extended beyond 2013-14		

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KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

41. Details of pre-operative expenses incurred relating to expansion/ Greenfield projects referred to in note 39 and 40

<i>In Rs crore</i>					
2012-2013					
	Up to 31st March 2012	During 2012-2013	Total	Capitalised/ transferred	Balance as on 31st March 2013
	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) - (d)
Salaries, Wages, Bonus etc.	2.36	0.70	3.06	-	3.06
Contribution to Provident and Other Funds	0.16	0.06	0.22	-	0.22
Workmen and Staff Welfare	(0.00) *		(0.00) *	-	(0.00) *
Power and Fuel	0.83	1.55	2.38	1.81	0.57
Repairs and Maintenance to Plant & Machinery	0.05	0.03	0.08	-	0.08
Rent	-		-	-	-
Rates & Taxes	0.05	0.01	0.06	0.05	0.01
Insurance	0.48	0.23	0.71	0.11	0.60
Miscellaneous Expenses	3.04	1.30	4.34	2.53	1.81
Total (A)	6.97	3.88	10.85	4.50	6.35
Electricity/Rent Receipts	0.08	0.01	0.09	-	0.09
	-		-	-	-
Total (B)	0.08	0.01	0.09	-	0.09
Net Pre-Operative Expenses (A-B)	6.89 #	3.87	10.76	4.50	6.26

included in capital work in progress

<i>In Rs crore</i>					
2011-2012					
	Up to 31st March 2011	During 2011-2012	Total	Capitalised/ transferred	Balance as on 31st March 2012
	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) - (d)
Salaries, Wages, Bonus etc.	1.18	1.18	2.36	-	2.36
Contribution to Provident and Other Funds	0.08	0.08	0.16	-	0.16
Workmen and Staff Welfare	(0.00) *	(0.00) *	(0.00) *	-	(0.00) *
Power and Fuel	0.35	0.48	0.83	-	0.83
Repairs and Maintenance to Plant & Machinery	0.04	0.01	0.05	-	0.05
Rent	-	-	-	-	-
Rates & Taxes	0.01	0.04	0.05	-	0.05
Insurance	0.26	0.22	0.48	-	0.48
Miscellaneous Expenses	0.97	2.07	3.04	-	3.04
Total (A)	2.89	4.08	6.97	-	6.97
Electricity/Rent Receipts	0.00 *	0.08	0.08	-	0.08
	-		-	-	-
Total (B)	0.00	0.08	0.08	-	0.08
Net Pre-Operative Expenses (A-B)	2.89	4.00	6.89	-	6.89 #

* Amount is below the rounding off norm adopted by the Company

included in capital work in progress

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

42. Information about business segment
In Rs crore

	2012-2013				Total
	Tyres	Cement	Rayon, T.P. and Chemicals	Others	
Segment Revenue					
Sales	3,588.77	2,135.23	336.20	-	6,060.20
Less: Inter-segment sales (made at cost)	0.56	-	-	-	0.56
Total	3,588.21	2,135.23	336.20	-	6,059.64
Other operating revenue	16.03	5.78	1.25	-	23.06
	3,604.24	2,141.01	337.45	-	6,082.70
Segment Results [Profit/(Loss) after considering other income and before interest and tax]	(119.53)	325.09	1.29	(4.32)	202.53
Interest					(497.10)
Other borrowing cost					(17.26)
Other unallocated expenditures (net of income)					(65.36)
Profit Before Tax					(377.19)
Segment Assets	4,183.70	1,968.61	146.11	19.65	6,318.07
Unallocated Assets					155.83
Total					6,473.90
Segment Liabilities	829.74	208.44	36.47	3.08	1,077.73
Unallocated Liabilities					4,815.93
Total					5,893.66
Segment Capital Expenditure	192.00	86.96	4.90	0.01	283.87
Unallocated Capital Expenditure					4.91
Total					288.78
Segment Depreciation and amortisation	192.84	108.63	3.24	1.04	305.75
Unallocated Segment Depreciation and amortisation					0.18
Total					305.93
Non cash expenditure other than depreciation and amortisation included in segment expense	14.42	-	0.00*	0.04	
Principal Items manufactured	Tyres, Tubes and Flaps	Cement	Viscose Filament Rayon Yarn, Cellophane Paper, Sulphuric Acid, Caustic Soda Lye, Hydrochloric Acid		

The Company operates predominantly within the geographical limits of India and accordingly secondary segments have not been considered.

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

Information about Business segments

In Rs crore

	2011-2012				Total
	Tyres	Cement	Rayon, T.P. and Chemicals	Others	
Segment Revenue					
Sales	3,922.44	2,060.45	282.96	-	6,265.85
Less: Inter-segment sales(made at cost)	0.59	0.14	-	-	0.73
	3,921.85	2,060.31	282.96	-	6,265.12
Other operating revenue	11.42	3.79	1.95	0.32	17.48
	3,933.27	2,064.10	284.91	0.32	6,282.60
Segment Results [Profit/(Loss) after considering other income and before interest and tax]	(616.68)	439.32	(12.99)	(1.66)	(192.01)
Interest					(383.10)
Other borrowing cost					(27.05)
Others unallocated expenditure (net of income)					(108.09)
Profit Before Tax					(710.25)
Segment Assets	4,303.65	1,885.61	161.07	7.06	6,357.39
Unallocated Assets					165.32
Total					6,522.71
Segment Liabilities	853.46	188.40	36.52	0.94	1,079.32
Unallocated Liabilities					4,528.38
Total					5,607.70
Segment Capital Expenditure	257.99	167.65	1.20	-	426.84
Unallocated Capital Expenditure					1.31
Total					428.15
Segment Depreciation and amortisation	188.60	103.68	4.65	0.22	297.15
Unallocated Segment Depreciation and amortisation					0.25
Total					297.40
Non cash expenditure other than depreciation and amortisation included in segment expense	7.66	0.63	2.85	-	
Principal Items manufactured	Tyres, Tubes and Flaps	Cement	Viscose Filament Rayon Yarn, Cellophane Paper, Sulphuric Acid, Caustic Soda Lye, Hydrochloric Acid		

The Company operates predominantly within the geographical limits of India and accordingly secondary segments have not been considered.

43 Related Party Disclosures

	<u>2012-2013</u>	<u>2011-2012</u>
I. List of Related Parties		
(a) Parties where control exists		
Joint venture	- Gondkhari Coal Mining Limited	- Gondkhari Coal Mining Limited
(b) Key Management Personnel	- Smt Manjushree khaitan* - Shri K. C Jain (Whole-time Director)	- Shri K.C.Jain (Manager/ Whole-time Director) - Shri D Tandon (Whole-time Director)
(c) Relative of Key Management Personnel**	- Syt B.K. Birla # - Smt sarala Devi Birla # - Smt Jayshree Mohta # - Smt Vidula Jalan #	
(d) Enterprise where Key Management personnel have significant influence	- Aditya Marketing & Manufacturing Ltd. - MSK Travels and Tours Ltd.	- Mangalam Cement Limited
(e) Enterprise over which person referred to in '(c)' above is able to exercise significant influence.	- Jayshree Tea & Industries Limited - Parvati Tea Co. Pvt. Ltd @ - Birla Holdings Ltd. @ - North Tukvar Tea co Ltd.@ - Mangalam Cement Ltd.## - Synergy Enterprise *** - A.K. Enterprise ***	- Synergy Enterprises *** - A.K. Enterprise ***
(f) Other Related Parties ***	- Syt.B.K.Birla - Century Textiles & Industries Ltd. - Century Enka Ltd.	- Syt.B.K.Birla - Century Textiles & Industries Ltd. - Century Enka Ltd. - Jay Shree Tea & Industries Ltd.

* Appointed Whole time Director designated as Executive Vice Chairperson ,effective 5th February,2013

** Related to Smt Manjushree Khaitan, a key management personnel.

*** Shri Sunil Kumar Jain is son of Shri K.C. Jain, proprietor of A.K Enterprise and partner of Synergy Enterprises.

**** The parties stated in (f) above are Related Parties in the broader sense of the term and are included for making the financial statements more transparent

@ Subsidiary companies of Jayashree Tea & Industries Limited of which Smt Jayashree Mohta is a key personnel.

There has been no transactions with the above parties after Smt Khaitan became Executive Vice Chairperson.

Smt Vidula Jalan is a key management personnel of it.

43 Related Party Disclosures (contd):

II. Transactions
Particulars

	2012-2013					
	Related Parties referred to in					
	I (a) above	I (b) above	I (c) above	I (d) above	I (e) above	I (f) above
(i) Income						
Rent & other Services						
- Century Textiles & Industries Ltd.	-	-	-	-	-	0.24
- Century Enka Ltd.	-	-	-	-	-	0.01
- Aditya Marketing & Manufacturing Ltd.	-	-	-	0.00 *	-	-
Sales						
- Century Textiles & Industries Ltd.	-	-	-	-	-	2.28
- Jay Shree Tea & Industries Ltd.	-	-	-	-	0.02	-
- Century Enka Ltd.	-	-	-	-	-	0.01
Interest on Loan Granted						
- Gondkhari Coal Mining Ltd.	-	-	-	-	-	-
(ii) Expenditure						
Rent and Other Services						
- Century Textiles & Industries Ltd.	-	-	-	-	-	0.11
- Jay Shree Tea & Industries Ltd.	-	-	-	-	-	-
- Synergy Enterprise	-	-	-	-	-	-
- Aditya Marketing & Manufacturing Ltd.	-	-	-	0.08	-	-
MSK Travel and Tours Ltd.	-	-	-	1.14	-	-
Commission						
- A.K. Enterprises	-	-	-	-	0.43	-
- Synergy Enterprises	-	-	-	-	0.37	-
Interest Paid						
- Sunil Jain / A.K. Enterprises	-	-	-	-	-	-
- Synergy Enterprises	-	-	-	-	-	-
Remuneration						
- K.C. Jain	-	3.14	-	-	-	-
Purchases						
- Century Textiles & Industries Ltd.	-	-	-	-	-	42.35
- Century Enka Ltd.	-	-	-	-	-	159.48
- Mangalam cement Ltd.	-	-	-	-	0.20	-
- MSK Travels & Tours Ltd.	-	-	-	0.32	-	-
Directors' Fees						
- Svt. B.K.Birla	-	-	-	-	-	0.01
(iii) Reimbursement						
For Expense						
- Sunil Jain / A.K. Enterprises	-	-	-	-	0.06	-
- Synergy Enterprises	-	-	-	-	0.00 *	-
- MSK Travels & Tours Ltd.	-	-	-	1.55	-	-
For Purchase of Asset						
- Sunil Jain / A.K. Enterprises	-	-	- *	-	-	-

43 Related Party Disclosures (contd):

II. Transactions (contd.):

Particulars	2012-2013					
	Related Parties referred to in					
	I (a) above	I (b) above	I (c) above	I (d) above	I (e) above	I (f) above
(iv) Finance & Investment						
Security Deposit taken						
- Sunil Jain / A.K. Enterprises	-	-	-	-	0.01	-
- Synergy Enterprises	-	-	-	-	0.02	-
Loan given	8.98	-	-	-	-	-
Loan repaid	8.65	-	-	3.80	-	-
Investment in Shares	-	-	-	-	-	-
(v) Others						
Dividend paid						
- Century Textiles & Industries Ltd.	-	-	-	-	-	0.21
- Century Enka Ltd.	-	-	-	-	-	0.06
- Parvati Tea Co. Pvt. Ltd	-	-	-	-	0.05	-
- Syt B.K.Birla	-	-	-	-	-	0.02
Dividend received						
- Century Textiles & Industries Ltd.	-	-	-	-	-	1.51
- Century Enka Ltd.	-	-	-	-	-	0.67
- Jay Shree Tea & Industries Ltd.	-	-	-	-	0.12	-
- Mangalam Cement Ltd.	-	-	-	-	2.29	-
(vi) Balance Outstanding at year end						
Security deposit payable						
- Sunil Jain / A.K. Enterprises	-	-	-	-	0.17	-
- Synergy Enterprises	-	-	-	-	-	-
Interest payable						
- Sunil Jain / A.K. Enterprises	-	-	-	-	-	-
- Synergy Enterprises	-	-	-	-	-	-
Remuneration Payable						
- Shri K.C. Jain	-	0.54	-	-	-	-
Other payable						
- Century Textiles & Industries Ltd.	-	-	-	-	-	3.75
- Century Enka Ltd.	-	-	-	-	-	28.48
- Jay Shree Tea & Industries Ltd.	-	-	-	-	-	-
- Sunil Jain / A.K. Enterprises	-	-	-	-	-	-
- Synergy Enterprises	-	-	-	-	-	-
Other receivables						
- Century Textiles & Industries Ltd.	-	-	-	-	-	0.04
- Century Enka Ltd.	-	-	-	-	-	-
- Jay Shree Tea & Industries Ltd.	-	-	-	-	0.00 *	-
- Sunil Jain / A.K. Enterprises	-	-	-	-	0.00 *	-
- MSK Travels and Tours Ltd.	-	-	-	0.02	-	-
- Mangalam Cement Ltd.	-	-	-	-	0.01	-
- Synergy Enterprises	-	-	-	-	0.01	-
- Gondkhari Coal Mining Limited	-	-	-	-	-	-
- Towards Loan	6.15	-	-	-	-	-
- Towards Interest on above Loan	0.62	-	-	-	-	-
Guarantee						
- Bank Guarantee given by Company	-	-	-	-	-	-
Investment in shares						
- Gondkhari Coal Mining Ltd.	0.02	-	-	-	-	-
- Century Textiles & Industries Ltd.	-	-	-	-	-	16.93
- Century Enka Ltd.	-	-	-	-	-	12.91
- Jay Shree Tea & Industries Ltd.	-	-	-	-	0.01	-

43 Related Party Disclosures (contd):

II. Transactions
Particulars

	2011-2012					
	Related Parties referred to in					
	I (a) above	I (b) above	I (c) above	I (d) above	I (e) above	I (f) above
(i) Income						
Rent & other Services						
- Century Textiles & Industries Ltd.	-	-	-	-	-	0.27
- Century Enka Ltd.	-	-	-	-	-	0.02
Sales						
- Century Textiles & Industries Ltd.	-	-	-	-	-	1.58
- Jay Shree Tea & Industries Ltd.	-	-	-	-	0.96	-
- Century Enka Ltd.	-	-	-	-	-	0.11
Interest on Loan Granted						
- Gondkhari Coal Mining Ltd.	0.44	-	-	-	-	-
(ii) Expenditure						
Rent and Other Services						
- Century Textiles & Industries Ltd.	-	-	-	-	0.01	0.10
- Jay Shree Tea & Industries Ltd.	-	-	-	-	-	-
Commission						
- Sunil Jain / A.K. Enterprises	-	-	-	-	0.59	-
- Synergy Enterprises	-	-	-	-	0.48	0.48
Interest Paid						
- Sunil Jain / A.K. Enterprises	-	-	-	-	0.05	-
- Synergy Enterprises	-	-	-	-	0.02	0.02
Remuneration						
- D. Tandon	-	0.23	-	-	-	-
- K.C. Jain	-	2.46	-	-	-	-
Purchases						
- Century Textiles & Industries Ltd.	-	-	-	-	-	56.34
- Century Enka Ltd.	-	-	-	-	-	208.46
- Jay Shree Tea & Industries Ltd.	-	-	-	-	0.90	-
- Mangalam Cement Ltd.	-	-	-	-	0.09	-
Directors' Fees						
- Svt. B.K.Birla	-	-	-	-	-	0.01
(iii) Reimbursement						
For Expense						
- Sunil Jain / A.K. Enterprises	-	-	-	-	0.02	-
- Synergy Enterprises	-	-	-	-	0.02	-
For Purchase of Asset						
- Sunil Jain / A.K. Enterprises	-	-	-	-	0.00*	-

43 Related Party Disclosures (contd):

II. Transactions (contd.):

Particulars	2011-2012					
	Related Parties referred to in					
	I (a) above	I (b) above	I (c) above	I (d) above	I (e) above	I (f) above
(iv) Finance & Investment						
Security Deposit taken						
- Sunil Jain / A.K. Enterprises	-	-	-	-	0.10	-
- Synergy Enterprises	-	-	-	-	0.13	-
Loan given to Gondkhari Coal Mining Ltd.	0.35	-	-	-	-	-
Investment in Shares of:						
- Mangalam Cement Ltd.	-	-	-	-	0.54	-
(v) Others						
Dividend paid						
- Century Textiles & Industries Ltd.	-	-	-	-	-	0.69
- Century Enka Ltd.	-	-	-	-	0.16	0.19
- Jay Shree Tea & Industries Ltd.	-	-	-	-	-	-
Dividend received						
- Century Textiles & Industries Ltd.	-	-	-	-	-	1.51
- Century Enka Ltd.	-	-	-	-	2.29	0.87
- Mangalam Cement Ltd.	-	-	-	-	0.12	-
- Jay Shree Tea & Industries Ltd.	-	-	-	-	-	-
(vi) Balance Outstanding at year end						
Security deposit payable						
- Sunil Jain / A.K. Enterprises	-	-	0.55	-	0.55	-
- Synergy Enterprises	-	-	-	-	0.27	-
Interest payable						
- Sunil Jain / A.K. Enterprises	-	-	0.05	-	0.05	-
- Synergy Enterprises	-	-	-	-	0.02	-
Remuneration Payable						
- Shri D.Tandon	-	0.01	-	-	-	-
- Shri K.C. Jain	-	0.40	-	-	-	-
Other payable						
- Century Textiles & Industries Ltd.	-	-	-	-	-	1.77
- Century Enka Ltd.	-	-	-	-	-	37.31
- Sunil Jain / A.K. Enterprises	-	-	0.13	-	0.13	-
- Synergy Enterprises	-	-	-	-	0.26	-
Other receivables						
- Century Enka Ltd.	-	-	-	-	-	0.01
- Jay Shree Tea & Industries Ltd.	-	-	-	-	0.00*	-
- Sunil Jain / A.K. Enterprises	-	-	0.01	-	0.01	-
- Gondkhari Coal Mining Limited						
- Towards Loan	6.04	-	-	-	-	-
- Towards Interest on above Loan	0.39	-	-	-	-	-
Guarantee						
- Bank Guarantee given by Company	5.40	-	-	-	-	-

43 Related Party Disclosures (contd):

II. Transactions (contd.):

Particulars

Particulars	2011-2012					
	Related Parties referred to in					
	I (a) above	I (b) above	I (c) above	I (d) above	I (e) above	I (f) above
Investment in shares						
- Gondkhari Coal Mining Ltd.	0.02	-	-	-	-	-
- Century Textiles & Industries Ltd.	-	-	-	-	-	16.93
- Century Enka Ltd.	-	-	-	-	-	12.91
- Mangalam Cement Ltd	-	-	-	-	20.12	-
- Jay Shree Tea & Industries Ltd.	-	-	-	-	0.01	-

* Amount is below the rounding off norm adopted by the Company

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

44. Particulars in respect of goods manufactured :

Manufacturing Section	Class of goods manufactured	CAPACITY				PRODUCTION (Meant for Sale)		
		Licensed 2012-2013 (Same as 2011-2012 except otherwise indicated)		Installed (a) 2012-2013 (Same as 2011-2012 except otherwise indicated)		Unit	2012-2013	2011-2012
Cement - At Basantnagar	Cement	Not Applicable		15,00,000	M. Tons	M.T.	11,48,415 *	10,74,080 *
At Sedam	Cement	Not Applicable		57,50,000	M. Tons	M.T.	40,11,576 *	38,83,199 *
Rayon & Transparent Paper	(i) Carbon-di-Sulphide	3,603	M. Tons per year	3,600	M. Tons per year	M.T.	4,467 *	4,534 *
	(ii) Cellophane Paper (Transparent Cellulose Film)	150	M. Tons per month	3,600	M. Tons per year	M.T.	2,276 *	2,360 *
	(iii) Sodium Sulphate	5,311	M. Tons per year	5,500	M. Tons per year	M.T.	6,795 *	6,806 *
	(iv) Sodium Sulphide	70	M. Tons per year	187	M. Tons per year	M.T.	-	47
	(v) Sulphuric Acid	22,530	M. Tons per year	36,500	M. Tons per year	M.T.	35,968 *	36,520 *
	(vi) Viscose Filament Rayon Yarn	10	Tons per day	6,500	M. Tons per year	M.T.	7,517	7,466
Spun Pipes & Foundries #	Cast Iron Spun Pipes & Pipe Fittings	45,000	M. Tons per year	45,000	M. Tons per year	M.T.	-	-
Tyre	(i) Tyres	Not applicable		1,21,02,000	Nos. per year	No.	54,62,858	54,47,804
	(ii) Tubes	Not applicable		29,50,000	Nos. per year	No.	32,30,330 (including 10,74,224 nos. manufactured by contract manufacturer)	42,71,844 (including 19,50,465 nos. manufactured by contract manufacturer)
	(iii) Flaps	Not applicable		15,25,000	Nos. per year	No.	10,60,659 (including 4,27,046 nos. manufactured by contract manufacturer)	15,71,504 (including 7,48,483 nos. manufactured by contract manufacturer)
Hindustan Heavy Chemicals ##	(i) Caustic Soda Lye (100%)	15,120	M. Tons per year	12,410	M. Tons per year	M.T.	-	-
	(ii) Liquid Chlorine	6,000	M. Tons per year	5,045	M. Tons per year	M.T.	-	-
	(iii) Sodium Hypochlorite	16,500	M. Tons per year	6,205	M. Tons per year	M.T.	-	-
	(iv) Hydrochloric Acid (100%)	9,750	M. Tons per year	8,200	M. Tons per year	M.T.	-	-
	(v) Ferric Alum (including Alum Liquor)	3,200	M. Tons per year	3,200	M. Tons per year	M.T.	-	-
	(vi) Sulphuric Acid (including Battery Grade)	20,400	M. Tons per year	18,700	M. Tons per year	M.T.	-	-
	(vii) Purified Hydrogen Gas	30,24,000	M ³ per year	16,20,000	M ³ per year	M ³	-	-

* Production is inclusive of internal consumption.

Refer note no 49

Refer note no 50

(a) Installed capacities have been certified by the Company's Technical Experts. Furthermore, the installed capacity of the Transparent Paper Section is also as per Company's application to the Government of India for C.O.B. Licence.

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

45. Particulars in respect of stocks and sales of goods manufactured/ traded :
In Rs crore

	Unit	Stock as at 31.03.2011		Stock as at 31.03.2012 Stock as at 01.04.2012		Stock as at 31.03.2013		Sales			
		Quantity	Value	Quantity	Value	Quantity	Value	2012-2013		2011-2012	
								Quantity	Value	Quantity	Value
Cement - At Basantnagar	M.T.	16,222	3.92	20,390	5.66	25,469	7.87	11,42,761 (Excluding internal consumption of 575 MT)	445.41	10,68,330 (Excluding internal consumption of 1,582 MT)	436.75
At Sedam	M.T.	97,075	24.93	90,905	25.95	1,00,546	31.92	39,96,490 (Excluding internal consumption of 5,445 MT]	1,689.82	38,79,905 (Excluding internal consumption of 9,464 MT]	1,608.16
Carbon-di-Sulphide	M.T.	155	0.45	86	0.33	99	0.30	1,872 (Excluding internal consumption of 2,582 MT)	8.99	2,008 (Excluding internal consumption of 2,595 MT)	8.14
Cellophane Paper (Transparent Cellulose Film)	M.T.	40	0.74	191	5.29	361	10.85	2,105 (Excluding internal consumption of 1 MT)	64.88	2,208 (Excluding internal consumption of 1 MT)	55.48
Sodium Sulphate	M.T.	524	0.37	30	0.03	358	0.34	6,465 (Excluding internal consumption of 2 MT)	6.62	7,297 (Excluding internal consumption of 3 MT)	6.16
Sodium Sulphide	M.T.	-	-	-	-	-	-	-	-	47	0.11
Sulphuric Acid	M.T.	244	0.06	274	0.09	717	0.26	27,030 (Excluding internal consumption of 8,495 MT)	17.40	27,935 (Excluding internal consumption of 8,555 MT)	17.23
Viscose Filament Rayon Yarn	M.T.	173	4.01	819	24.79	622	18.47	7,714	238.32	6,820	195.84
Cast Iron Spun Pipes & Pipe Fittings	M.T.	692	0.04	692	0.04	692	0.04	-	-	-	-
Market Fittings	Pcs.	3,813	0.00 *	3,813	0.00 *	3,813	0.00 *	-	-	-	-
Tyres, Tubes & Flaps (Set) purchased	No.	76	0.08	39	0.04	31	0.03	8	0.01	37	0.04
Tyres	No.	8,42,971	309.00	4,86,698	224.61	4,87,293	265.11	54,62,263	3,248.73	58,04,077	3,570.63

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

45. Particulars in respect of stocks and sales of goods manufactured/ traded : (contd.)

	Unit	Stock as at 31.03.2011		Stock as at 31.03.2012 Stock as at 01.04.2012		Stock as at 31.03.2013		Sales			
		Quantity	Value	Quantity	Value	Quantity	Value	2012-2013		2011-2012	
								Quantity	Value	Quantity	Value
Tubes	No.	13,22,048 [(Including 13,379 nos. (Rs.1.68 crores) Purchased]	39.01	7,43,822 [(Including 35,267 nos. (Rs.4.65 crores) Purchased]	29.83	7,73,982 [(Including 2,11,383 nos. (Rs.7.18 crores) Purchased]	33.46	43,44,961 [(Including 968706 nos. (Rs.34.39 crores) on sale of Purchased]	258.33	52,04,772 [(Including 3,32,814 nos. (Rs.13.80 crores) on sale of Purchased]	284.77
Flaps	No.	3,98,952 [(Including 9,257 nos. (Rs 0.31 crores) Purchased]	10.20	2,26,721 [(Including 47,803 nos. (Rs.1.72crores) Purchased]	6.74	3,05,441 [(Including 80,573 nos. (Rs.3.37crores) Purchased]	8.86	23,85,688 [(Including 1371010 nos. (Rs.45.22 crores) on sale of Purchased]	61.77	27,75,940 [(Including 9,93,659 nos. (Rs.35.45 crores) on sale of Purchased]	66.41
Caustic Soda Lye (100%)	M.T.	28	0.06	28	0.06	28	0.06	-	-	-	-
Liquid Chlorine	M.T.	69	0.04	69	0.04	69	0.04	-	-	-	-
Sodium Hypochlorite	M.T.	43	0.01	43	0.01	43	0.01	-	-	-	-
Hydrochloric Acid (100%)	M.T.	12	0.00	12	0.00 *	12	0.00 *	-	-	-	-
Sulphuric Acid (including Battery Grade)	M.T.	95	0.04	95	0.04	95	0.04	-	-	-	-
Purified Hydrogen Gas	M3	8,432	0.02	8,432	0.02	8,432	0.02	-	-	-	-
Others			-		-		14.53		19.36		15.40
TOTAL			392.98		323.57		392.21		6,059.64		6,265.12

* Amount is below the rounding off norm adopted by the Company

KESORAM INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2013

46. Consumption of Raw Materials :

Manufacturing Section	Class of Materials	Unit	2012-2013		2011-2012	
			Quantity	Value	Quantity	Value
<i>In Rs crore</i>						
Cement -						
At Basantnagar	Limestone	M.T.	12,30,000	42.11	10,70,000	32.77
	Bauxite/ Laterite/ Hematite	M.T.	79,378	10.55	73,497	8.52
	Gypsum	M.T.	34,104	6.45	30,946	5.79
	Fly Ash	M.T.	2,44,646	7.63	2,25,370	6.71
At Sedam	Limestone	M.T.	46,85,435	54.33	44,34,233	48.33
	Bauxite/ Laterite/ Hematite	M.T.	2,76,699	23.48	2,62,530	21.50
	Gypsum	M.T.	1,27,695	31.57	1,28,707	30.31
	Fly Ash	M.T.	5,49,816	35.37	5,46,631	29.58
	Clinker	M.T.	80	0.03	-	-
	Slag	M.T.	14,788	1.62	-	-
Rayon & Transparent Paper	Wood Pulp	M.T.	10,067	81.93	10,062	79.88
	Caustic Soda	M.T.	6,462	21.70	6,549	18.91
	Sulphur	M.T.	16,061	21.96	16,378	20.04
	Sundries			4.83		5.12
Tyre	Natural Rubber	M.T.	56,959	1,141.49	68,384	1,576.14
	Synthetic Rubber	M.T.	16,624	319.11	20,061	423.26
	Carbon Black	M.T.	35,910	315.62	41,521	315.20
	Fabric	M.T.	12,710	365.87	15,048	426.99
	Other Chemicals and Sundries			363.92		374.97
Hindustan Heavy Chemicals	Salt	M.T.	-	-	-	-
	Hydrated Lime (90%)	M.T.	-	-	-	-
	Sulphur	M.T.	-	-	-	-
	Sundries			-		-
TOTAL				2,849.57		3,424.02

47. Value of Imported and Indigenous Raw Materials, Stores, Spare Parts and Components consumed during the year :

	2012-2013				2011-2012			
	Raw Materials		Stores, Spare Parts & Components		Raw Materials		Stores, Spare Parts & Components	
	Value	%	Value	%	Value	%	Value	%
Imported	782.37	27.46	133.79	14.74	895.90	26.17	11.19	1.32
Indigenous	2,067.20	72.54	773.65	85.26	2,528.12	73.83	836.70	98.68
	2,849.57	100.00	907.44	100.00	3,424.02	100.00	847.89	100.00

- 48 The "Draft letter of offer" for proposed right issue upto Rs 500 crore filed with SEBI has been approved by it in March,2013 and necessary follow up action are being taken in this respect.
- 49 The Company's Spun Pipes and Foundries Unit is under suspension of work effective 2nd May, 2008.
- 50 The Company intends to hive off its Hindusthan Heavy Chemicals unit (the Unit) as reflected in the Board Resolution of 31st January, 2006 and later on consented by the shareholders by postal ballot of 24th March, 2006. The Unit is not significant in terms of the Company's total assets/ liabilities/ revenue/ expenses/ cash flows. Pending disposal of the Unit, the Unit is in operation and results thereof, have been reflected in these Accounts. The Company had to declare suspension of work at the unit effective 8th December,2010 in consequence of illegal strike/activities by workmen.
- 51 Previous Year's figures have been regrouped or rearranged where considered necessary.

For Price Waterhouse
Firm Registration Number 301112E
Chartered Accountants

Manjushree Khaitan
Executive Vice-chairperson

B. K. Birla | *Chairman*

K. C. Jain
Wholetime Director

K. G. Maheshwari

P. K. Choksey

Prabal Kr. Sarkar
Partner
Membership No 52340

Tridib Kr. Das
Chief Financial Officer

Amitabha Ghosh | *Directors*

P. K. Mallik

Place: Kolkata
Date : 27th April, 2013

Gautam Ganguli
Company Secretary

Vinay Sah

K. P. Khandelwal

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with this Letter of Offer as a whole. This includes, in particular, our audited financial statements as at and for the year ended 31 March 2013 which are prepared in accordance with Indian GAAP and included elsewhere in this Letter of Offer.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under “Risk Factors” and elsewhere in this Letter of Offer.

Overview

We are part of one of the oldest conglomerates in India and were incorporated in October 1919. Since 1924, we have been under the leadership of the late Shri G.D. Birla, the late Shri B.M. Birla, and our current Promoter, Shri B.K. Birla. We have diversified business interests in various sectors including tyres, cement and rayon.

We are among the top five largest tyre manufacturing companies in India by production volume for the year ended 31 March 2012 (*Source: Automotive Tyre Manufacturers Association 2011-12 (“ATMA”)*). We own and operate two integrated tyre manufacturing plants located at Balasore, Odisha (the “**Balasore Tyre Plant**”) and Haridwar, Uttarakhand (the “**Laksar Tyre Plant**”) with a combined total installed capacity of 298,660 MT of tyres as of 31 March 2013.

We own and operate two cement manufacturing plants, located at Sedam, Karnataka (the “**Vasavadatta Cement Plant**”) and Basantnagar, Andhra Pradesh (the “**Kesoram Cement Plant**”). Our cement business has enjoyed an operating history of over 40 years, catering to the regional demands in Karnataka, Andhra Pradesh and Maharashtra. Our plants are strategically located near our leased limestone deposits in the states of Karnataka and Andhra Pradesh. We have a combined total installed capacity of 7.25 million MT as of 31 March 2013.

In addition, we also manufacture viscose rayon, filament yarn and transparent paper. Our rayon and transparent paper plant is located at Hooghly, West Bengal. Our rayon is marketed under the brand name “Kesoram Rayon,” while our transparent paper is marketed under the brand name “Kesophane”.

The tyre, cement and rayon (including transparent paper and chemicals) business operations contributed 62.6%, 32.9% and 4.5%, respectively, of our total revenues for the year ended 31 March 2012 and 59.3%, 35.2% and 5.5%, respectively, of our total revenues for the year ended 31 March 2013. For the years ended 31 March 2012 and 2013, our loss before tax was ₹ 710.3 crore and ₹ 377.2 crore, and our net loss for the period was ₹ 379.7 crore and ₹ 329.2 crore, respectively.

Factors Affecting Results of Operations

Our results of operations and the period-to-period comparability of our financial results have historically been influenced and may continue to be influenced by the following factors.

Supply and Demand

Tyre and cement sales have historically contributed a substantial portion of our revenue. We expect these businesses to continue contributing significantly in the foreseeable future. We also have presence in the fields of rayon and transparent paper. For the years ended 31 March 2012 and 2013, tyre sales accounted for approximately 62.6% and 59.3% of our total revenue and cement sales accounted for approximately 32.9% and 35.2% of our total revenue, respectively. The balance of our revenue came primarily from our rayon operations.

We manufacture, distribute and sell a variety of bias and radial tyres, and tubes and flaps. We market and distribute our tyres through our network of dealers in the replacement market, our OEM customers and export arrangements with our international distributors. Demand for tyres is closely linked to the performance of the motor vehicle industry in India and in the export markets where we sell our products. Various factors affect the performance of the motor vehicle industry in a particular market, including economic factors, road infrastructure, income levels, availability of vehicle finance, fuel prices and others. Changes in any of these factors could have an impact on demand for tyres and thus on our results of operations. According to CRISIL Research’s *Industry*

Report on Cement & Tyres (July 2012), demand for tyres in India grew at a 10.4% CAGR in tonnage terms during the five-year period from 31 March 2007 to 31 March 2012, with demand from the replacement market growing at a 10.5% CAGR and demand from the OEM market growing at a 10.3% CAGR during the same period.

Our cement sales volume and prices are influenced by the supply and demand situation in the West and South Indian cement markets, particularly in the states of Maharashtra, Karnataka, and Andhra Pradesh. Demand for cement is closely linked with expenditure on construction and infrastructure. Supply of cement and construction of new cement producing capacity is influenced by factors such as economic environment, perception of prospective demand and the cost of capital. Demand for cement may be stimulated by a number of factors including GDP growth, Government fiscal policy and increased spending on infrastructure and housing. According to CRISIL Research's *Industry Report on Cement & Tyres* (July 2012), demand for cement in India has grown at a CAGR of 8.4% over the period of five years from 31 March 2007 to 31 March 2012. CRISIL estimates that approximately 150 million tonnes of cement capacity were added during the same period, accounting for approximately 46% of the current cement capacity of 317 MT per annum.

Expenditure on construction, infrastructure and use of vehicles tends to increase as the economy improves. Therefore, during periods of economic uncertainty in India, sales of tyres and cement may suffer. Conversely, in periods of economic growth, we may be able to benefit from increased spending on industries in which our products are used.

Product Mix

Our results of operations are affected by the product mix of tyres that we manufacture. We manufacture truck and bus bias tyres, truck and bus radial tyres, farm tyres, off-the-road vehicle tyres and two- and three-wheeler tyres, which accounted for approximately 64.3%, 10.1%, 2.7%, 0.8% and 4.6%, respectively, of our total tyre and tyre-related product sales for the year ended 31 March 2012 and 66.9%, 12.4%, 2.6%, 1.1% and 6.0%, respectively, of our total tyre and tyre-related product sales for the year ended 31 March 2013. The balance of our total tyre and tyre-related product sales came from sales of tubes and flaps. Historically, we have achieved higher gross margins from selling radial tyres compared to bias tyres. In recent years, the Indian tyre industry has experienced a trend of increased preference for radial tyres in the truck and bus segment.

Raw Material Prices

The prices and costs for our products are affected by domestic and international prices for raw materials and other components involved in the production process. Prices of raw materials and other components are affected by a number of factors, including changes in the supply and demand levels of these products, global consumption levels of these products and the world economy in general. Economic conditions and growth in India also have a direct impact on the availability and cost of raw materials. Infrastructure bottlenecks, such as the availability of railway wagons for transport of raw materials from time to time, also have an impact on the prices of these raw materials.

Our costs of materials consumed accounted for approximately 56.9% and 52.8% of our total expenses for the financial years ended 31 March 2012 and 2013, respectively. Cost of raw materials consumed in the production of tyres accounted for 91.0% and 87.9% of our total cost of raw materials consumed in the year ended 31 March 2012 and 2013, respectively, and cost of raw material consumed in the production of cement accounted for 5.4% and 7.5%, respectively, of our total cost of raw materials consumed in the year ended 31 March 2012 and 2013, respectively. The principal raw materials used to manufacture tyres are natural and synthetic rubber, nylon tyre cord fabric, carbon black and reinforcement components including steel cord. The principal raw materials for cement production are limestone, hematite, gypsum and fly ash. Cost of natural and synthetic rubber, fabric, carbon black and other chemicals and sundries accounted for 64.2%, 13.7%, 10.1% and 12.0%, and 58.3%, 14.6%, 12.6%, and 14.5% respectively, of our total cost of raw materials consumed in the production of tyres in the years ended 31 March 2012 and 2013. Cost of limestone, hematite, gypsum and fly ash accounted for 44.2%, 16.4%, 19.7% and 19.7%, respectively, of our total cost of raw materials consumed in the production of cement in the year ended 31 March 2012 and 45.2%, 16.0%, 17.8% and 20.2%, respectively, of our total cost of raw materials consumed in the production of cement in the year ended 31 March 2013.

Raw material prices are volatile. In particular, natural rubber prices have fluctuated substantially in recent years, significantly impacting our cost of production. The yearly average market price of RSS-4, a natural grade rubber has increased from ₹ 10,112 per 100 kg for the year ended 31 March 2009 to ₹ 11,498 per 100 kg for the year

ended 31 March 2010, ₹ 19,003 per 100 kg in the year ended 31 March 2011 and to ₹ 20,800 per kg in the year ended 31 March 2012 (Source: Rubber Board of India).

Average monthly RSS-4 prices reached a high of ₹ 23,868 per 100kg in April 2011 and since then have fallen to an average of approximately ₹ 17,684 per 100kg for the year ended 31 March 2013 according to the Rubber Board of India. In the year ended 31 March 2013, raw material costs constituted approximately 70.0% of net revenue from operation of our tyre business. Although we try to pass along increases in raw material prices to our customers, our ability to do so depends on the competitive landscape at the time of the increase. Thus, any increase in raw material prices could potentially affect our profit margins adversely.

Coal Prices and Linkages

Coal expenses form a significant part of our total expenses in the tyre and cement production process comprising approximately 41.5% of our total expenses for our Vasavadatta Cement Plant, approximately 28.9% of our total expenses for our Kesoram Cement Plant, approximately 3.1% of our total expenses for our tyre operations and approximately 15.8% of our total expenses for our rayon and transparent paper operations in the year ended 31 March 2013. Coal and electricity are our principal sources of energy for tyre and cement production. Most of the electricity requirements at our tyre and cement plants are met through our captive coal fired thermal power plants. Coal is also used to burn raw materials in the kiln during the cement production process, as well as in operating steam boilers in the tyre production process, while electricity is used in all processes.

We purchase coal both from the domestic and international markets. We import coal only at our Vasavadatta Cement Plant. We primarily use domestically-sourced coal at our other plants as such plants are in close proximity to domestic sources of coal, which we believe makes such use economical. Domestic coal prices are based on a combination of prices set by the Government and prices in the open market, as opposed to imported coal prices which are affected by the global demand and supply situation and fluctuations in international freight prices. Our ability to purchase domestic coal at the price set by the Government is dependent on our ability to maintain coal linkages for the delivery of sufficient coal for use in our operations. If our existing coal linkages are withdrawn, our costs for power generation may increase. Likewise, if we are able to secure additional coal linkages, our costs for power generation may decrease.

Government Policies and Regulations

Policies related to tax rates and incentives have a material impact on the tyre and cement industries, and thus our results of operations. In particular, tyres and cement are both subject to taxation in India, with various taxes and levies comprising a significant portion of the end-user price. The key levies on tyres and cement are excise duty and sales tax. We are also subject to customs duty on imported raw materials that we use in the production of our products.

Excise duties are levied on the manufacture or production of finished goods. Such duties amounted to ₹ 364.4 crore and ₹ 374.1 crore in the years ended 31 March 2012 and 2013, respectively. By virtue of the Central Value Added Tax (“CENVAT”) scheme, excise duties paid by us on our inputs (other than those used in our Laksar Tyre Plant, where excise duty is not payable on finished goods) can be set off against excise duties payable by us, with the balance being accounted to the Indian tax authorities. Exports are exempt from excise duty. Pursuant to the budget announced by the Government in March 2012, excise duties were raised from 10% to 12%. The budget announced by the Government in March 2013 maintained excise duties at 12%. Tyres produced at our Laksar Tyre Plant are exempt from excise duty until ten years from the date of commencement of operations of the relevant unit (*i.e.* from May 2008 for Unit II, March 2010 for Unit III and October 2009 for Unit IV).

Competition

Our revenue and profit is dependent on the way in which we are able to effectively compete with the other major tyre and cement producers in India.

The Indian tyre industry is competitive and we expect competition to continue and likely to increase in the future. We compete with other manufacturers of tyres in India including MRF Limited, Apollo Tyres Ltd, JK Tyres & Industries Ltd, CEAT Limited and Goodyear India Ltd. We also face competition from international tyre manufacturers operating in India, such as Michelin India Tyres Private Limited, Bridgestone India Private Ltd and Continental Tyres India Limited, as well as imports, primarily from China. Competition occurs principally on the basis of branding, pricing, quality and after sales service.

The cement industry in India continues to be highly fragmented as compared to other cement producing countries. The share of cement production of the top three cement groups increased to 39.3% in the year ended 31 March 2012 from 38.1% in the financial year ended 31 March 2011, and there are still over 24 different cement companies in India which have less than 5 million MT of cement capacity, and which are likely targets for further consolidation in the sector. Factors we compete on in the cement market include proximity to the market, brand name and pricing.

On 24 June 2012, the Competition Commission of India (“CCI”) levied a penalty of more than ₹ 6,300.0 crore on 11 cement manufacturing companies for allegations of cartelization and for violating provisions of the Competition Act of 2002. A separate order levied a penalty of ₹ 397.5 crore on a twelfth cement company on 30 July 2012. While we were not one of the companies on which a penalty was levied by the CCI, market prices of cement may fall if the CCI has in fact identified a cartel which is engaging in anti-competitive pricing activity and is successful in breaking the cartel. Any fall in market prices for cement could have an adverse effect on our results of operations.

Interest Rate Fluctuation

Our financial performance may be affected by changes in prevailing interest rates in the financial market as a significant portion of our debt comprises floating rate borrowings. As of 31 March 2013 we had total interest bearing borrowings (both current and non-current borrowings) of ₹ 5,078.6 crore, of which 82.2% carried floating interest rates. Any increase in interest rates will increase our financing costs which would adversely affect our profitability. Furthermore, fluctuations in prevailing interest rates may affect the Indian economy generally, which may impact demand for our products. In particular, rising interest rates typically lead to slower growth and vice versa. As 31 March 2013 we had ₹ 704.0 crore of foreign currency loans pegged to LIBOR outstanding, thus fluctuations in LIBOR in particular may affect our results of operations.

Critical Accounting Estimates

Our critical accounting estimates are those that we believe are the most important to the portrayal of our financial condition and results of operations and that require our management’s most difficult, subjective or complex judgments. In many cases, the accounting treatment of a particular transaction is specifically dictated by Indian GAAP with no need for the application of our judgment. In certain circumstances, however, the preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. We base our estimates on historical experience and on various other assumptions that our management believes are reasonable under the circumstances. However, critical accounting estimates are reflective of significant judgments and uncertainties and are sufficiently sensitive to result in materially different results under different assumptions and conditions. We believe that our critical accounting estimates are those described below.

Impairment of Assets

Cash generating assets are reviewed for possible impairment at the balance sheet date based on external and internal sources of information. Impairment losses, if any, are estimated by management and recognized as an expense in the statement of profit and loss.

Inventories

Our inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average or the first-in, first-out (FIFO) method, as determined appropriate by management. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads. Net realisable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Provisions are made for obsolete, slow moving and defective stocks when management deems appropriate. Determining the cost and realisable value of inventories requires our management to make certain estimates, which may not reflect the actual costs and expenses or the value that is obtained upon sales, as the case may be.

Deferred Tax Assets and Liabilities

Deferred taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of earlier years. As at the balance sheet date, unless there is, in the judgment of management, evidence to the contrary, deferred tax assets pertaining to business loss are only recognised to the extent that there are deferred tax liabilities offsetting them.

Provisions and Contingent Liabilities

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date and are not discounted to its present value.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability. Management must use its discretion to determine and estimate provisions and contingent liabilities.

Principal Profit and Loss Account Components

In our financial statements included elsewhere in this Draft Letter of Offer, the principal profit and loss account components are as follows:

Revenue

Revenue from Operations: Our revenue from operations principally includes revenues from the sale of tyres, cement and rayon as well as sale of other products, such as sale of scraps and accruals under the duty exemption scheme. The table below shows our revenue by segment for the periods indicated.

	For the year ended 31 March	
	2012	2013
	(₹ Crore)	
Segment Revenue		
Tyres	3,933.9	3,604.8
Cement.....	2,064.1	2,141.0
Rayon, T.P. and Chemicals	284.9	337.5
Other	0.3	-
Total	6,282.6	6,082.7

Other Income: Other income includes interest, dividend income and miscellaneous income.

Expenses

Our expenses comprise primarily cost of materials consumed, purchases of stock-in-trade, changes in inventories of finished goods, works-in-progress and stock-in-trade, employee benefits expenses and other expenses.

Cost of Materials Consumed: Cost of materials consumed include costs relating to the purchase of raw materials, royalties and other costs relating to mining of limestone. The principal raw materials used to manufacture tyres are natural and synthetic rubber, nylon tyre cord fabric, carbon black and reinforcement components including steel cord. The principal raw materials for cement production are limestone, sandstone, fly ash and gypsum.

Purchase of Stock-In-Trade: Purchases of stock-in-trade primarily comprise purchases of finished goods, such as tubes and flaps, for use in tyres.

Changes in Inventories of Finished Goods, Work-In-Progress, and Stock-In-Trade: Changes in inventories of finished goods, work-in-progress and stock-in-trade for a given period comprise the closing value less the opening value of our inventories of finished goods, work-in-progress and stock-in-trade for the period.

Employee benefits expenses: Employee benefits expenses comprise primarily salaries, wages and bonuses paid to employees, contribution to provident fund, contribution to superannuation fund, contribution to labour welfare fund, contribution to gratuity fund, contribution under employees state insurance scheme and canteen subsidies.

Other expenses: Other expenses include expenses for stores, spare parts, power and fuel costs, and insurance, rates, taxes, packing, carriage and shipping, commission to selling agents, foreign currency translation and other miscellaneous expenses. Our power and fuel costs consist primarily of the purchase of coal and electricity for the manufacture of our products.

Results of Operations

The table below sets forth, for the periods indicated, our results of operations for the periods indicated:

(Audited)				
For the year ended 31 March				
	2012		2013	
	₹ Crore	% of total revenue	₹ Crore	% of total revenue
INCOME:				
Revenue from operations (Gross)	6,282.6	104.6	6,082.7	104.1%
Less: Excise Duty	361.7	6.0	371.9	6.4%
Revenue from operations (Net).....	5,920.9	98.6	5,710.8	97.8%
Other income	84.0	1.4	131.0	2.2%
Total Revenue	6,004.9	100.0	5,841.9	100.0
EXPENSES:				
Cost of materials consumed	3,424.0	57.0	2,849.6	48.8
Purchases of stock-in-trade	52.2	0.9	83.5	1.4
Changes in inventories of finished goods, work-in-progress and stock-in-trade.....	125.1	2.1	(56.0)	(1.0)
Employee benefits expenses	334.7	5.6	384.1	6.6
Other expenses.....	2,082.8	34.7	2,137.6	36.6
Total Expenses	6,018.8	100.2	5,398.8	92.4
Depreciation and amortization expenses.....	297.6	5.0	306.1	5.2
Less: Transfer from Revaluation of Fixed Assets.....	0.2	0.0	0.2	-
	297.4	5.0	305.9	5.2
Finance costs.....	410.2	6.8	514.4	8.8
(Loss) before exceptional item and tax.....	(721.5)	(12.0)	(377.2)	(6.5)
Exceptional item	11.2	0.2	-	-
(Loss) before tax.....	(710.3)	(11.8)	(377.2)	(6.5)
Tax Expenses:				
Reversal of mat credit entitlement			9.3	0.2
Deferred tax charge/(credit).....	(329.2)	(5.5)	(57.2)	(1.0)
Excess provision of current tax and fringe benefit tax in respect of earlier years written back	(1.3)	0.0	-	-
	(330.5)	(5.5)	48.0	0.8
(Loss) for the period	(379.7)	(6.3)	(329.2)	(5.6)

Year ended 31 March 2013 compared to the year ended 31 March 2012

Total Revenue

Total revenue decreased 2.7 % to ₹ 5,841.9 crore in the year ended 31 March 2013 from ₹ 6,004.9 crore in the year ended 31 March 2012. This decrease was principally due to a decrease in revenue in our tyre unit, partially offset by an increase in revenue in our cement and rayon, T.P and chemicals units.

Revenue from Operations (gross). Revenue from operations (gross) decreased 3.2% to ₹ 6,082.7 crore in the year ended 31 March 2013 from ₹ 6,282.6 crore in the year ended 31 March 2012. This was principally due to a decrease in revenue from tyre sales, prior to adjustment for inter-segment sales, to ₹ 3,604.8 crore in the year ended 31 March 2013 from ₹ 3,933.9 crore in the year ended 31 March 2012, partially offset by an increase in cement sales prior to adjustment for inter-segment sales, to ₹ 2,141.0 crore in the year ended 31 March 2013

from ₹ 2,064.1 crore in the year ended 31 March 2012, and an increase in rayon sales prior to adjustment for inter-segment sales, to ₹ 337.5 crore in the year ended 31 March 2013 from ₹ 284.9 crore in the year ended 31 March 2012. The decrease in tyre sales was driven primarily by lower prices, as production of tyres meant for sale increased slightly to approximately 5.5 million in the year ended 31 March 2013 from approximately 5.4 million in the year ended 31 March 2012. Production of cement increased to approximately 5.2 million MT, in the year ended 31 March 2013 from approximately 5.0 million MT in the year ended 31 March 2012. Price decreases in the tyre segment were driven primarily by higher discounts to keep pace with competition. Price increases in the cement segment were primarily driven by improved market conditions in the major markets for our cement, Maharashtra and Karnataka.

Excise Duty. Excise duty on sales increased 2.8% to ₹ 371.9 crore in the year ended 31 March 2013 from ₹ 361.7 crore in the year ended 31 March 2012. The increase in excise duty was caused pursuant to the budget announced by the Government in March 2012 which raised excise duties from 10% to 12%.

Other Income. Other income increased 56.0% to ₹ 131.0 crore in the year ended 31 March 2013 from ₹ 84.0 crore in the year ended 31 March 2012. This was due to an increase in miscellaneous income to ₹ 86.9 crore in the year ended 31 March 2013 from ₹ 27.4 crore in the year ended 31 March 2012 principally due to the sale of power at our cement unit primarily to buyers in the open market either through power exchanges or through bilateral power sale agreements, an increase in interest income from delayed payments by customers to ₹ 15.2 crore in the year ended 31 March 2013 from ₹ 5.5 crore in the year ended 31 March 2012 and an increase in liabilities no longer required which were written back to ₹ 18.7 crore in the year ended 31 March 2013 from ₹ 11.5 crore in the year ended 31 March 2012 primarily relating to excess provision taken against expenses which were no longer required.

Total Expenses

Total expenses decreased 10.3% to ₹ 5,398.8 crore in the year ended 31 March 2013 from ₹ 6,018.8 crore in the year ended 31 March 2012. This decrease was principally due to a decrease in cost of materials consumed, partially offset by an increase in other expenses.

Cost of Materials Consumed. Cost of materials consumed decreased 16.8% to ₹ 2,849.6 crore in the year ended 31 March 2013 from ₹ 3,424.0 crore in the year ended 31 March 2012. This decrease was principally due to a 13.1% decrease in our average cost of natural rubber, a 9.0% decrease in our average cost of synthetic rubber, a decrease in our cost of limestone for use in the production of cement and a decrease in our cost for chemicals and other sundries used in the production of tyres, partially offset by a 15.8% increase in our average cost of carbon black and a 1.5% increase in our average cost of fabric.

Purchases of stock-in-trade. Purchases of stock-in-trade increased 60.0% to ₹ 83.5 crore in the year ended 31 March 2013 from ₹ 52.2 crore in the year ended 31 March 2012. This increase was principally due to a higher volume of purchases of tubes and flaps as compared to the previous year.

Employee Benefits Expenses. Employee benefits expenses increased 14.8% to ₹ 384.1 crore in the year ended 31 March 2013 from ₹ 334.7 crore in the year ended 31 March 2012. This increase was principally due to an increase in salaries, wages and bonuses primarily due to regularly scheduled salary increases.

Other Expenses. Other expenses increased 2.6% to ₹ 2,137.6 crore in the year ended 31 March 2013 from ₹ 2,082.8 crore in the year ended 31 March 2012. This increase was principally due to an increase in power and fuel costs to ₹ 855.9 crore in the year ended 31 March 2013 from ₹ 761.5 crore in the year ended 31 March 2012 due to an increase in cement production quantity and higher power generation from our power plants, an increase in packing, carriage and shipping costs to ₹ 518.5 crore in the year ended 31 March 2013 from ₹ 466.7 crore in the year ended 31 March 2012 due to increased cement despatches, higher road and rail freight rates and an increase in the cost of packing bags, an increase in repairs and maintenance on plant and machinery to ₹ 59.6 crore in the year ended 31 March 2013 from ₹ 47.5 crore in the year ended 31 March 2012 primarily due to increased requirement for repairs at our Balasore plant and an increase in miscellaneous expenses to ₹ 195.3 crore in the year ended 31 March 2013 from ₹ 172.1 crore in the year ended 31 March 2012 primarily due to an insurance claim receivable of ₹ 10.9 crore relating to the flood at our Laksar Tyre Plant in August 2011 which was written off as it was no longer recoverable, partially offset by a decrease in brokerage and discounts to ₹ 211.6 crore in the year ended 31 March 2013 from ₹ 275.2 crore in the year ended 31 March 2012 primarily due to a decrease in sales from our tyre unit, a decrease in net foreign currency translation loss to ₹ 28.9 crore in the year ended 31 March 2013 from ₹ 52.1 crore in the year ended 31 March 2012 primarily due to a lower rate of

depreciation of the Rupee against the U.S. dollar compared to the previous year, a decrease in commission to selling agents to ₹65.9 crore in the year ended 31 March 2013 from ₹77.2 crore in the year ended 31 March 2012 primarily due to a decrease in sales from our tyre unit and a decrease in debts/advances/deposits written off to ₹ 4.4 crore in the year ended 31 March 2013 from ₹ 5.7 crore in the year ended 31 March 2012.

Exceptional Items.

Exceptional items recorded as income were nil in the year ended 31 March 2013 compared to ₹ 11.2 crore in the year ended 31 March 2012.

(Loss) before Tax.

As a result of the foregoing, loss before tax decreased to ₹ 377.2 crore in the year ended 31 March 2013 from ₹ 710.3 crore in the year ended 31 March 2012.

Tax Expenses.

Tax expenses were a credit of ₹ 48.0 crore in the year ended 31 March 2013 compared to a credit of ₹ 330.5 crore in the year ended 31 March 2012. This decrease was principally due to a decrease in deferred tax credits.

(Loss) for the year.

Loss for the year decreased 13.3% to ₹ 329.2 crore in the year ended 31 March 2013 from ₹ 379.7 crore in the year ended 31 March 2012.

Liquidity and Capital Resources

We need cash primarily to fund our working capital needs and service our borrowings. We fund our capital requirements through a variety of sources, including cash from operations, short and long-term lines of credit, secured and unsecured loans, term loans and issue of equity. These sources of funding, and our ability to fund our capital expenditure, could be adversely affected by inadequacy of profits due to declining prices and other market risks, or an inability to obtain funds from external sources on acceptable terms or in a timely manner or at all.

Cash Flows

As of 31 March 2013 we had cash and cash equivalents of ₹ 83.7 crore compared to cash and cash equivalents as of 31 March 2012 of ₹ 69.6 crore.

Particulars	For the year ended 31 March	
	2012	2013
	In ₹ Crore	
Net cash generated from operating activities	245.5	448.7
Net cash (used in) investing activities.....	(539.4)	(173.0)
Net cash provided from / (used in) financing activities	290.6	(261.6)
Net increase/(decrease) in cash and cash equivalents	(3.3)	14.1

Operating activities

Net cash generated from operating activities was ₹ 448.7 crore in the year ended 31 March 2013, consisting of operating profit before working capital changes of ₹ 405.6 crore, decreases in inventories of ₹ 82.4 crore, increase in trade and other receivables of ₹ 101.8 crore, increase in trade and other payables of ₹ 54.4 crore and net taxes refunded of ₹ 8.1 crore.

Net cash generated from operating activities was ₹ 245.5 crore in the year ended 31 March 2012, consisting of operating profit before working capital changes of ₹ 37.3 crore, decreases in inventories of ₹ 123.4 crore, decrease in trade and other receivables of ₹ 42.7 crore, increase in trade and other payables of ₹ 17.2 crore and net taxes refunded of ₹ 25.0 crore.

Investing activities

Net cash used in investing activities was ₹ 173.0 crore in the year ended 31 March 2013, consisting primarily of purchases of fixed assets of ₹199.0 crore primarily relating to purchases of plant and equipment and freehold land, partially offset by interest received of ₹ 16.8 crore and income from long term investments (other than trade) of ₹ 5.6 crore.

Net cash used in investing activities was ₹ 539.4 crore in the year ended 31 March 2012, consisting primarily of purchases of fixed assets of ₹ 554.2 crore primarily relating to purchases of plant and equipment and freehold land, partially offset by interest received of ₹ 6.8 crore and income from long term investments (other than trade) of ₹ 5.7 crore.

Financing activities

Net cash used in from financing activities was ₹ 261.6 crore in the year ended 31 March 2013, consisting primarily of repayment of short term borrowings of ₹ 612.5 crore, repayment of long term borrowings of ₹ 739.2 crore and finance cost paid of ₹ 521.0 crore partially offset by proceeds from short term borrowings of ₹ 502.0 crore, proceeds from long term borrowings of ₹ 723.9 crore and increase in cash credit and overdrafts from banks of ₹ 390.6 crore.

Net cash provided from financing activities was ₹ 290.6 crore in the year ended 31 March 2012, consisting primarily of proceeds from short term borrowings of ₹ 4,184.3 crore, proceeds from long term borrowings of ₹ 1,733.9 crore and increase in cash credit and overdrafts from banks of ₹ 338.4 crore partially offset by repayment of short term borrowings of ₹ 4,677.2 crore, repayment of long term borrowings of ₹ 861.7 crore and finance cost paid of ₹ 409.8 crore.

Working Capital and Indebtedness

We had net current liabilities, calculated as total current liabilities less total current assets, of ₹ 707.5 crore and ₹ 990.6 crore as of 31 March 2012 and 2013, respectively. We expect that our working capital will continue to be addressed by various funding sources, including cash from operations, short and long-term lines of credit, secured and unsecured loans, term loans and issue of equity. As of 31 March 2012, we had ₹ 277.4 crore available to us under credit facilities that had not been drawn and had cash and cash equivalents of ₹ 69.6 crore and as of 31 March 2013 we had ₹ 161.0 crore available to us under credit facilities that had not been drawn and had cash and cash equivalents of ₹ 83.7 crore.

The following table sets forth certain information relating to our Rupee-denominated and foreign currency denominated borrowings as at the respective dates indicated

Particulars	As of 31 March	
	2012	2013
	(₹ Crore)	
Rupee.....	3,556.4	4,374.6
Foreign currency ⁽¹⁾	1,197.1	704.0
Total.....	4,753.5	5,078.6

(1) The Rupee equivalents of foreign currency borrowings are based on the bank selling rate at the end of the relevant fiscal period.

Trade Receivables

We typically provide credit terms of 30 days from the issuance of invoice. As of 31 March 2012 and 2013 our trade receivables that had been due for less than 180 days were ₹ 649.1 crore and ₹ 817.3 crore, respectively. As of 31 March 2012 and 2013, our trade receivables that had been due for more than 180 days were ₹ 23.3 crore, and ₹ 18.4 crore, respectively.

Our debtors' days sales outstanding (calculated based on average trade receivables (based on trade receivables at the beginning and end of the year divided by two) divided by net revenue from operations over 360 days), was 40 days for the year ended 31 March 2012 and 48 days for the year ended 31 March 2013.

Trade Payables

Our creditors' days outstanding (calculated based on average accounts payable-trade (based on trade payables at the beginning and end of the year divided by two) divided by total expenses over 360 days) was 30 days for the year ended 31 March 2012 and 32 days for the year ended 31 March 2013.

Inventories

The following table sets forth our inventories as of the dates indicated.

	As of 31 March	
	2012	2013
	(₹ Crore)	
Raw materials	417.0	252.2
Work-in-process	114.1	99.9
Stores and spare parts	140.5	168.4
Stock-in-trade	6.4	10.6
Finished goods	317.2	381.7
Total	995.2	912.8

Our inventory holding days (calculated based on average inventories (based on inventories at the beginning and end of the year divided by two) divided by total expenses over 360 days) was 63 days for the year ended 31 March 2012 and 64 days for the year ended 31 March 2013.

Material Contractual Obligations

The following table sets forth information regarding certain of our material contractual obligations and commitments as of 31 March 2013.

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(In ₹ Crore)				
Working capital bank limit	1,088.9	1,088.9	-	-	-
Current maturities of long-term loans	673.4	673.4	-	-	-
Long-term loans, net of current maturities	2,478.6	-	1,855.6	449.1	173.9
Others	837.7	541.9	-	-	295.8
Total	5,078.6	2,304.2	1,855.6	449.1	469.7

Off-Balance Sheet Arrangements and Contingent Liabilities

As of 31 March 2013, other than contingent liabilities disclosed below, we have no off-balance sheet arrangements:

	As of 31 March 2013
	₹ Crore
Contingent Liabilities	
Guarantees given:	
to excise authorities	0.12
by Banks on behalf of the Company (excluding relating to joint venture in Gondhkhari Coal Mining Limited)	68.8
Claims against the Company not acknowledged as debts:	
Rates, Taxes, Duties and others demanded by various authorities	230.8
Amount demanded by Provident Fund Authorities which is sub judice	0.9
Rates, Taxes, Duties etc.	16.0
Amount payable in connection with reorganisation of the Company in earlier year	3.4
Capital and other commitments	
Capital Commitments	87.3
Other Commitments	148.1
TOTAL	235.4

Capital Expenditure

Our capital expenditure for the years ended 31 March 2012 and 2013 is as follows:

	₹ Millions
Capital Expenditure	
Year ended 31 March 2012.....	428.2
Year ended 31 March 2013.....	288.8

Our capital expenditure in previous years was in respect of upgrading our plants and equipment, freehold improvements, building upgrades, furniture and fixtures, office equipment and vehicles. We have made, and expect to continue to make routine capital expenditures in connection with maintaining and improving the efficiencies of our tyre and cement plants. We anticipate that our future capital expenditures may be financed by funds generated from operations, draw downs from existing and additional credit facilities. We cannot assure you whether, or at what cost, our planned or other possible capital projects will be completed or that these projects will be successful if completed.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various types of market risk, including changes in interest rates, foreign exchange rates and commodity prices, in the ordinary course of business.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our borrowings. As of 31 March 2013, ₹ 4,174.1 crore, equal to 82.2% of our then-outstanding debt, bore interest at floating rates. From time to time we may engage in hedging with relation to our interest rate risk, though historically our interest rate hedging arrangements have not been significant.

Exchange Rate Risk

We maintain our accounting records and prepare our financial statements in Rupees. The primary foreign currency to which we are exposed is the US dollar. We may incur losses related to the foreign currency transaction difference of our outstanding foreign currency borrowings, trade payables or other payables as a result of the depreciation of the Rupee against the US dollar. Any fluctuation in exchange rates could materially affect the expense towards these imports. From time to time we may engage in hedging with relation to our exchange rate risk, though historically our exchange rate hedging arrangements have not been significant.

Commodities Price Risk

We use natural and synthetic rubber as a raw material in the production of tyres. Cost of natural and synthetic rubber accounted for 64.2% and 58.3% of our total cost of raw materials consumed in the production of tyres in the year ended 31 March 2012 and 31 March 2013, respectively. The market price of rubber fluctuates based on a number of factors, including Government policy, the level of supply and demand in the market and the global economic environment. Fluctuations in the price of rubber can have a material effect on our costs of production and thus our profit (or loss).

We are exposed to fluctuations in prices of coal which is a commodity, the price of which is determined by global supply and demand (for imports) and set by the Government (for domestic purchases). We import some of our coal requirements for use at our Vasavadatta Cement Plant, with imported coal constituting 20.8% of our total coal purchases by quantity and 36.7% of our total coal purchases by value in the year ended 31 March 2012 and 14.9% of our total coal purchases by quantity and 22.5% of our total coal purchases by value in the year ended 31 March 2013 at our Vasavadatta Cement Plant. International coal prices are volatile, and such volatility could have a material effect on our fuel and power expenses and profit (or loss).

We use limestone, gypsum, bauxite and, fly ash as basic raw materials for our cement. We source all of our limestone requirements from our own quarries. We are also exposed to fluctuations in prices of gypsum, bauxite and fly ash, the price of which is determined by local suppliers of gypsum, bauxite and fly ash. Domestic

gypsum, bauxite and fly ash prices are volatile, and such volatility could have a material effect on the cost of our raw materials consumed.

From time to time we may engage in hedging with relation to our commodities price risk, though historically our commodities hedging arrangements have not been significant.

Material Developments since 31 March 2013

Although our results continue to be influenced by the factors described under "--Factors Affecting Results of Operations" above and market conditions generally, we believe that there have been no developments since 31 March 2013 that have had a material impact on or results or prospects.

STOCK MARKET DATA FOR THE EQUITY SHARES OF THE COMPANY

Our Equity Shares are currently listed on the BSE, NSE and CSE. Stated below is the stock market data for the Equity Shares for the periods indicated. Since our Equity Shares have not been trading on the CSE for the last three years, data for the CSE has not been provided herein.

- The high, low and average closing prices recorded on the BSE and NSE for Fiscals 2012, 2011 and 2010 and the number of Equity Shares traded on the days the high and low prices were recorded are stated below:

Fiscal Year	High (₹)	Date of High	Volume on date of High (Number of Equity Shares)	Low (₹)	Date of Low	Volume on date of Low (Number of Equity Shares)	Average Price for the Year [#] (₹)
BSE							
2013	170.9	8 August 2012	53,244	77.1	26 March 2013	14,805	130.71
2012	238.45	21 April, 2011	8,528	83	30 December, 2011	11,336	139.99
2011	418.6	9 April, 2010	66,233	175	10 February, 2011	53,381	284.34
NSE							
2013	170.0	8 August 2012	125,088	77.5	25 March 2013	17,758	130.77
2012	237.4	21 April, 2011	33644	82.8	30 December, 2011	22,051	140.06
2011	418.9	9 April 2010	107846	173.3	10 February, 2011	63,350	284.20

Source: www.bseindia.com, www.nseindia.com

Average computed based on the number of trading days during the year

- The high, low and average closing prices and volume of Equity Shares traded on the respective dates on the BSE and NSE during the last six months is as follows:

Month, Year	High (₹)	Date of High	Volume on date of High (Number of Equity Shares)	Low (₹)	Date of Low	Volume on date of High (Number of Equity Shares)	Average Price for the Month (₹)
BSE							
April 2013	121.65	25 April, 2013	218,941	76.1	16 April, 2013	11,428	89.38
March 2013	103	7 March, 2013	16,587	77.1	26 March, 2013	14,805	91.24
February 2013	129.00	February 4, 2013	18,447	91.25	February 20, 2013	4,62,045	108.05
January 2013	149.45	January 2, 2013	6,899	120.85	January 31, 2013	4,406	134.95
December 2012	160.70	December 11, 2012	65,234	139.70	December 3, 2012	14,194	149.36
November 2012	148.00	November 1, 2012	26,988	131.70	November 20, 2012	20,250	140.00
NSE							
April 2013	121.8	25 April, 2013	610,282	75.1	16 April, 2013	24,966	89.3
March 2013	104.5	11 March, 2013	9,986	77.5	March 25, 2013	17,758	91.11
February 2013	129.95	February 4, 2013	59,499	97.60	February 26, 2013	38,235	108.42
January 2013	150.95	January 2, 2013	23,092	120.50	January 23, 2013	1,78,618	134.86
December 2012	160.00	December 17, 2012	7,862	139.00	December 3, 2012	35,505	149.37

Month, Year	High (₹)	Date of High	Volume on date of High (Number of Equity Shares)	Low (₹)	Date of Low	Volume on date of High (Number of Equity Shares)	Average Price for the Month (₹)
November 2012	149.00	November 1, 2012	69,883	131.20	November 21, 2012	19,576	140.07

In the event the high, or low or closing price of the Equity Shares are the same on more than one day, the day on which there has been higher volume of trading has been considered for the purposes of this section.

3. The week end prices of the Equity Shares for last four weeks on the BSE and NSE is provided in the table below:

Week Ending	Closing (₹)*	High (₹)	Date of High	Low (₹)	Date of Low
3 May, 2013	105.9	113.8	29 April, 2013	97	2 May, 2013
26 April, 2013	109.45	121.65	25 April, 2013	86.5	22 April, 2013
18 April, 2013	79.99	86.2	18 April, 2013	76.1	16 April, 2013
12 April, 2013	79.61	84	8 April, 2013	78	12 April, 2013

Source: www.bseindia.com

*Average for the week

Week Ending	Closing (₹)*	High (₹)	Date of High	Low (₹)	Date of Low
3 May, 2013	105.89	114	29 April, 2013; 30 April, 2013	103.7	3 May, 2013
26 April, 2013	109.16	121.8	25 April, 2013	86	22 April, 2013
18 April, 2013	80.01	85.85	18 April, 2013	75.1	16 April, 2013
12 April, 2013	79.43	84.4	9 April, 2013	78.1	12 April, 2013

Source: www.bseindia.com

*Average for the week

In the event the high and low price of the Equity Shares are the same on more than one day, the day on which there has been higher volume of trading has been considered for the purposes of this section.

4. The market price of the Equity Shares on the BSE and NSE as on 21 May 2013 was ₹ 73.95 and ₹ 74.15 respectively.

ACCOUNTING RATIOS AND CAPITALIZATION STATEMENT

Accounting Ratios

Ratio	As at 31 March 2012	As at 31 March 2013
Earnings per share (₹)	(83.02)	(71.98)
Return on net worth	(0.42)	(0.57)
Net asset value per share (₹)	199.45	126.30

The ratios have been computed as under :-

Basic and diluted earning per share	$\frac{\text{Net profit / (loss) after tax attributable to equity shareholders}}{\text{Weighted average number of equity share outstanding during the period end}}$
Return on Net worth %	$\frac{\text{Net profit/ (loss) after tax attributable to equity shareholders}}{\text{Net worth at the end of the period end}}$
Net assets value per share (₹)	$\frac{\text{Net worth at the end of the period end}}{\text{Number of equity share outstanding at the end of the year/ period end}}$

Capitalization Statement

The following table sets forth our Company's capitalization and total debt as of 31 March 2013 and as adjusted to give effect to the Issue:

(In ₹ crore)

Particulars	As at 31 March 2013	As adjusted for the Issue*
Borrowings		
Short term borrowings	2304.17	2304.17
Long term borrowings	2774.39	2774.39
Total borrowings	5,078.56	5078.56
Shareholder Funds		
Equity share capital	45.74	109.8
Reserves and surplus (excluding revaluation reserves)	531.99	884.19
Total Shareholders' Funds	577.73	993.99
Total debt/ equity ratio	8.79	5.11
Long term debt equity ratio	4.80	2.79

*To be included in the Letter of Offer.

Note – Assuming full subscription to the extent of 64,037,512 Equity Shares at the Issue Price (₹ 65.0 per Equity Share).

The Company has, by a resolution of its Board of Directors dated 7 November 2012, forfeited 2,238 Equity Shares in light of non payment of allotment money.

The ratios have been computed as below:

Total Debt/ Equity Ratio: 8.79 (Short term debt + long term debt) / (Equity (i.e., equity share capital + reserves and surplus (excluding revaluation reserves))

Long Term Debt/ Equity Ratio: 4.80 (Long term debt /Equity (i.e., equity paid up capital + reserves and surplus (excluding revaluation reserves))

FINANCIAL INDEBTEDNESS

Set forth below, is a brief summary of our Company's outstanding borrowings, as on 31 March 2013, together with a brief description of certain significant terms of such financing arrangements.

Secured loans

Terms Loans

Rupee Term Loans

Name of the Lender	Loan documentation	Facility ⁽¹⁾	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment terms and prepayment terms	Nature of security
State Bank of India	Sanction letter dated 17 October 2011 and facility agreement dated 24 October 2011.	Corporate loan facility of ₹ 500.0 crore for working capital requirements of the Company and to meet the normal capital expenditure pertaining to its tyre and cement units.	500.0	2.0% above the lender's base rate p.a., with monthly rests.	Repayable in 12 quarterly installments, commencing from 28 February 2014, with the last installment payable on 30 November 2016. Any prepayment of this loan (other than any prepayment on the interest reset dates) will attract prepayment charges of 2.0% of the prepaid amount.	By virtue of a hypothecation agreement dated 24 October 2011 and a memorandum of entry by deposit of title deeds dated 27 February 2012, this facility has been secured by: <ol style="list-style-type: none"> 1. A first <i>pari passu</i> charge over the entire moveable fixed assets of the Company and a second <i>pari passu</i> charge over the entire current assets of the Company except for the assets of the 'Kesoram Spun Pipes and Foundries' division and the Hindustan Heavy Chemicals division of the Company. 2. A first <i>pari passu</i> mortgage over the immovable properties of the rayon and transparent paper divisions, the Balasore Tyre Plant and the Laksar Tyre Plant, the Kesoram Cement Plant and Vasavadatta Cement Plant.
State Bank of India	Sanction letter dated 10 November 2010 and facility agreement dated 25 November 2010.	Corporate loan facility of ₹ 600.0 crore for meeting normal capital expenditure pertaining to the Company's	500.0	2.0% above the lender's base rate p.a., with monthly rests.	Repayable in four annual installments, commencing after 24 months from the date of first disbursement. Any prepayment	By virtue of a hypothecation agreement dated 25 November 2010 and a memorandum of entry by deposit of title deeds dated 27 February 2012 this facility has been secured by a first <i>pari passu</i> charge on the immovable fixed assets, both present and future, of

Name of the Lender	Loan documentation	Facility ⁽¹⁾	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment terms and prepayment terms	Nature of security
		different tyre units and shoring up its net working capital in its business.			of this loan will attract prepayment charges of 2.00% of the prepaid amount (other than any prepayment on the interest reset dates).	<p>the various units of the Company (excluding the Kesoram Spun Pipes & Foundries division and the Hindustan Heavy Chemicals division), subject to the prior subsisting charge on the immoveable fixed assets of the Vasavadatta Cement Plant.</p> <p>This facility is also required to be secured by a first <i>pari passu</i> charge on all the moveable fixed assets of the Company, both present and future, and a second <i>pari passu</i> charge on the current assets of the Company, both present and future (excluding the Kesoram Spun Pipes & Foundries division and the Hindustan Heavy Chemicals division), which security is yet to be created.</p>
Punjab National Bank	Sanction letters dated 24 March 2011 and 14 March 2011 and loan agreement dated 29 March 2011.	Term loan facility of ₹ 300.0 crore for part financing of the tyres expansion projects at Balasore and Haridwar including reimbursement of capital expenditure already incurred within 6 months.	235.0	Lender's base rate + 1.5% + term premium p.a. with monthly rests (along with term premium of 0.5%)	Repayable in 20 quarterly installments starting from June 2012.	<p>1. By virtue of an agreement of hypothecation dated 29 March 2011, this facility has been secured by a first <i>pari passu</i> charge on the moveable fixed assets and a second <i>pari passu</i> charge on the current assets of the Company (except for the Hindustan Heavy Chemicals division and the Kesoram Spun Pipes and Foundries division).</p> <p>2. By virtue of a memorandum of entry be deposit of title deeds dated 27 February 2012, this facility has been further secured by a first <i>pari passu</i> mortgage over the immovable properties of the rayon and transparent paper divisions, the Balasore Tyre Plant and the Laksar Tyre Plant, the</p>

Name of the Lender	Loan documentation	Facility ⁽¹⁾	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment terms and prepayment terms	Nature of security
						Kesoram Cement Plant and the Vasavadatta Cement Plant.
Bank of Baroda	Sanction letter dated 18 March 2011 and term loan agreement dated 24 March 2011.	Corporate term loan facility of ₹ 200.0 crore for expansion of the tyre segment of the Company (projects undertaken at the Birla Tyres unit of the Company at Laskar and Balasore) with capital outlay of ₹ 1,832.0 crore.	160.0	Lender's base rate + 1.3% p.a., with monthly rests.	Repayable in four specified annual installments commencing from March 2013. Any prepayment of this facility will attract prepayment penalties in terms of the lender's extant guidelines.	<ol style="list-style-type: none"> 1. By an unattested deed of hypothecation dated 24 March 2011, this facility has been secured by first <i>pari passu</i> charge on the present and future fixed assets of the Company and a second <i>pari passu</i> charge on the current assets of the Company, both present and future. 2. By virtue of a memorandum of entry be deposit of title deeds dated 27 February 2012, this facility has been further secured by a first <i>pari passu</i> mortgage over the immovable properties of the rayon and transparent paper divisions, the Balasore Tyre Plant and the Laksar Tyre Plant, the Kesoram Cement Plant and the Vasavadatta Cement Plant.
IndusInd Bank	Sanction letter dated 24 May 2011 and loan agreement dated 6 June 2011.	Medium term loan facility of ₹ 250.0 crore for financing and/or refinancing capital expenditure already incurred through short term funding and/or internal accruals.	212.5	Lender's base rate + 0.8% p.a., with annual reset.	Payable in 16 quarterly installments commencing from the end of the calendar quarter after the expiry of a 12 months moratorium from the date of first disbursement. Any part of the facility may be repaid without incurring any prepayment charges within 30 days of the	<ol style="list-style-type: none"> 1. By an agreement of hypothecation dated 6 June 2011, this facility has been secured by a second <i>pari passu</i> charge on the current assets and a first <i>pari passu</i> charge on the moveable fixed assets of the Company (excluding the exclusively financed portion). 2. By virtue of a memorandum of entry be deposit of title deeds dated 27 February 2012, this facility has been further secured by a first <i>pari passu</i> mortgage over the immovable properties

Name of the Lender	Loan documentation	Facility ⁽¹⁾	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment terms and prepayment terms	Nature of security
					annual interest reset date; any prepayment after this period will attract prepayment penalty of 1.0% p.a. for the amount prepaid and period for which the prepayment has been made.	of the rayon and transparent paper divisions, the Balasore Tyre Plant and the Laksar Tyre Plant, the Kesoram Cement Plant and the Vasavadatta Cement Plant.
ICICI Bank	Sanction letter dated 12 October 2011 and facility agreement dated 12 October 2011.	Rupee term loan of ₹ 300.0 crore for capital expenditure and refinancing of existing borrowings.	300.0	Lender's base rate + 1.7% (spread) p.a., with the spread being reset at the end of every 12 months from the date of the disbursement of the first tranche of this facility.	Repayable in 20 equal quarterly installments commencing from the 27 th month from the date of first disbursement. Any part of the facility may be repaid or prepaid without incurring any prepayment charges within 45 days of the annual spread reset date; any prepayment after this period will attract prepayment penalty of 1.0% p.a. for the amount prepaid.	<ol style="list-style-type: none"> By a deed of hypothecation dated 12 October 2011, this facility has been secured by a first <i>pari passu</i> charge on the moveable fixed assets of the Company (subject to the charge on the fixed assets of the Vasavadatta Cement Plant). By virtue of a memorandum of entry by deposit of title deeds dated 27 February 2012, this facility has been further secured by a first <i>pari passu</i> mortgage over the immovable properties of the rayon and transparent paper divisions, the Balasore Tyre Plant and the Laksar Tyre Plant, the Kesoram Cement Plant and the Vasavadatta Cement Plant.
The South Indian Bank Limited	Sanction letter dated 12 December 2011 and credit facility agreement dated 21 December 2011.	Corporate term loan of ₹ 150.0 crore for meeting normal capital expenditure pertaining to the	150.0	Lender's base rate + 2.0% (spread) p.a., subject to annual rests.	To be repaid in three quarterly installments of ₹ 37.0 crore each, the last installment to be remitted	By virtue of an agreement of hypothecation dated 21 December 2011, this facility has been secured by a first <i>pari passu</i> charge on the moveable fixed assets of the Company (both present and future) excluding its corporate office, the

Name of the Lender	Loan documentation	Facility ⁽¹⁾	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment terms and prepayment terms	Nature of security
		Company's different tyre units and/ or refinancing the capital expenditure already incurred through short term funds and shoring up net working capital.			before the expiry of 35 months from the date of availment. Any part of the facility may be pre-paid by the Company from its own sources without incurring prepayment penalties after a period of two years from the disbursement , if it is prepaid by the Company from its own sources within two years from disbursement , a prepayment penalty of 1.0% of the prepaid amount is payable. In the event that any part of the facility is prepaid by the facility being taken over by other lenders, a prepayment penalty of 2.0% of the prepaid amount is payable.	Hindustan Heavy Chemicals division and the 'Kesoram Spun Pipes and Foundries' division, and a second <i>pari passu</i> charge on the current assets of the Company (both present and future) excluding the Hindustan Heavy Chemicals division and the 'Kesoram Spun Pipes and Foundries' division. This facility is also required to be secured by a first <i>pari passu</i> charge over the immovable fixed assets of the Company excluding the Hindustan Heavy Chemicals division and the Kesoram Spun Pipes & Foundries division, which charge is yet to be created.
Syndicate Bank	Sanction letter dated 27 December 2011 and composite hypothecation agreement dated 30 December 2011.	Corporate loan of ₹ 200.0 crore for meeting mismatches in cash flows and augment net working capital of	200.0	Lender's base rate + 0.3% p.a., with monthly rests.	To be paid in five equal monthly installments, starting from the end of the 20 th month from the date of first	By virtue of a composite hypothecation agreement dated 30 December 2011, this facility has been secured by a subservient charge on the fixed assets and current assets, both present and future of the Company.

Name of the Lender	Loan documentation	Facility ⁽¹⁾	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment terms and prepayment terms	Nature of security
		the Company.			disbursement	
Tata Capital Financial Services Limited	Sanction letter dated 24 July 2012	Term loan facility of ₹ 50.0 crore for capex in the tyre radialisation project in Balasore Tyre Plant.	50.0	Long term lending rate of the lender – 4.5% p.a.	The principal amount is payable through 12 equal quarterly installments commencing from the end of 12 months from the date of the first draw down. The interest on the facility is to be paid on a monthly basis during the tenure of the facility. Any prepayment of this facility attracts a prepayment penalty of 2.00% of the principal outstanding at the time of such prepayment.	A first <i>pari passu</i> charge on the fixed assets of the Company and a second <i>pari passu</i> charge on the current assets of the Company, to be perfected within 120 days of the date of the first disbursement. [#]
L&T Infrastructure Finance Company Limited	Sanction letter dated 8 November 2012 and 21 November 2012	Term loan of ₹ 250.0 crore to part finance capital and operational expenses of captive power plants, railway siding and long term working capital requirements for captive power plants	225.0	L&T Infra prime lending rate plus/minus spread, currently 12.5% p.a.	Repayment in 28 structured quarterly installments. Any prepayment of this facility attracts a prepayment penalty of 1.00% of the principal outstanding at the time of such prepayment.	1. First <i>pari passu</i> charge by way of mortgage on the immovable fixed assets, present and future excluding spun pipes and foundries and Hindustan Heavy Chemicals units [#] ; and 2. First <i>pari passu</i> charge by way of hypothecation on the movable fixed assets of the Company, present and future, excluding spun pipes and foundries and Hindustan Heavy Chemicals units. [#]

Name of the Lender	Loan documentation	Facility ⁽¹⁾	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment terms and prepayment terms	Nature of security
Yes Bank Limited	Sanction letter dated 28 September 2012 and loan agreement dated 1 October 2012	Term loan of ₹ 200.0 crore for long term working capital and capital expenditure (including refurbishment, replacement of equipments, tools, spare parts, repairs and maintenance in the Company's tyre, cement and rayon divisions)	200.0	11.0% p.a.	Repayment in two equal yearly instalments after a moratorium period of one year from the date of disbursement ; Interest to be paid at monthly rests.	1. Exclusive charge on all fixed assets (including land and building) of spun pipes division [#] ; 2. Exclusive charge by way of equitable mortgage of freehold land at Solapur, Maharashtra [#] .
The South Indian Bank Limited	Sanction letter dated 29 November 2012 and credit agreement dated 24 December 2012.	Term loan of ₹ 50 crore to meet the Company's capital expenditure for its ongoing expansion.	50.0	Base rate + 2.0% p.a.	Repayment in 28 quarterly installments post a one year holiday period.	By an agreement of hypothecation dated 24 December 2012, this facility has been secured by a first <i>pari passu</i> charge over all of the moveable fixed assets of the Company (both present and future) of all of the units of the Company (except for (i) the Kesoram Spun Pipes & Foundries division and the Hindustan Heavy Chemicals division and (ii) those assets specifically charged to other lenders for specific loans granted by them). The facility is also required to be secured by a first <i>pari passu</i> charge over the immovable fixed assets of the Company (except for the Kesoram Spun Pipes & Foundries division and the Hindustan Heavy Chemicals division) which charge is yet to be created.
The South Indian Bank Limited	Sanction letter dated 26 February 2013 and credit facility	Term loan of ₹ 100 crore to meet the Company's	100.0	Base rate + 2.5% p.a.	Repayment in 28 quarterly installments post a one	By an agreement of hypothecation dated 6 March 2013, this facility has been secured by a first <i>pari passu</i> charge over all

Name of the Lender	Loan documentation	Facility ⁽¹⁾	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment terms and prepayment terms	Nature of security
	agreement dated 6 March 2013	capital expenditure for its ongoing expansion.			year holiday period.	of the moveable/immovable fixed assets of the Company (both present and future) of all of the units of the Company (except for (i) the Kesoram Spun Pipes & Foundries division and the Hindustan Heavy Chemicals division and (ii) those assets specifically charged to other lenders for specific loans granted by them). The facility is also required to be secured by a first <i>pari passu</i> charge over the immovable fixed assets of the Company (except for the Kesoram Spun Pipes & Foundries division and the Hindustan Heavy Chemicals division) which charge is yet to be created.

⁽¹⁾ The purposes of the loans profiled herein have been taken from the respective sanction letters of such loans.

These securities have not yet been created by our Company.

Foreign Currency Term Loans

Name of the Lender	Loan documentation	Facility ⁽¹⁾	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment schedule and prepayment terms	Nature of security
ICICI Bank Limited	Sanction letter dated 16 April 2007 and facility agreement dated 29 June 2007.	ECB facility of USD 7.0 crore for capital expenditure involving capacity expansion of the Company's cement plant by 1.65 million MT per annum at the Vasavadatta cement unit at Sedam and the setting up of a captive power plant of 18 MW at	197.7	6 months LIBOR + 1.3% p.a.	To be repaid in ten unequal installments, the first installment due at the end of 30 months from and including the average utilization date (the date determined by computing the average of all of the drawdown dates weighted by	1. By virtue of a deed of hypothecation dated 12 February 2008, this facility has been secured by a first <i>pari passu</i> charge on the moveable fixed assets (both present and future) pertaining to the Vasavadatta Cement Plant. 2. By virtue of a mortgage deed (by deposit of title deeds) dated 28 March 2008, this facility has been further secured by a first <i>pari passu</i> charge on the present and future immovable fixed assets pertaining to the Vasavadatta Cement Plant.

Name of the Lender	Loan documentation	Facility ⁽¹⁾	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment schedule and prepayment terms	Nature of security
		Sedam, Karnataka.			the actual amounts drawn down). Any prepayment of this facility (minimum amount of USD 0.3 crore) is permitted with a 15 business days notice to the lender. Any prepayment made on dates other than the last date of the interest period (six months) will be subject to break costs.	

⁽¹⁾ The purposes of the loans profiled herein have been taken from the respective sanction letters of such loans.

Working capital facilities

Foreign Currency working capital facilities

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment schedule and prepayment terms	Nature of security
DBS Bank Limited	Sanction letters dated 17 February 2009, 11 January 2010 and 26 May 2011	Uncommitted multicurrency buyer's credit facility of floating rate equivalent to a maximum of USD 1.0 crore.	52.1	LIBOR + applicable margins	Repayable on demand.	By virtue of a memorandum of entry dated 27 February 2012 and a deed of hypothecation dated 13 March 2012, this facility has been secured by: <ul style="list-style-type: none"> (i) a first <i>pari passu</i> charge over the moveable fixed assets of the Company; and (ii) a second <i>pari passu</i> charge over the current assets of the Company except for the movable fixed assets of the Kesoram Spun Pipes and Foundries division, the Hindustan Heavy Chemicals

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest	Repayment schedule and prepayment terms	Nature of security
						division and the corporate office of the Company.
Standard Chartered Bank	Sanction letter dated 23 July 2010	Financial guarantees/standby letter of credit (Trade) facilities of USD 2.2 crore.	19.4	Commission: as negotiated by the lender and the Company from time to time.	Repayable on different maturity dates, varying from 917 to 1,051 days.	<p>First <i>pari passu</i> charge over all the moveable and immovable fixed assets, both present and future of the Company, except for those assets pertaining to the Kesoram Spun Pipes & Foundries division and the Hindustan Heavy Chemicals division, subject to prior subsisting charges on the moveable and immovable fixed assets pertaining to the Vasavadatta Cement Plant.</p> <p>This facility is also required to be secured by a second <i>pari passu</i> charge on the current assets of the Company, both present and future, except for those assets pertaining to the Kesoram Spun Pipes & Foundries division and the Hindustan Heavy Chemicals division, which is yet to be created.</p>

Rupee working capital facilities

Our Company's rupee working capital lender's consortium is led by the State Bank of India and currently comprises of the State Bank of India, with the other consortium members being Axis Bank Limited, Bank of Baroda, DBS Bank Limited, HDFC Bank Limited, ICICI Bank Limited, IndusInd Bank Limited, ING Vysya Bank Limited, Punjab National Bank, Standard Chartered Bank, State Bank of Hyderabad, The South Indian Bank Limited, Union Bank of India and Yes Bank Limited ("**State Bank of India Consortium**"). The working capital limits sanctioned under the State Bank of India Consortium are currently governed by the Sixth supplemental working capital consortium agreement dated 20 March 2013 between the Company and the State Bank of India Consortium by virtue of which working capital limits of ₹ 1,850.0 crore have been sanctioned by the State Bank of India Consortium. Provided below are details of our borrowings from the State Bank of India Consortium.

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest/ commission (as applicable)	Repayment schedule	Security
State Bank of India as part of the State Bank of India Consortium	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with	Working capital facility of ₹ 925.0 crore divided into fund based working capital limit of	786.2	Interest on the cash credit facility: lender's base rate + 0.5%, at monthly rests.	Repayable on demand.	By a joint deed of hypothecation dated 20 March 2013, these working capital facilities have been secured by:

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest/ commission (as applicable)	Repayment schedule	Security
	sanction letters dated 14 December 2012 and 2 March 2013.	₹ 575.0 crore and non-fund based working capital limit of ₹ 350.0 crore.		Commission on the export packing credit facility: in terms of extant norms of the RBI. Commission on the capex letter of credit facility: 0.5% (for import letters of credit) and 0.8% (for inland letters of credit). Commission on the bank guarantee facility: 0.7%		(i) A first <i>pari passu</i> charge over the whole of the current assets of our Company (except for the assets pertaining to the Hindustan Heavy Chemicals division and the Kesoram Spun Pipes and Foundries divisions of our Company); and (ii) A second <i>pari passu</i> charge over the whole of the moveable fixed assets of our Company (except for the assets pertaining to the Hindustan Heavy Chemicals division and the Kesoram Spun Pipes and Foundries divisions of our Company).
Axis Bank Limited as part of the State Bank of India Consortium	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 30 July 2010.	Working capital facility of ₹ 30.0 crore divided into fund based working capital limit of ₹ 25.0 crore and non-fund based working capital limits of ₹ 5.0 crore.	23.7	Interest on the cash credit facility: lender's base rate + 3% Interest on the working capital demand loan and FCDL facilities: to be decided at the time of availment and each rollover (for a period of upto six months) Commission on the import/ inland letter of credit/ inland revolving letter of credit facility and the bank guarantee facility: 0.3% (plus applicable service tax)	Repayable on demand.	
Bank of Baroda as part of the State Bank	Sixth supplemental working capital consortium	Fund based working capital facilities of ₹	50.0	Interest on the cash credit facility: lender's base	Repayable on demand	

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest/ commission (as applicable)	Repayment schedule	Security
of India Consortium	agreement dated 20 March 2013, read with sanction letter dated 10 April 2012.	50.0 crore.		rate + 2.75%, at monthly rests.		
DBS Bank Limited as part of the State Bank of India Consortium	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 6 February 2013.	Interchangeable fund based and non-fund based working capital limits of ₹ 15.0 crore.	1.8	Interest on the multiline facility consisting on overdraft/ working capital loan/ purchase bill discounting/ sales bill discounting/ local packing credit/ Inland purchase bill discounting/ letter of credit/ packing credit in foreign currency/ post shipment foreign currency: lender's base rate, at monthly rests.	Repayable on demand.	
HDFC Bank Limited as part of the State Bank of India Consortium.	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 16 January 2013.	Working capital facility of ₹ 145.0 crore divided into fund based working capital limits of ₹ 130.0 crore and non-fund based working capital limits of ₹ 15.0 crore.	125.7	Interest on the cash credit facility: lender's base rate + 5.8%, at monthly rests Interest on the export packing credit facility: in terms of extant norms of the RBI. Commission on the import/ inland letter of credit/ Inland revolving letter of credit facility: as decided by the lender from time to time. Commission on the bank guarantee	Repayable on demand.	

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest/ commission (as applicable)	Repayment schedule	Security
				facility: as decided by the lender from time to time.		
ICICI Bank as part of the State Bank of India Consortium	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 12 September 2012.	Working capital facility of ₹ 190.0 crore divided into fund based working capital limit of ₹ 50.0 crore and non-fund based working capital limits of ₹ 140.0 crore.	103.0	Interest on the cash credit facility: lender's base rate + 3.25% Interest on the export packing credit facility: in terms of extant norms of the RBI. Commission on the import/ inland letter of credit/ Inland revolving letter of credit facility: 0.3% p.a. for letters of credit of ₹15 crore; 0.4% p.a. for letters of credit of ₹ 30 crore. Commission on the inland/ foreign letter of credit on usance or sight basis: 0.4% Commission on the bank guarantee facility: 0.3% p.a. for bank guarantee of ₹15 crore; 0.4% p.a. for bank guarantee of ₹20 crore.	Repayable on demand.	
IndusInd Bank Limited as part of the State Bank of India Consortium.	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 11 May 2012.	Working capital facility of ₹ 45.0 crore divided into fund based working capital limit of ₹ 40.0 crore and non-fund based working capital limits of ₹ 5.0 crore.	38.1	Interest on the cash credit/ working capital demand loan facility: lender's base rate + 3.25% Interest on the export packing credit facility: at negotiated	Repayable on demand.	

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest/ commission (as applicable)	Repayment schedule	Security
				<p>rates.</p> <p>Commission on the foreign bills purchased/ discounted/ negotiated facility: in terms of the lender's extant guidelines, or at negotiated rates.</p> <p>Commission on the letter of credit facility: 0.4% <i>p.a.</i> upfront.</p> <p>Commission on the bank guarantee facility: 0.5% upfront.</p>		
ING Vysya Bank as part of the State Bank of India Consortium	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 18 January 2013.	Working capital facility of ₹ 70.0 crore divided into fund based working capital limit of ₹ 60.0 crore and non-fund based working capital limits of ₹ 10.0 crore.	49.6	<p>Interest on the cash credit facility: lender's base rate + 4%</p> <p>Interest on the working capital demand loan facility: at negotiated rates before each drawal.</p> <p>Interest on the import/ inland letter of credit/ inland revolving letter of credit/ bank guarantee facility: 25 base points <i>p.a.</i>, all inclusive.</p> <p>Commission on the letter of undertaking facility: 0.25% <i>p.a.</i>, all inclusive.</p>	Repayable on demand.	

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest/ commission (as applicable)	Repayment schedule	Security
Punjab National Bank, as part of the State Bank of India Consortium.	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letters dated 14 May 2012 and 26 December 2012.	Working capital facility of ₹ 100.0 crore divided into fund based working capital limit of ₹ 60.0 crore and non-fund based working capital limits of ₹ 40.0 crore.	59.5	Interest on the cash credit facility: lender's base rate + 3%, at monthly rests. Interest on the working capital demand loan facility: lender's base rate + 0.5% p.a. Commission on the letter of credit (inland) facility: 40% of the lender's charges. Commission on the bank guarantee facility: 40% of the lender's charges.	Repayable on demand.	
Standard Chartered Bank, as part of the State Bank of India Consortium.	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 31 January 2012.	Working capital facility of ₹ 80.0 crore divided into fund based working capital limits of ₹ 50.0 crore and non-fund based working capital limits of ₹ 30.0 crore.	48.3	Interest on the cash credit/ overdraft facility: lender's base rate + 4.75%, at monthly rests. Commission on the export packing credit facility: in terms of extant norms of the RBI.	Repayable on demand.	
State Bank of Hyderabad, as part of the State Bank of India Consortium.	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 4 January 2013.	Fund based working capital facilities of ₹ 30 crore.	30.3	Interest on the cash credit facility: lender's base rate + 3%, at monthly rests Commission on the export packing credit facility: in terms of extant norms of the RBI.	Repayable on demand.	

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest/ commission (as applicable)	Repayment schedule	Security
The South Indian Bank Limited as part of the State Bank of India Consortium	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 29 November 2012.	Fund based working capital facilities of ₹ 50 crore.	49.8	Interest on the cash credit facility: lender's base rate + 2%, at monthly rests. Commission on the export packing credit facility: in terms of extant norms of the RBI.	Repayable on demand.	
Union Bank of India as part of the State Bank of India Consortium	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 19 December 2012.	Fund based working capital facility of ₹ 100.0 crore.	99.3	Interest on the cash credit facility: lender's base rate + 2.75%, at monthly rests. Commission on the export packing credit facility: in terms of extant norms of the RBI. Commission on the import/ inland letter of credit facility: 25% of the usual commission (for inland letters of credit); 30% of the usual commission (for import letters of credit).	Repayable on demand.	
Yes Bank Limited as part of the State Bank of India Consortium	Sixth supplemental working capital consortium agreement dated 20 March 2013, read with sanction letter dated 9 January 2013.	Working capital limits of ₹ 20.0 crore divided into fund based limits of ₹ 15.0 crore and non fund based limits of ₹ 5.0 crore.	8.0	Interest on the cash credit facility: lender's base rate + 4% Interest on the working capital demand loan facility: to be decided mutually at the time of disbursement.	Repayable on demand.	

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest/ commission (as applicable)	Repayment schedule	Security
				Interest on the export packing credit/ post shipment credit in foreign currency facility: to be mutually decided at the time of disbursement. Commission on the letter of credit – sight/ usance facility: 0.6% p.a., all inclusive.		

Unsecured loans

Name of the Lender	Loan documentation	Facility	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest/ commission (as applicable)	Repayment schedule
ING Vysya Bank	Sanction letter dated 21 December 2012 and loan agreement dated 26 December 2012	Unsecured short term facility of ₹ 50.0 crore for meeting the working capital requirements of the Company.	50.0	At negotiated rates, to be decided at the time of disbursement.	The tenor of this facility is a maximum of 120 days, with an option of roll-over.

Inter Corporate Deposits

Name of the Lender	Loan documentation	Facility (in ₹ crore)	Amount outstanding as on 31 March 2013 (in ₹ crore)	Rate of interest/ commission (as applicable)	Repayment schedule
Pilani Investment and Industries Corporation Limited	Letter dated 14 February 2013	100.0	100.0	14.0% p.a.	Repayable on demand

Restrictive covenants

Some of the material restrictive covenants that our Company is subject to, under the terms and conditions of the aforementioned financing documents are as follows:

1. During the pendency of the aforementioned credit facilities, the Company shall:
 - (a) Ensure that the management control of the Company remains with the Promoter and his associates;

- (b) Ensure that the Promoter and his associates continue to hold at least 21.0% of the share capital of the Company;
 - (c) Maintain certain financial ratios at certain levels, such as its debt service coverage ratio, its total debt to tangible net worth ratio and its total debt to EBIDTA;
 - (d) Keep its lenders informed of the happening of any event likely to have a substantial effect on its production, sales, profits, such as labour problems, power cuts, etc and the remedial steps proposed to be taken in this regard by the Company;
 - (e) Keep its lenders informed of any circumstances adversely affecting the financial position of its group companies, including any action taken by any creditor against any of the group companies; and
 - (f) Maintain adequate security cover for the assets hypothecated/ pledged/ mortgaged to its lenders.
2. Further, our Company may not, during the pendency of the aforementioned credit facilities:
- (a) Enter into a single or a series of transactions (whether related or unrelated) to sell, lease, transfer, or otherwise dispose of any assets (other than in the ordinary course of business) of such assets, which, individually or in the aggregate, exceeds USD 0.5 crore;
 - (b) Declare dividends during the pendency of an event of default;
 - (c) Undergo any change in its normal course of business;
 - (d) Increase its capital exposure beyond certain limits;
 - (e) Utilize its loan funds:
 - (1) For capital markets activities, including for the subscription/ purchase of shares;
 - (2) To repay dues of its Promoter/ group companies;
 - (3) To extend loans to associate/ group companies;
 - (4) For real estate activities;
 - (5) For any purpose prohibited by the RBI/ FEMA; and
 - (6) In any speculative businesses.
 - (f) Invest any funds outside its business;
 - (g) Appoint any directors who are directors, or the near relative of any directors of any banking company which are scheduled commercial banks; and
 - (h) Induct any director onto the Board, who is on the list of willful defaulters of the RBI/ CIBIL, except for nominee directors.
3. Further, the Company may not, during the pendency of the aforementioned credit facilities, without the prior permission of its lenders, from:
- (a) Create any security over all or any part of its present or future revenues or assets, save for certain permitted securities;
 - (b) Take on any additional debt;
 - (c) Make investments or extend loans or advances exceeding certain pre-determined thresholds;
 - (d) Open current accounts with banks which are not in a consortium;
 - (e) Change its shareholding pattern;
 - (f) Effect any changes in its capital structure;
 - (g) Formulate any scheme of reconstruction/ amalgamation/ merger;
 - (h) Implement any scheme of modernization/ diversification/ renovation;
 - (i) Divert funds provided by the lender to any sister/ associate/ group concerns or for purposes other than for which the facility was sanctioned;
 - (j) Effect any withdrawal of loan monies bought in by the principal shareholders/ Directors of the Company;
 - (k) Acquire fixed assets for which capital expenditure will be incurred;
 - (l) Invest in share capital in or lend or advance to or place deposit with any other concern, except for extended normal trade credit/ security deposit within the routine course of business;
 - (m) Undertake guarantee obligations on behalf of any other borrower or a third party;
 - (n) Make any repayment of loans and deposits and discharge other liabilities except shown in the fund flow statement submitted from time to time;
 - (o) Make any change in its management set up;
 - (p) Sell, assign, mortgage or dispose off any of the fixed assets charged to the lenders;
 - (q) Sell, transfer, or otherwise dispose of any of its receivables on recourse basis;

- (r) Enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts;
 - (s) Dispose of any or part of its assets, or make any acquisition or investment;
 - (t) Undertake any trading activity other than the sale of the product arising out of the own manufacturing operations;
 - (u) Pledge the shares held by the Promoter and his associates beyond 10% of their holdings for raising any loans of securitizing any loans and advances availed/ to be availed by them from any bank/ financial institution;
 - (v) Make any material amendments in the Memorandum and the Articles;
 - (w) Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to its lenders;
 - (x) Enter into any contractual obligation of a long term nature affecting the Company financially to a significant extent; and
 - (y) Change the practice with regard to remuneration of the Directors by means of ordinary remuneration or commission, scale of sitting fees, etc.
4. In the event of a default by the Company of the terms and conditions of the aforementioned financing arrangement, the Company may not, without prior permission from its lenders:
- (a) Undertake any new project, implement any scheme of expansion, or acquire fixed assets except those indicated in the funds flow statement submitted to the lenders from time to time;
 - (b) Invest by way of share capital in or lend or advance funds to or place deposits with any concern (including its group companies); and
 - (c) Redeem, repurchase, deface, retire or repay any of its share capital or any warrants for the time being in force.
5. In the event of a default, some of our lenders have the right to appoint a nominee Director on the Board.
6. Some of the agreements with our lenders also contain ‘cross-default’ provisions, whereby, the default by our Company of its obligations to any other lenders will automatically constitute a default of its obligations under these agreements.

Non-compliance with credit facilities

We are currently not in compliance with certain financial covenants in our agreements with some of our lenders. These covenants require us to maintain certain financial ratios and certain financial parameters within mutually agreed limits during the pendency of the relevant credit facilities. For further details, see the section titled “Risk Factors - *We are subject to restrictive covenants under our financing arrangements, some of which we are not in compliance with*” at page 10. As on the date of filing of the LOF, the Company has not received any show cause notices from its lenders alleging any breach/ non-compliance by the Company of the terms and conditions of the financial covenants present in its agreements with such lenders, or for enforcing their rights in relation to breach of such covenants provided under the underlying loan agreements.

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND DEFAULTS

Except as stated below, there are no (i) outstanding litigations, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against our Company, whose outcome could have a materially adverse effect on the business, operations or financial position of our Company, (ii) pending criminal liability, cases involving moral turpitude on the part of our Company, proceedings involving material violations of statutory regulations by the Company or economic offences where proceedings have been initiated against the issuer in the immediately preceding 10 years.

A summary of civil, criminal and other litigation and disputes involving potential financial liability of above ₹ 0.75 crore and certain other litigation which we consider material has been disclosed in this Letter of Offer.

Unless stated to the contrary, the information provided below is as of the date of this Letter of Offer.

Against the Company:

Public interest litigation

1. Mr. Harinarayan Nayak and a few other individuals have filed a writ petition by way of a public interest litigation (WP No. 23283 of 2011) in the High Court of Orissa against the Company, alleging that the Company has committed various violations of the terms and conditions of various environmental laws, regulations and licenses granted to it by pollution control authorities in Orissa while operating the Balasore Tyre Plant, as well as commencing construction of the passenger car radial manufacturing facility of the Balasore Tyre Plant. The petitioners have alleged, *inter alia*, that (i) the Company has violated the terms and conditions of consents to establish granted by the Orissa Pollution Control Board in 1992, 1994 and 1999; (ii) the Balasore Tyre Plant discharges large volumes of harmful effluents in the surrounding water supply, particularly in the river Budhabalanga, whose water is utilized by residents in the adjoining villages for daily consumption; (iii) the Company has failed to undertake developmental work and pollution control measures that it had undertaken to provide at the time of the public hearing for the expansion project; (iv) the Company has failed to provide employment to land-losers; (v) the Company has been drawing ground water for use in the Balasore Tyre Plant in excess of, and for uses not specified in the license granted to it for drawing ground water by the Central Ground Water Board; and (viii) the Company has been cutting trees in the area around the expansion project without necessary authorizations from the state pollution control board. Consequently, the petitioners have prayed for orders from the High Court of Orissa directing authorities of the state of Orissa to make appropriate enquiries in light of these alleged violations. Subsequently, the High Court of Orissa passed an interim order dated 28 March 2012 directing the Company to stop operations at the tyre manufacturing until a consent order has been obtained from the Orissa Pollution Control Board with respect to alleged violations of provisions of the Air Act, the Water Act and the Environment Protection Act. The court also directed the Company to stop any construction activity in respect of the new passenger radial tyre project until the consent order has been obtained. The Company subsequently obtained a consent order dated 4 May 2012 from the Orissa Pollution Control Board pursuant to which the Company was granted consent to operate the main manufacturing unit at the Balasore Tyre Plant until 31 March 2013, subject to strict compliance with the conditions imposed in the consent order. In the interim, our Company has filed a miscellaneous application (Misc. Case No. 13608 of 2012) for modification of the restraining order to carry out the expansion of the new passenger car radial manufacturing facility of the Balasore Tyre Plant. The matter is currently pending.

Criminal cases

1. An FIR has been filed at the Sedam police station by Mr. Ramesh Pargar, at the Vasavadatta Cement Plant against Mr. Yogendra Gouda, Security Officer and Mr. Ajit Kulkarni, Manager at the Vasavadatta Cement Plant. In this FIR, the complainant has alleged that Mr. Yogendra Gouda and Mr. Ajit Kulkarni had misbehaved with him, threatened and abused him on 7 November 2008, thereby alleging the commission of offences under sections 341, 504 and 506 of the IPC. The matter is currently pending at the Court of the Judicial Magistrate, First Class, Sedam.

2. An FIR has been filed at the Sedam police station by Mr. Mallikarjun, at the Vasavadatta Cement Plant of the Company against a number of officials of the Vasavadatta Cement Plant. In this FIR, the complainant has alleged that on 5 November 2008, he was made to work at the unit without requisite safety material, as a result of which he sustained severe burn injuries during the course of his work. The complainant has thereby alleged the commission of offences by the accused officials of the Vasavadatta Cement Plant under sections 287, 336 and 337 of the IPC. The matter is currently pending at the Court of the Judicial Magistrate, First Class, Sedam.
3. An FIR has been filed at the Sedam police station by Mr. Mohammad Saqid Ali, against Mr. Goudappa, driver of a bulldozer and an employee at the Vasavadatta Cement Plant of the Company and the management of the Vasavadatta Cement Plant. In this FIR, the complainant has alleged that on 23 June 2009, Mr. Goudappa in a rash and negligent manner, drove his bulldozer over one Mr. Mohammad Haji, who was sleeping at that point of time, resulting in his demise. The complainant has also alleged that the management of the Vasavadatta Cement Plant is guilty of criminal negligence by not adequately constructing a rest-room for labourers like Mr. Mohammad Haji, and consequently the accused were guilty of commission of offences under sections 287 and 304(A) of the IPC. The matter is currently pending at the Court of the Magistrate of the First Class, Sedam.
4. A complaint (2(C) C.C. No. 25 of 2005) has been filed by by the Assistant Directors of Factories and Boilers, Balasore against Mr. Anil Kumar Upadhyay, Manager of the Balasore Tyre Plant alleging, *inter alia*, that the Balasore Tyre Plant is a hazardous factory within the meaning of the Factories Act, 1948 and as the occupier of the factory, the accused failed to comply with and contravened the provisions of section 41(c) of the Factories Act, 1948 by not maintaining the updated health register or completing the health check ups for all the workers in the factory. Further, by a petition, it was prayed that the then occupier of the factory, Mr. Shiv Kumar Parekh also be added as an accused which was allowed by an order of the court. The matter is currently pending.
5. A complaint (2(C) C.C. No. 6 of 2012) has been filed by the Assistant Director of Factories and Boilers, Balasore Zone against Mr. K.C. Jain, occupier under the Factories Act, 1948 and Mr. S. R. Choudhury, manager under the Factories Act, 1948 alleging violation of section 7A2(c) of the Factories Act, 1948 and Rule 62C and 62D of the Odisha Factories Rules 1950 in the incident of the accident of Mr. Pradeep Kumar Sahu who sustained bodily injuries at the factory. The matter is currently pending.
6. A complaint (2(C) C.C. No. 88 of 2011) has been filed by the District Labour Officer, Balasore against Mr. Anil Kumar Upadhyay, factory manager at the Balasore Tyre Plant alleging violation of section 9-A of the Industrial Disputes Act, 1947. The complainant has alleged that the accused has not provided a twenty-one day notice prior to effecting any change in the conditions of service applicable to any workmen, as prescribed under the Industrial Disputes Act, 1947. The matter is currently pending.
7. A complaint (2(C) C.C. No. 24 of 2010) has been filed by the Assistant Director of Factories & Boilers, Balasore Zone against Mr. Deepak Tandon, the then occupier under the Factories Act, 1948 of the Balasore Tyre Plant. The complainant has alleged violation of rule 3(2) of the Orissa Factories Rules, 1950 as the occupier did not obtain prior approval/permission from the Director of Factories and Boilers, Odisha for the expansion of factory building for Unit V. The matter is currently pending.
8. A complaint (criminal case no. 216 of 2009) has been filed by the Assistant Director of Factories & Boilers, Balasore Zone against Mr. Shiv Kumar Parik, occupier under the Factories Act, 1948 and Mr. A.K. Upadhyay, the factory manager under the Factories Act, 1948 for alleged violation of section 32 and 7-A(2) of the Factories Act, 1948 and Rule 62-D of the Orissa Factories Rules, 1950 in the incident of the death of Mr. Narendra Behera on duty at the factory. The matter is currently pending.
9. A complaint (2(C) C.C. No. 17 of 2012) has been filed by the Assistant Director of Factories and Boilers, Balasore Zone against Mr. K.C. Jain, occupier under the Factories Act, 1948 and Mr. S. R. Choudhury, manager under the Factories Act, 1948 alleging violation of section 21(1)(iv) of the Factories Act, 1948 and Rule 62C and 62D of the Odisha Factories Rules 1950 in the incident of the accident of Mr. Sambhunath Nayak who sustained bodily injuries at the factory. The matter is currently pending.
10. A complaint (criminal case no. 2 (C) C.C. 2 of 2011) has been filed by the Assistant Director of Factories and Boilers, Balasore against Mr. K.C. Jain, occupier under the Factories Act, 1948 and Mr. S.

R. Choudhury, manager under the Factories Act, 1948 alleging violation of sections 7A2 (c), 14 and 40-B of the Factories Act, 1948 and various other rules under the Odisha Factories Rules, 1950. The complainant has alleged that inspite of various defects pointed out during the inspection, no steps have been taken for rectification of the defects which have been repeatedly continuing. The matter is currently pending.

Direct tax cases

Assessment year 1990 – 91

1. Hindustan Heavy Chemicals Limited (now merged with the Company) has filed an appeal with the Commissioner of Income Tax (Appeals), Kolkata against the order of the Assistant Commissioner of Income Tax, CC-X, Kolkata dated 31 March 1993, in respect of assessment of income tax payable by the Company for the assessment year 1990 – 91. In this appeal, Hindustan Heavy Chemicals Limited has alleged that the Assistant Commissioner of Income Tax, in the aforementioned order, erred on grounds, including:

- (i) Adding back ₹ 0.0015 crore as income from its guest houses;
- (ii) Not reviewing the computation of book profits for the relevant year;
- (iii) Upholding additions for provisioning for interest on turnover tax and doubtful debts amounting approximately to ₹ 0.5 crore;
- (iv) Upholding additions in relation to provisioning for gratuity liability of ₹ 0.4 crore; and
- (vi) Charging interest under section 234B of the Income Tax Act as tax computed on book profits.

The matter is currently pending.

Assessment year 1995 – 96

1. The Commissioner of Income Tax, Kolkata II, has filed an appeal (ITA no. 414 of 2004) in the High Court of Calcutta, against the order of the Income Tax Appellate Tribunal in respect of assessment of income tax payable by the Company for the assessment year 1995 – 96. In this appeal, the Commissioner of Income Tax alleges that the Income Tax Appellate Tribunal, in its aforementioned order, erred, by deleting the addition of ₹ 7.7 crore, claimed by the Company to be losses carried forward. The matter is currently pending.

Assessment year 1998 – 99

1. The Company has filed an appeal with the Commissioner of Income Tax (Appeals- XI), Kolkata against the order of the Joint Commissioner of Income Tax, Special Range- 14, Kolkata in respect of assessment of income tax payable by the Company for the assessment year 1998 – 99. In this appeal, the Company alleges that the Deputy Commissioner of Income Tax, in the aforementioned order, erred on grounds, including:

- (i) Adding back ₹ 0.2 crore that was provisioned for and doubtful debts written off;
- (ii) Disallowing a claim of ₹ 0.2 crore being the accrued liability incurred on account of travelling expenses in the previous year to the relevant assessment year;
- (iii) Disallowing a claim of ₹ 0.3 crore representing the expenditure incurred by the Company towards running of a school for children of its employees;
- (iv) Disallowing an ad-hoc sum of ₹ 0.002 crore out of the expenditure incurred by the Company on account of its guest house;
- (v) Disallowing a claim of ₹ 1.0 crore, representing provisions for bonus relating to the previous year (i.e. 1996-97); and
- (vi) Disallowing a claim of ₹ 1.1 crore, being the additional liability accrued to the Company.

The matter is currently pending.

Assessment year 2002 – 03

1. The Commissioner of Income Tax, Kolkata II, has filed an appeal (ITA no. 563 of 2007) in the High Court at Calcutta, against the order of the Income Tax Appellate Tribunal dated 9 February 2007 in

respect of assessment of income tax payable by the Company for the assessment year 2002 – 03. In this appeal, the Commissioner of Income Tax alleges that the Income Tax Appellate Tribunal, in its aforementioned order, erred on grounds, including:

- i Deleting an addition of ₹ 0.5 crore in terms of section 115JB of the Income Tax Act;
- ii Deleting the disallowance of ₹ 0.7 crore, being the premium on prepayment of loans; and
- iii Deleting the disallowance of ₹ 1.9 crore being provision for bad and doubtful debt written back for computation of book profits u/s 115JB.

The matter is currently pending.

Assessment year 2003 – 04

1. The Company has filed an appeal with the Commissioner of Income Tax (Appeals), Kolkata against the order of the Deputy Commissioner of Income Tax, Circle- 5, Kolkata dated 29 December 2010, in respect of assessment of income tax payable by the Company for the assessment year 2003 – 04. In this appeal, the Company alleges that the Deputy Commissioner of Income Tax, in the aforementioned order, erred on grounds, including:

- (i) Initiating re-assessment proceedings under s. 147 of the Income Tax Act after the expiry of four years from the end of the relevant assessment year and on grounds that had been examined and allowed by its predecessor;
- (ii) Disallowing the entire claim for excise duty on closing stock of finished goods aggregating to ₹ 5.7 crore; and
- (iii) Levying interest under s. 234D of the Income Tax Act when such interest could not have been levied during the relevant assessment year.

The matter is currently pending.

2. KICM Investments Limited (now merged with the Company) has filed an appeal with the Commissioner of Income Tax (Appeals- VI), Kolkata against the order of the Deputy Commissioner of Income Tax, Circle- 5, Kolkata dated 29 December 2010, in respect of assessment of income tax payable by appellant for the assessment year 2003 – 04. In this appeal, the Company alleges that the Deputy Commissioner of Income Tax, in the aforementioned order, erred on grounds, including:

- (i) Initiating re-assessment proceedings under section 147 of the Income Tax Act after the expiry of four years from the end of the relevant assessment;
- (ii) Treating income from dividends as “income from other sources”; and
- (iii) Disallowing the set off of brought forward business losses with the dividend income.

The matter is currently pending.

3. The Commissioner of Income Tax, Kolkata II, has filed an appeal (ITA no. 636 of 2007) in the High Court at Calcutta, against the order of the Income Tax Appellate Tribunal dated 6 March 2007 in respect of assessment of income tax payable by the Company for the assessment year 2003 – 04. In this appeal, the Commissioner of Income Tax alleges that the Income Tax Appellate Tribunal, in its aforementioned order, erred on grounds, including:

- (i) Deleting the addition of ₹ 1.4 crore in relation to the provisioning for bad debts; and
- (ii) Deleting the addition of ₹ 0.04 crore in relation to the diminution in the value of investment while computing book profits.

The matter is currently pending.

4. The Commissioner of Income Tax, Kolkata II, has filed an appeal (ITA no. 207 of 2008) in the High Court at Calcutta, against the order of the Income Tax Appellate Tribunal dated 21 November 2007 in respect of assessment of income tax payable by the Company for the assessment year 2003 – 04. In this appeal, the Commissioner of Income Tax alleges that the Income Tax Appellate Tribunal, in its aforementioned order, erred on grounds, including:

- (i) Deleting the disallowance of ₹ 1.3 crore being the premium paid on prepayment of loans by the Company; and
- (ii) Deleting the disallowance of ₹ 1.6 crore being the front end fees or processing fees paid by the Company for obtaining loans.

The matter is currently pending.

Assessment year 2004 – 05

1. The Commissioner of Income Tax, Kolkata II, has filed an appeal (ITA no. 496 of 2008) in the High Court at Calcutta, against the order of the Income Tax Appellate Tribunal dated 29 February 2008 in respect of assessment of income tax payable by the Company for the assessment year 2004 – 05. In this appeal, the Commissioner of Income Tax alleges that the Income Tax Appellate Tribunal, in its aforementioned order, erred on grounds, including:
 - (i) Deleting the addition of ₹ 0.6 crore, without considering that the same was capital in nature, and should be spread over different assessment years; and
 - (ii) Deleting the addition of ₹ 0.7 crore, being unrealized foreign exchange gains by the Company.

The matter is currently pending.

Assessment year 2005 – 06

1. The Company has filed an appeal with the Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals-VI), Kolkata dated 19 March 2012, in respect of assessment of income tax payable by the Company for the assessment year 2005-06. In this appeal, the Company alleges that the Commissioner of Income Tax (Appeals VI), in the aforementioned order, erred on grounds, including:
 - (i) Confirming the disallowance of ₹ 0.2 crore, being the loss suffered by the Company during to fluctuations in foreign exchange rates; and
 - (ii) Confirming the disallowance of ₹ 0.8 crore, without holding that such amount was a realized loss arising out of fluctuation in foreign exchange rates;

The matter is currently pending.

2. The Department has filed an appeal with the Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals-VI), Kolkata dated 15 February, 2012, in respect of assessment of income tax payable by the Company for the assessment year 2005-06. In this appeal, the department alleges that the Commissioner of Income Tax (Appeals VI), in the aforementioned order, erred on grounds, including:
 - (i) Deleting the disallowance of written back of provision for contingencies amounting to ₹18.86 crore.

The matter is currently pending.

Assessment year 2008-09

1. The Department has filed an appeal with the Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax (Appeals-VI), Kolkata dated 27 April 2012, in respect of assessment of income tax payable by the Company for the assessment year 2008-09. In this appeal, the department alleges that the Commissioner of Income Tax (Appeals VI), in the aforementioned order, erred on grounds, including:
 - (i) Deleting the amount of ₹ 0.02 crore on account of write off of balances;
 - (ii) Allowing the additional depreciation of ₹ 1.15 crore;
 - (iii) Accepting the appellant's view in respect of market value which has been considered as the rate of sale of electricity to the consumers by the state electricity board.

The matter is currently pending.

2. The Company has filed an appeal with the Commissioner of Income Tax (Appeals-VI), Kolkata against the appeal effect order dated 31 December 2012, in respect of assessment of income tax payable by the Company for the assessment year 2008-09. In this appeal, the company alleges that the Assessing Officer, in the aforementioned order, erred on grounds, including
 - (i) In not allowing 80IA claim as per the direction of Commissioner of Income Tax (Appeals-VI) and thereby short allowing of claim under section 80IA by ₹ 26.34 crore.
 - (ii) Short credit of TDS/TCS by ₹ 0.26 crore.

The matter is currently pending.

Indirect tax cases

1. The Sales Tax Assessing Authority, Gulbarga Division, Karnataka issued a demand notice dated 25 October 2008 to Vasavadatta Cements, presenting a demand for sales tax of ₹ 9.3 crore in respect of inter-state sales of cement made by the Company in the assessment year 2003-2004. Against this demand notice, Vasavadatta Cement appealed before the Joint Commissioner of Taxes (Appeals), Gulbarga division, claiming that the Company was exempted by virtue of exemptions granted by the Government of Karnataka dated 27 May 1996, 2 February 1998 and 11 August 1998 from payment of sales tax on finished goods produced at the Vasavadatta Cement Plant. Upon dismissal of this appeal on 31 August 2008, Vasavadatta Cement appealed to Karnataka Appellate Tribunal, which dismissed this appeal as well on 5 January 2012. Vasavadatta Cement has preferred an appeal against this order in the High Court of Karnataka. The matter is currently pending.
2. Birla Tyres has filed an appeal (No. E/427 of 2011) in the Customs, Excise and Service Taxes Appellate Tribunal, Bhubaneswar, against an adjudication order dated 30 March 2010 from the Deputy Commissioner of Customs, Excises and Service Taxes, calling upon the Company to reverse MODVAT credit amounting to ₹ 2.8 crore obtained by it in relation to various inputs used in export goods, which, in terms of this order, was impermissible under the notification of the Central Government dated 19 May 1992, by which duty free import of certain export products required in the manufacture of tyres and tubes could be made by virtue of a Value Based Advance License. The matter is currently pending.
3. Birla Tyres has filed an appeal (No. E/763-765 of 2011) in the Customs, Excise and Service Taxes Appellate Tribunal, Bhubaneswar against an adjudication order dated 27 September 2010 from the Commissioner of Customs, Excise and Service Taxes, Bhubaneswar-I calling upon the Company to pay arrears in excise duty amounting to ₹ 13.5 crore (along with penalty of the same amount) on the supply of Banbury mixture compound, a raw material for the production of tyres and tubes to the Laksar Tyre Plant from March 2008 till June 2009 on a “job-work” basis. In this appeal Birla Tyres contends, *inter alia*, that the payment of excise duty on such raw material is exempted in terms of the notification of the Central Government no. 50/2003-CE dated 10 June 2003, and further, it could not be held to be the “manufacturer” of such raw materials for the purpose of payment of the requisite excise duty. The matter is currently pending.
4. Birla Tyres has filed an appeal (no. AA-BA-140/11-12) before the Commissioner of Sales Tax, Orissa, against the assessment order passed by the Joint Commissioner of Commercial Taxes, Balasore dated 3 June 2011, raising a demand of value added tax, along with interest and relevant penalties amounting to ₹ 1.3 crore against our Company for the assessment year 2008-09. In this appeal, our Company alleges that the Joint Commissioner of Commercial Taxes erred by disallowing the input tax credit availed by our Company on coal and spare parts purchased by it, and also, by charging value added tax on the sale of various products made by the Company under the Duty Entitlement Pass Book Scheme. Our Company also filed a stay application with the Commissioner of Sales Tax, Orissa, praying for a stay on recovery proceedings in this matter pending the adjudication of the appeal. The Commissioner of Sales Tax, Orissa, pursuant to an order dated 12 October 2011, has disposed of this stay petition and ordered our Company to pay a sum of ₹ 0.2 crore, while the balance amount of the value added tax demanded would be stayed pending the disposal of the first appeal. The matter is currently pending.
5. Birla Tyres has filed a special leave petition (No. (Civil) 34943 of 2011) against the Commissioner of Commercial Taxes and another before the Supreme Court of India, against the impugned judgment of

the High Court of Orissa dated 1 November 2011 in a writ petition (No. 27609 of 2011). The petitioner has alleged that in respect of the assessment year 2008-09, a reassessment order dated 30 December 2006 was passed by the Assessing Officer for payment of tax dues amounting to ₹ 1.8 crore which was challenged in the High Court of Orissa by a writ petition, but was wrongfully dismissed. The petitioner has alleged that the nature of the order was ex-parte and time barred on the face of the order under rule 12 (8) of the Central Sales Tax (Orissa), Rules, 1957. The petitioner has challenged the order of the High Court of Orissa praying that the operation of the order be stayed and the special leave to appeal against the final judgment of the High Court of Orissa be granted. The Supreme Court, vide its order dated 5 January 2012 has stayed the order till further notice. The matter is currently pending.

6. Our Company, for the period from November 2003 to July 2005, received various show cause notices amounting to ₹ 2.3 crore in relation to non-payment of duty on cast iron spun pipes manufactured by our Company for the alleged exemption availed by our Company under the certificates issued. The Additional Commissioner of Central Excise, by its order dated 30 May 2007 (“**Order I**”), stated that the certificates are not in conformity with the exemptions granted and confirmed that the demand duty of ₹ 2.3 crore under section 11A(2) of the Central Excise Act, 1944 and issued a penalty of ₹ 2.3 crore. Our Company filed an appeal against Order I before the Commissioner, Central Excise (Appeal IV), Kolkata, which by its order dated 8 December 2010 (“**Order II**”) set aside the Order I in relation to the penalty imposed and referred the matter to the lower authority for examining each and every certificate to give a clear finding by issue of order afresh in respect of each certificate. Thereafter, the Assistant Commissioner of Central Excise, CGR-I Division has filed an appeal against Order II, contending that the Commissioner does not have the necessary powers to remand the matter back to the lower adjudicator for fresh adjudication and has therefore prayed that Order II be set aside.

Further, a separate show cause notice was received from the Directorate General of Central Excise Intelligence for a similar cause of action imposing a duty of ₹ 2.4 crore and a penalty of equivalent amount. Our Company filed a reply to the show cause notice and the Commissioner of Central Excise, by its order dated 31 December 2008, confirmed the demand for duty and the penalty imposed by the Directorate General of Central Excise Intelligence (“**DGCI Matter**”).

Our Company filed a miscellaneous application before the Customs, Excise and Service Tax Appellate Tribunal against the Commissioner of Central Excise praying that since the various show-cause notices, as mentioned above, relate to the same matter and for common periods, they cannot run at two different levels for the same cause of action. The Customs, Excise and Service Tax Appellate Tribunal, by its order dated 22 September 2011, allowed the miscellaneous application and directed that the DGCI Matter and the matter in Order II be remanded to the original adjudicating authority to consider the matter afresh.

The matter is currently pending.

7. Our Company received a show cause notice dated 6 September 2007 from the Commissioner of Central Excise, Kolkata alleging that our Company has contravened the provisions of section 11D of the Central Excise Act, 1985 in as much as it has incorrectly charged and collected from the buyers an amount equal to 10% of the price of the spun pipes, availing full exemption of duty, without depositing the amount to the credit of the central government. Our Company has filed a reply to the show cause notice and the Commissioner of Central Excise, by its order dated 7 May 2008 (“**Order**”), confirmed the demand of ₹ 0.4 crore and imposed a further a penalty of ₹ 0.4 crore for non-payment of the duty collected by our Company. Our Company has filed an appeal against the Order contending that the charges framed by the department are not proper and valid and has therefore prayed that an unconditional stay be granted till appeal is finally decided. The matter is currently pending.
8. Our Company has filed an appeal before the Deputy Commissioner of Commercial Taxes, Kolkata against the order of the Assistant Commissioner of Commercial Taxes dated 28 June 2007 computing tax payable by our Company amounting to ₹ 2.5 crore for the period ending 31 March 2005 and disallowing various deductions. Our Company has contended that the assessing authority has disallowed various claims on deductions on account of exports unjustifiably and without mentioning any reason. The matter is currently pending.
9. Our Company received a notice of demand for tax assessed under section 9 of the Central Sales Tax Act, 1956, from the Additional Commissioner of Sales Tax computing tax payable by our Company

amounting to ₹ 2.3 crore for the period ending 31 March 2006 and disallowing various claims for deductions (“**Order I**”). Our Company had filed an appeal before the Deputy Commissioner of Commercial Taxes against the Order I which was partly allowed by its order dated 12 November 2009 (“**Order II**”). Our Company has further preferred a revision petition before the West Bengal Commercial Taxes, Appellate and Revisional Board against Order II claiming that the grounds of appeal be re-considered as the appellate authority did not consider all grounds of appeal. The matter is currently pending.

10. Our Company received a notice of demand for tax assessed under section 46/section 48 of the West Bengal Value Added Tax, 2003 from the Assistant Commissioner of Sales Tax computing tax payable by our Company amounting to ₹ 3.9 crore for the period ending 31 March 2006 and disallowing various claims for deductions (“**Order I**”). Our Company had filed an appeal before the Deputy Commissioner of Commercial Taxes against the Order I, which was denied by an order dated 12 November 2009 (“**Order II**”). Our Company has further preferred a revision petition before the West Bengal Commercial Taxes, Appellate and Revisional Board against Order II praying that the Order II be set aside and to pass fresh order on merits. The matter is currently pending.
11. Our Company received a notice of demand for tax assessed under section 9 of the Central Sales Tax Act, 1956 from the Assistant Commissioner of Sales Tax computing tax payable by our Company amounting to ₹ 1.4 crore for the period ending 31 March 2007 and disallowing various claims for deductions (“**Order I**”). Our Company had filed an appeal before the Senior Joint Commissioner, Commercial Taxes against the Order I which was partly allowed by its order dated 18 November 2010 (“**Order II**”). Our Company has further preferred a revision petition before the West Bengal Commercial Taxes, Appellate and Revisional Board against Order II praying that the Order II be set aside and to pass fresh order on merits. The matter is currently pending.
12. Our Company received a notice of demand for tax assessed under section 9 of the Central Sales Tax Act, 1956 from the Senior Joint Commissioner, Commercial Taxes computing tax payable by our Company amounting to ₹ 2.8 crore for the period ending 31 March 2008 and disallowing various claims for deductions. Our Company had filed an appeal before the Additional Commissioner, Commercial Taxes against the order of the Senior Joint Commissioner, Commercial Taxes for unjustifiably disallowing certain claims in relation to the stock transfer. The matter is currently pending.
13. Our Company has received a show cause notice from the Directorate General of Central Excise Intelligence, Kolkata Zonal Unit alleging that Birla Tyres has fraudently availed modvat/cenvat credit amounting to ₹ 1.0 crore by suppressing the actual use of inputs in the manufacture of animal driven vehicles tyres and tubes before the Central Excise Department. Our Company has filed a reply before the Commissioner, Central Excise and Customs, Bhubaneshwar. The Commissioner, Central Excise and Customs, Bhubaneshwar by his order dated 29 September 2008 (“**Order**”) confirmed the duty amounting to ₹ 0.8 crore along with appropriate interest and imposed a penalty of ₹ 0.8 crore, thereby partly allowing the appeal. Our Company has filed an appeal and a stay petition against the Order before the Customs, Excise and Service Tax Appellate Tribunal, Kolkata and the Commissioner of Central Excise, Customs, Bhubaneshwar has also filed an appeal against the Order. The matter is currently pending.
14. Our Company has received two show cause notices from the Superintendent, Central Excise and Customs, Balasore – II claiming payment of ₹ 1.4 crore and ₹ 1.1 crore respectively in relation to the modvat cenvat credit for exports availed by the Company under the VABAL scheme and the various notifications. Our Company has filed replies to both the show-cause notices before the Deputy Commissioner of Central Excise and Customs, Balasore and by an order dated 29 June 2001 the order of the Superintendent was confirmed. Our Company has filed an appeal before the Commissioner of Central Excise (Appeals) which set aside the order dated 29 June 2001 and remanded the matter to the lower authority for re-computation of tax. Thereafter, the Commissioner of Central Excise filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal, Kolkata, which was dismissed. Thereafter, the Deputy Commissioner by his order dated 30 March 2010 recomputed the tax liability and issued an order for payment of tax amounting to ₹ 2.8 crore which has been appealed against by Birla Tyres before the Commissioner (Appeals), Bhubaneshwar. However, the appeal has been rejected on the ground of non compliance with the stay order of the Commissioner (Appeals), Bhubaneshwar against which our Company has filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal, Kolkata. The matter is currently pending.

15. Our Company received a notice of demand for tax assessed under section 45/46 of the West Bengal Sales Tax, 1994 from the Assistant Commissioner, Commercial Taxes for payment of tax amounting to ₹ 1.9 crore and under section 9 of the Central Sales Tax Act, 1956 for payment of tax amounting to ₹ 0.2 crore, on account of various statutory forms not being filed by the Company. Our Company filed an appeal before the Deputy Commissioner, Commercial Taxes, Corporate Division challenging the imposition of tax by the Assistant Commissioner, Commercial Taxes claiming, *inter alia*, that the claims ought to be allowed in full which was dismissed by an order dated 11 April 2008 and a direction dated 3 September 2008 directing payment of the tax (“**Order**”). Our Company has filed an appeal against the Order before the Additional Commissioner of Sales Tax praying that the tax be reassessed or that it may be declared that no tax is chargeable. The matter is currently pending.
16. Our Company received a notice of demand for tax assessed under section 45/46 of the West Bengal Sales Tax, 1994 from the Assistant Commissioner, Commercial Taxes for payment of tax amounting to ₹ 0.9 crore and under section 9 of the Central Sales Tax Act, 1956 for payment of tax amounting to ₹ 0.4 crore, on account of various statutory forms not being filed by the Company. Our Company filed an appeal before the Deputy Commissioner, Commercial Taxes, Corporate Division challenging the imposition of tax by the Assistant Commissioner, Commercial Taxes claiming, *inter alia*, that the claims ought to be allowed in full which was dismissed by an order dated 12 July 2000, modified to pay an amount of ₹ 1.1 crore (“**Order**”). Our Company has filed a revision petition against the Order before the West Bengal Commercial Taxes Appellate and Revisional Board praying that the tax be reassessed or that it may be declared that no tax is chargeable. The matter is currently pending.
17. Our Company received a show cause cum demand notice from the Commissioner of Central Excise, Kolkata-IV alleging that our Company has not properly determined the transaction value of certain excisable goods in accordance with the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 and consequently is liable to pay an amount of ₹ 2.4 crore and a penalty amount of equivalent amount of ₹ 2.4 crore. Our Company has filed a reply to the show cause notice contending that the allegations are illegal and invalid. The matter is currently pending.
18. Our Company received various show cause cum demand notices in the period from August 1998 to January 2006 from the Commissioner of Central Excise, Kolkata-IV for non-payment of central excise duty to the extent of ₹ 1.6 crore on account of alleged manufacture and consumption of sulphuric acid within the factory itself. Our Company has filed a reply to the show cause notice contending that the allegations are illegal and invalid. By an order dated 22 August 2007 (“**Order**”), the Commissioner of Central Excise has dismissed show cause cum demand notices in favour of our Company. Against the Order, the Commissioner, Central Excise has filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal. The matter is currently pending.
19. Our Company has received a show cause cum demand notice from the Collector of Central Excise, Calcutta – II for payment of an amount of ₹ 4.3 crore on account of miscalculation of duty on the deniers manufactured by our Company. Our Company has filed a reply before the Collector of Central Excise alleging that the allegations are illegal and invalid. The matter is currently pending.
20. The Assistant Commissioner of Sales Tax, Balasore division passed an re – assessment order and a subsequent demand notice for the assessment year 2002 – 03 under the provisions of the Orissa Entry Tax Act against Birla Tyres, wherein it raised a demand of entry tax amounting to ₹ 2.5 crore (along with interest and applicable penalties). Against this order, Birla Tyres filed a writ petition (WP (C) no. 6688/ 2011) in the High Court of Orissa in which it claimed, in addition to other grounds, that the impugned re – assessment order and demand notice was arbitrary and unconstitutional since it levied entry tax on the import of nylon tyre cord fabric, a raw material imported by Birla Tyres from outside Orissa since such fabric was not a scheduled good exigible to entry tax may be levied under the Orissa Entry Tax Act. The High Court of Orissa, by an order dated 22 December 2012 dismissed the petition by stating that Birla Tyres had a right to appeal with appropriate appellate authorities in this matter. An appeal was filed by Birla Tyres against this order in the Supreme Court of India (Civil Appeal no. 8835/2012). The matter is currently pending.
21. The Assistant Commissioner of Sales Tax, Balasore division passed an re – assessment order and a subsequent demand notice for the assessment year 2003 – 04 under the provisions of the Orissa Entry Tax Act against Birla Tyres, wherein it raised a demand of entry tax amounting to ₹ 1.1 crore (along with interest and applicable penalties). Against this order, Birla Tyres filed a writ petition (WP (C) no.

- 7314/ 2011) in the High Court of Orissa in which it claimed, in addition to other grounds, that the impugned re – assessment order and demand notice was arbitrary and unconstitutional since it levied entry tax on the import of nylon tyre cord fabric, a raw material imported by Birla Tyres from outside Orissa since such fabric was not a scheduled good exigible to entry tax may be levied under the Orissa Entry Tax Act. The matter is currently pending.
22. The Assistant Commissioner of Sales Tax, Balasore division passed an re – assessment order and a subsequent demand notice for the assessment year 2004 – 05 under the provisions of the Orissa Entry Tax Act against Birla Tyres, wherein it raised a demand of entry tax amounting to ₹ 1.5 crore (along with interest and applicable penalties). Against this order, Birla Tyres filed a writ petition (WP (C) no. 8417/ 2011) in the High Court of Orissa in which it claimed, in addition to other grounds, that the impugned re – assessment order and demand notice was arbitrary and unconstitutional since it levied entry tax on the import of nylon tyre cord fabric, a raw material imported by Birla Tyres from outside Orissa since such fabric was not a scheduled good exigible to entry tax may be levied under the Orissa Entry Tax Act. The matter is currently pending.
23. The Assistant Commissioner of Sales Tax (L.T.U.), Balasore division passed an assessment order and a subsequent demand notice for the assessment year 2005 – 06 under the provisions of the Orissa Entry Tax Act against Birla Tyres, wherein it raised a demand of entry tax amounting to ₹ 2.9 crore (along with interest and applicable penalties). Against this order, Birla Tyres filed a writ petition (WP (C) no. 13545/ 2007) in the High Court of Orissa in which it claimed, in addition to other grounds, that the Orissa Entry Tax Act was unconstitutional. The High Court of Orissa, by an order dated 7 November 2007 directed Birla Tyres deposit 50% of the demanded amount pending the disposal of the petition. Subsequently, Birla Tyres filed an appeal in the Supreme Court of India praying for this interim order to be set aside, and the Supreme Court, by an order dated 1 February 2008, directed Birla Tyres to file an appropriate application in the High Court of Orissa for setting aside this order. Subsequently, Birla Tyres filed a miscellaneous application in the High Court of Orissa to set aside order dated 7 November 2007, and the High Court of Orissa, by an order dated 3 January 2008 directed Birla Tyres to deposit half of the earlier demanded amount. The Orissa High Court, by a composite order dated 18 February 2008 in a different writ petition (Reliance Industries and others v. State of Orissa) disposed of the writ petition by declaring that while the Orissa Entry Tax was not unconstitutional, no entry tax could be imposed in accordance with its provisions on any goods imported from outside Orissa. Birla Tyres has filed a special leave petition against this order in the Supreme Court of India. The Supreme Court has, in a common order dated 3 February 2010 has directed Birla Tyres to deposit with the revenue department, one third of the demanded amount prior to 31 March 2010, pending disposal of the petition. The matter is currently pending.
24. The Assistant Commissioner of Sales Tax (L.T.U.), Balasore division passed an re – assessment order and a subsequent demand notice for the assessment year 2005 – 06 under the provisions of the Orissa Entry Tax Act against Birla Tyres, wherein it raised a demand of entry tax amounting to ₹ 4.0 crore (along with interest and applicable penalties). Against this order, Birla Tyres filed a writ petition (WP (C) no. 22670/ 2010) in the High Court of Orissa in which it claimed, in addition to other grounds, that that the impugned assessment order and demand notice was arbitrary and unconstitutional since it levied entry tax on the import of nylon tyre cord fabric, a raw material imported by Birla Tyres from outside Orissa since such fabric was not a scheduled good exigible to entry tax may be levied under the Orissa Entry Tax Act. The High Court of Orissa, by an order dated 14 January 2011 held that there was an alternative remedy available to Birla Tyres in this matter, and directed Birla Tyres to file an appeal against the impugned assessment order with the appropriate appellate authority. Following this order, Birla Tyres has filed an appeal against the assessment order with the Commissioner of Sales Tax, Orissa. The Commissioner of Sales Tax has, by an interim order 11 March 2011, imposed a conditional stay order on the enforcement of the original assessment order upon Birla Tyres depositing an amount of ₹ 0.4 crore, since the constitutionality of the Orissa Entry Tax Act is currently sub – judice and pending the decision of the Supreme Court of India in another writ petition (Birla Tyres v. State of Orissa). The matter is currently pending.
25. The Assistant Commissioner of Sales Tax (L.T.U.), Balasore division passed an assessment order and a subsequent demand notice for the assessment year 2006 – 07 under the provisions of the Orissa Entry Tax Act against Birla Tyres, wherein it raised a demand of entry tax amounting to ₹ 3.2 crore (along with interest and applicable penalties). Against this order, Birla Tyres filed a writ petition (WP (C) no. 13120/ 2008) in the High Court of Orissa in which it claimed, in addition to other grounds, that that the

impugned assessment order and demand notice was arbitrary and unconstitutional since it levied entry tax on the import of nylon tyre cord fabric from outside Orissa in contravention to a judgement of the High Court of Orissa in a different case (Reliance Industries Limited v. Assessing Officer) which had laid down that entry tax under the Orissa Entry Tax Act could not be levied on materials imported from outside the state of Orissa. The matter is currently pending.

26. The Assistant Commissioner of Sales Tax (L.T.U.), Balasore division passed an re – assessment order and a subsequent demand notice for the assessment year 2006 – 07 under the provisions of the Orissa Entry Tax Act against Birla Tyres, wherein it raised a demand of entry tax amounting to ₹ 4.5 crore (along with interest and applicable penalties). Against this order, Birla Tyres filed a writ petition (WP (C) no. 22671/ 2010) in the High Court of Orissa in which it claimed, in addition to other grounds, that that the impugned assessment order and demand notice was arbitrary and unconstitutional since it levied entry tax on the import of nylon tyre cord fabric, a raw material imported by Birla Tyres from outside Orissa since such fabric was not a scheduled good exigible to entry tax may be levied under the Orissa Entry Tax Act. The High Court of Orissa, by an order dated 14 January 2011 held that there was an alternative remedy available to Birla Tyres in this matter, and directed Birla Tyres to file an appeal against the impugned assessment order with the appropriate appellate authority. Following this order, Birla Tyres has filed an appeal against the assessment order with the Commissioner of Sales Tax, Orissa. The Commissioner of Sales Tax has, by an interim order 11 March 2011, imposed a conditional stay order on the enforcement of the original assessment order upon Birla Tyres depositing an amount of ₹ 0.4 crore, since the constitutionality of the Orissa Entry Tax Act is currently sub – judice and pending the decision of the Supreme Court of India in another writ petition (Birla Tyres v. State of Orissa). The matter is currently pending.
27. The Assistant Commissioner of Sales Tax (L.T.U.), Balasore division passed an assessment order and a subsequent demand notice for the assessment year 2007 – 08 under the provisions of the Orissa Entry Tax Act against Birla Tyres, wherein it raised a demand of entry tax amounting to ₹ 7.4 crore (along with interest and applicable penalties). Against this order, Birla Tyres filed a writ petition (WP (C) no. 5907/2010) in the High Court of Orissa in which it claimed, in addition to other grounds, that that the impugned assessment order and demand notice was arbitrary and unconstitutional since it levied entry tax on the import of nylon tyre cord fabric, a raw material imported by Birla Tyres from outside Orissa since such fabric was not a scheduled good exigible to entry tax may be levied under the Orissa Entry Tax Act. The High Court of Orissa, by an order dated 14 July 2010 directed Birla Tyres to deposit one third of the demanded amount pending the disposal of the petition. Subsequently, Birla Tyres filed an appeal in the Supreme Court of India praying for this interim order to be set aside, and the Supreme Court, by an order dated 17 September 2010, provided Birla Tyres an extension of four weeks from providing the amount required to be deposited by it in terms of the order of the High Court of Orissa dated 14 July 2010. The matter is currently pending.
28. The Deputy Commissioner of Sales Tax (L.T.U.), Balasore division passed an assessment order and a subsequent demand notice for the assessment year 2008 – 09 under the provisions of the Orissa Entry Tax Act against Birla Tyres, wherein it raised a demand of entry tax amounting to ₹ 17.9 crore (along with interest and applicable penalties). Against this order, Birla Tyres filed an appeal with the Commissioner of Commercial Taxes, Orissa in the High Court of Orissa in which it claimed, in addition to other grounds, that that the impugned assessment order and demand notice was arbitrary and unconstitutional since it levied entry tax on the import of nylon tyre cord fabric a raw material imported by Birla Tyres from outside Orissa since such fabric was not a scheduled good exigible to entry tax may be levied under the Orissa Entry Tax Act. The Commissioner of Commercial Taxes, Orissa, passed an order dated May 26, 2012 directing Birla Tyres to deposit ₹ 2. 0 crore pending the disposal of the appeal. The matter is currently pending.
29. The Deputy Commissioner of Sales Tax, Balasore has passed an assessment order and subsequent demand notice under the Central Sales Tax (Orissa) Rules, 1957 raising a demand of sales tax of ₹ 4.6 crore for the assessment year 2008 – 09. Against this order, Birla Tyres has filed a writ petition (WP (C) No. 4817/ 2012) in the High Court of Orissa stating that the Deputy Commissioner of Sales Tax, in the aforementioned order, erred on numerous grounds, including, *inter alia*:
- (a) Disallowing a deduction of ₹ 2.8 crore claimed by our Company towards stock transfer made to the Kankinara branch of Birla Tyres; and
 - (b) Not allowing Birla Tyres an extension of time to submit “C” Declaration Forms.

The matter is currently pending.

30. The Deputy Commissioner of Sales Tax, Balasore has passed an assessment order and subsequent demand notice under the Central Sales Tax (Orissa) Rules, 1957 raising a demand of sales tax of ₹ 2.3 crore for the assessment year 2003 – 04. Against this order, Birla Tyres has filed a writ petition (WP (C) No. 1057/ 2012) in the High Court of Orissa claiming that the Deputy Commissioner of Sales Tax, in the aforementioned order, erred by levying tax on the sale of Duty Entitlement Pass Book (“DEPB”) licenses by holding that such DEPB licenses had been sold on behalf of Birla Tyres by its head office. The matter is currently pending.
31. The Taxing Authority, Balasore Circle, Balasore has passed an assessment order and subsequent demand notice to Birla Tyres under the Central Sales Tax (Orissa) Rules, 1957 raising a demand of sales tax of ₹ 1.8 crore for the assessment year 2003 – 04. Against this order, Birla Tyres has filed a writ petition (WP (C) No. 27609/ 2011) in the High Court of Orissa claiming, among other grounds that the Taxing Officer, in the aforementioned order, erred by disallowing 55 “F” Declaration Forms relating to branch transfer to the tune of ₹ 560.4 crore involving a turnover of ₹ 12.2 crore and taxed it at 12% and applicable surcharge. The High Court of Orissa, by an order dated 1 November 2011 dismissed the assessment order and demand notice and directed Birla Tyres to reappear before the Assessing Officer in relation to this matter. Against this order, Birla Tyres has filed a special leave petition (SLP No. (CIVIL) 34943 of 2011) in the Supreme Court of India. The matter is currently pending.
32. The Deputy Commissioner of Sales Tax, Balasore has passed an assessment order and subsequent demand notice under the Central Sales Tax (Orissa) Rules, 1957 against Birla Tyres, raising a demand of sales tax of ₹ 4.3 crore for the assessment year 2002 – 03. Against this order, Birla Tyres has filed a writ petition (WP (C) No. 10623/ 2006) in the High Court of Orissa claiming that the Deputy Commissioner of Sales Tax, in the aforementioned order, erred by levying tax on the sale of DEPB licenses by holding that such DEPB licenses had been sold on behalf of Birla Tyres by its head office. The High Court of Orissa, by an order dated 14 August 2006 dismissed this petition by holding that an alternative remedy was available to Birla Tyres, and directed the latter to file an appeal with appropriate appellate authority. Against this order, Birla Tyres filed a special leave petition (SLP No. (Civil) 16797 of 2006) in the Supreme Court of India. The Supreme Court, by an order dated 19 October 2006, stayed the recovery proceedings under the demand notice pending disposal of the petition. The matter is currently pending.
33. The Taxing Authority, Balasore Circle, Balasore has passed an assessment order and subsequent demand notice under the Central Sales Tax (Orissa) Rules, 1957 against Birla Tyres, raising a demand of sales tax of ₹ 8.2 crore for the assessment year 2001 – 02. Against this order, Birla Tyres has filed a writ petition (WP (C) No. 10116/ 2006) in the High Court of Orissa claiming that the Deputy Commissioner of Sales Tax, in the aforementioned order, erred by levying tax on the sale of DEPB licenses by holding that such DEPB licenses had been sold on behalf of Birla Tyres by its head office and therefore, was taxable in Orissa. The High Court of Orissa, by an order dated 14 August 2006 dismissed this petition by holding that an alternative remedy was available to Birla Tyres, and directed the latter to file an appeal with appropriate appellate authority. Against this order, Birla Tyres filed a special leave petition (SLP No. (Civil) 15121 of 2006) in the Supreme Court of India. The Supreme Court, by an order dated 11 September 2006, stayed the recovery proceedings under the demand notice pending disposal of the petition. The matter is currently pending.
34. The Taxing Authority, Balasore Circle, Balasore has passed an assessment order and subsequent demand notice under the Central Sales Tax (Orissa) Rules, 1957 against Birla Tyres, raising a demand of sales tax of ₹ 4.5 crore for the assessment year 2000 – 01. Against this order, Birla Tyres has filed a writ petition (WP (C) No. 10017 of 2006) in the High Court of Orissa claiming that the Deputy Commissioner of Sales Tax, in the aforementioned order, erred by levying tax on the sale of DEPB licenses by holding that such DEPB licenses had been sold on behalf of Birla Tyres by its head office and therefore, was taxable in Orissa. The High Court of Orissa, by an order dated 14 August 2006 dismissed this petition by holding that an alternative remedy was available to Birla Tyres, and directed the latter to file an appeal with appropriate appellate authority. Against this order, Birla Tyres filed a special leave petition (SLP No. (Civil) 16797 of 2006) in the Supreme Court of India. The Supreme Court, by an order dated 19 October 2006, stayed the recovery proceedings under the demand notice pending disposal of the petition. The matter is currently pending.

35. The Assistant Commissioner of Sales Tax, Balasore has passed an assessment order and subsequent demand notice under the Central Sales Tax (Orissa) Rules, 1957 against Birla Tyres, raising a demand of sales tax of ₹ 1.2 crore for the assessment year 2006 – 07. Against this order, Birla Tyres has filed a writ petition (WP (C) No. 14709 of 2008) in the High Court of Orissa claiming that the Deputy Commissioner of Sales Tax, in the aforementioned order, erred by levying tax on the sale of DEPB licenses by holding that such DEPB licenses had been sold on behalf of Birla Tyres by its head office and therefore, was taxable in Orissa. The High Court of Orissa, by an order dated 27 October 2008 passed an interim order staying the recovery proceedings for the tax demanded subject to Birla Tyres furnishing a sum of ₹ 0.06 crore. The matter is currently pending.
36. The Deputy Commissioner of Sales Tax, Balasore has passed an assessment order and subsequent demand notice under the Central Sales Tax (Orissa) Rules, 1957 against Birla Tyres, raising a demand of sales tax of ₹ 1.3 crore for the assessment year 2008 – 09. Against this order, Birla Tyres has filed an appeal before the Commissioner of Sales Tax, Orissa, claiming:
- (a) that the assessing officer wrongfully disallowed input tax credit on coal and spare parts; and
 - (b) that the assessing officer wrongfully demanded tax on the sale of DEPB licenses amounting to ₹ 3.5 crore.

The Commissioner of Sales Tax has, by an interim order dated 12 October 2011 staying the recovery proceedings for the tax demanded subject to Birla Tyres furnishing a sum of ₹ 0.02 crore. The matter is currently pending.

37. The Assistant Commissioner of Sales Tax, Balasore has passed an assessment order and subsequent demand notice under the Orissa Value Added Tax, 1957 against Birla Tyres, raising a demand of sales tax of ₹ 1.0 crore for the assessment year 2005 – 06. Against this order, Birla Tyres has filed an appeal before the Commissioner of Sales Tax, Orissa, claiming, among other grounds that:
- (a) the assessing officer was not justified in disallowing input tax credit on stock of raw materials, coal, HDPE fittings and PVC fittings;
 - (b) the assessing officer was not justified in disallowing input tax credit claimed on purchases of coal; and
 - (c) the assessing officer was not justified in disallowing input tax credit on purchases of coal.

The Commissioner of Sales Tax has, by an order dated 27 November 2007, staying the recovery proceedings for the tax demanded subject to Birla Tyres furnishing a sum of ₹ 0.05 crore. Birla Tyres filed a writ petition (WP (C) 192. 2008) in the High Court of Orissa. The High Court of Orissa, by an order dated 28 January 2008, directed Birla Tyres to deposit a sum of ₹ 0.03 crore pending disposal of the appeal by the Commissioner of Sales Tax. The matter is currently pending.

38. Kesoram Cements has received two assessment orders from the Assistant Commissioner of Commercial Taxes, Karimnagar under the Andhra Pradesh Entry Tax Act, 1996 raising a demand of entry tax on the purchases of dumpers made by Kesoram Cements in the assessment years 2007 – 08 and 2008 – 09 amounting to ₹ 0.8 crore. Against this order, Kesoram Cements filed a writ petition (WP (C) no. 6173 of 2010) in the High Court of Andhra Pradesh claiming, among other grounds, that the assessment orders and subsequent demand notices were illegal since entry tax was raised on the sale of dumpers which were not ‘motor vehicles’ and therefore, were not exigible to imposition of entry tax; and that the Andhra Pradesh Entry Tax Act, 1996, was unconstitutional. The High Court of Andhra Pradesh, by an interim order, stayed the recovery proceedings under the impugned demand notices upon Kesoram Cements depositing 50% of the demanded amount. Subsequently, by an order dated 22 June 2011, upheld the constitutionality of the Andhra Pradesh Entry Tax Act, but set aside the assessment orders and remanded the matters back to the assessing authority for their consideration. The Assistant Commissioner of Commercial Taxes, Karimnagar, by a subsequent order dated 1 December 2011, raised a further demand of the balance 50% of the original demanded amount (i.e. ₹ 0.4 crore) for the assessment years 2007 – 2008 and 2008 – 2009. Against this order, Kesoram Cements filed two writ petitions (WP no. 427 of 2012 and WP no. 297 of 2012) in the High Court of Andhra Pradesh pleading that the order from the Assistant Commissioner of Commercial Taxes be set aside. The High Court has, by interim orders both dated January 5, 2012, stayed the recovery proceedings in respect to the order dated 1 December 2011. The matter is currently pending.

39. Kesoram Cements received a demand notice from the Government of Andhra Pradesh demanding the payment of electricity duty on the power generated from its thermal power plant and consumed for production of cement from 2003, in terms of a government order under section 3B of the Electricity Act, 1939 amounting to ₹ 20.5 crore. Subsequently, Kesoram Cements filed a writ petition (WP (C) No. 9626 of 2004) pleading that the aforementioned demand notice be set aside. The High Court of Andhra Pradesh has, by an interim order dated 22 June 2004, stayed the recovery proceedings of the electricity duty demanded by the Government of Andhra Pradesh pending the disposal of the writ petition. The matter is currently pending.
40. Our Company has received a demand of ₹ 1.9 crore from the Commissioner of Central Excise, Hyderabad – III disallowing a cenvat credit availed on steel items for the period from January 2006 to November 2010. Against this demand notice, our Company filed an appeal before the CESTAT and also filed a petition for a stay order over against the recovery proceedings in respect of this demand notice, as well as a waiver from per-deposit of the amount demanded as a precondition for filing such an appeal. The CESTAT has granted a stay by an order dated 3 July 2012 from the recovery proceedings, subject to our Company depositing an amount of ₹ 0.01 crore within six weeks of the stay order, which amount was deposited by our Company on 25 August 2012. Our Company has filed a further stay petition for further extension of the stay order from the CESTAT, Bangalore. The matter is currently pending.
41. The Commissioner of Central Excise and Customs, Belgaum passed an adjudication order dated 23 February 2011 disallowing CENVAT credit availed by Vasavadatta Cements over structural steels, cement, electrodes and gases in June and July 2009, and demanding a payment of excise duty of ₹ 12.4 crore, along with a penalty of an equivalent amount of ₹ 12.4 crore and interest. Against this adjudication order, Vasavadatta Cements has filed an appeal (Appeal no. 1141/ 2011) in the Customs, Excise and Service Tax Appellate Tribunal, Bangalore, praying that the impugned adjudication order be struck down. Vasavadatta Cements has also filed a stay petition (Stay Application no. E/ Stay/ 871/ 2011) Customs, Excise and Service Tax Appellate Tribunal, Bangalore, praying for stay of recovery proceedings in relation to the demanded excise duty pending disposal of this appeal. The Customs, Excise and Service Tax Appellate Tribunal, Bangalore, by an order dated 29 December 2011, stayed the recovery proceedings pending disposal of the appeal on Vasavadatta Cements depositing an amount of ₹ 3.0 crore. The matter is currently pending.

By the Company:

Criminal cases

1. Birla Tyres has filed a complaint (CC No. C/472 of 2011) against Mr. Deepak Tandon, erstwhile whole time director of the Company and others before the Court of the Chief Metropolitan Magistrate, Kolkata, since then transferred to the 3rd Metropolitan Magistrate (C/22975/2012) praying that this case be forwarded for investigation under section 156(3) of the Indian Penal Code. The Company alleges that the respondent is guilty of cheating, criminal breach of trust and conspiracy under section 420, 406 and 120B of the Indian Penal Code. The respondent was a senior president at Birla Tyres and later became a whole time director of the Company. However, during his tenure as a senior president and a whole time director, the Company alleges that the respondent, in conspiracy and collusion with his wife and daughter, fraudulently caused gain to himself and companies controlled by him, directly or indirectly, by entering into various agreements with those companies and therefore caused losses to the extent of ₹ 35.9 crore along with a continuing loss of ₹ 0.6 crore per month to the Company. The matter is currently pending.
2. Mr. Anil Kumar Upadhyay, the then factory manager of Birla Tyres had lodged a first information report on April 13, 2007 with the Industrial Area Police Station, Balasore against Mr. Santosh Kumar Das, a workman of the Balasore Tyre Plant for committing an offence of cheating, forgery & swearing false affidavit. Pursuant to that, the Sub Divisional Judicial Magistrate, Balasore issued a notice stating that the Inspecting Officer had submitted a final report stating that the case was a mistake of fact. In response to this notice, the Company has filed a protest petition stating that the Inspecting Officer has been influenced by the accused, thereby prejudicing the Company. As a result, the Company has prayed for an opportunity to produce witnesses and prove the relevant documents. The matter is currently pending.

Civil cases

1. Our Company has filed a writ petition (W.P. (C) No 7289 of 2012) against the Union of India before the High Court of Delhi challenging the de-allocation of the coal block allocated to our Company by the Ministry of Coal on account of delay in production of coal. The Gondkhari coal block was jointly allocated to M/s. Maharashtra Seamless Limited, Dhariwal Infrastructure (Private) Limited and the Company by its letter dated August 5, 2008. The three parties formed a joint venture by the name of Gondkhari Coal Mining Limited and took steps to commence production of coal, including purchase of geological report, submission of mining plan and application for environmental clearances and mining lease. However, the Company has alleged that for reasons beyond its control, it hasn't been able to obtain the environmental clearances to undertake any activity on the coal block and despite that, the respondents have issued an order dated November 15, 2012 for de-allocation of the coal blocks on the basis of recommendations from the Inter-Ministerial Group. Therefore, the Company has filed this writ petition for quashing this order of cancellation on various grounds, including no personal hearing accorded to the Company, no reasons provided for the deallocation and such other issues. In the interim, the Company has filed an application praying that the Court may direct the respondent to not give effect to its order dated November 15, 2012 or encash the bank guarantees provided. The High Court of Delhi, by its order dated 11 April, 2013, has taken on record that the defendants intend to file transfer petitions for all such matters to be transferred to the Supreme Court. The matter is currently pending.
2. The Company has filed a suit (C.S. No. 236 of 2011) against Mr. Sanjay Malhotra and others before the High Court at Calcutta claiming an amount of ₹ 0.8 crore as payment against supply of goods to the defendant's company. The Company alleges that the respondent offered to purchase certain cast iron joints conforming to certain specifications which were duly supplied by the Company and also duly received by the respondent. However, thereafter, in spite of repeated reminders and requests, the respondents have failed to remit the balance sum of money due to the Company. Therefore, the Company has filed this claim for the balance sum of ₹ 0.5 crore along with interest of ₹ 0.4 crore. The matter is currently pending.
3. The Company has filed a writ petition (WP no. 20764 of 2010) against Mahanadi Coalfields Limited ("MCL"), its senior officers, Coal India Limited ("CIL") and the Union of India before the High Court of Orissa claiming the refund of a sum of ₹ 4.6 crore (along with requisite interest) from MCL towards excess amounts paid by the Company in lieu of coal purchased by the Company from MCL. The Company had entered into a coal supply agreement with MCL ("**Birla Tyres FSA**") in 2004 by virtue of which coal was supplied by MCL to the Company for use at its the Balasore Tyre Plant at prices specified in the Birla Tyres FSA ("**FSA Price**"). However, upon the introduction of the coal e-auction scheme by CIL in 2005, MCL (a wholly owned subsidiary of CIL) informed the Company that coal would be supplied to the Company at the e-auction price for each grade of coal, which price was higher than the FSA Price. Against this imposition, a writ petition was filed by the Company (WP no. 7500 of 2005) in the High Court of Orissa ("**First Writ Petition**"), which passed an interim order on 9 June 2005 requiring MCL to supply coal to the Company at the FSA Price pending the disposal of the First Writ Petition, upon the Company providing an undertaking to pay the differential amount between the e-auction price and the FSA Price in the event that the First Writ Petition was decided in favour of MCL. The Company has alleged that during the pendency of the First Writ Petition, MCL suspended supply of coal to the Balasore Tyre Plant, following which the Company was compelled, between June 2005 till October 2005, to make payments (under protest) of the differential between the e-auction prices and the FSA Price for certain grades of coal, in order to ensure a continuous supply of fuel at the Balasore Tyre Plant. Subsequently, the e-auction scheme of CIL being quashed by the Supreme Court of India in a separate decision (Ashoka Smokeless Coal India (P) Ltd. v. Union of India), the High Court of Orissa disposed off the First Writ Petition and requested the Company to move a fresh application before MCL to take a decision on the excess price that had been paid by the Company over and above the FSA Price. Subsequently, upon the Company applying to MCL for refund of the amounts paid by the Company to MCL over and above the FSA Price during June 2005 till October 2005, MCL passed an order dated 3 July 2010 rejecting its claim, and stating that, since the Company had continued paying for the supply of coal at prices over and above the FSA Price notwithstanding the interim order of the High Court of Orissa dated 9 June 2005, and that this excess price had been passed on by the Company to its end customers, refund of the excess amount would amount to unjust enrichment by the Company. Against this order, the present writ petition has been filed, wherein the Company has claimed, *inter alia*, that the order by MCL dated 3 July 2010 is without jurisdiction, illegal and arbitrary, in violation of the orders of the High Court of Orissa and the Supreme Court of India, as well

as of the rights of the Company under articles 19(1)(g) and 300A of the Constitution of India. The writ petition has been admitted on 4 March 2011 and the respondents have been directed by the High Court of Orissa to file counter affidavits. The matter is currently pending.

4. The Company has filed a writ petition (WP no. 7227/2005) in the High Court of Karnataka against the State of Karnataka and various other instrumentalities of the former. In this petition, the Company has contended that proviso (a) to section 27 of the Karnataka Stamp Act, 1957 (“**Karnataka Stamp Act**”), which charges mining leases with stamp duty based at an ad valorem basis on the amount of royalty payable to the state government, is arbitrary, unreasonable and without legislative competence, in light of the fact that a mining lease does not fall within the definition of “lease” as defined in section 2(1) of the Karnataka Stamp Act as well as section 105 of the Transfer of Property Act and also, that only the Central Government can enact legislation purporting to levy stamp duty on mining leases and royalties emanating therefrom, in exercise of its powers under entry 54 of List I of Schedule VIII of the Constitution of India. The Company has also alleged, without prejudice to the above, that the fixation of stamp duty on the renewal of the mining lease no. 2417 granted to the Company by the Government of Karnataka for mining in limestone in the Injepalli and Sedam villages by an order dated 24 December 2004 is arbitrary and contrary to the principles of calculation of stamp duty on a mining lease under Article 30 of Schedule I of the Karnataka Stamp Act. The Company has prayed for appropriate directions from the High Court of Karnataka to declare that proviso (a) of section 27 of the Karnataka Stamp Act was arbitrary and unconstitutional and quashing the order of the Government of Karnataka dated 24 December 2004 computing stamp duty payable on the renewal of mining lease no. 2417 and an interim order staying the operations of the aforementioned order of the Government of Karnataka. The matter is currently pending.
5. The Company has filed a writ petition (WP no. 45716/2003) in the High Court of Karnataka against the State of Karnataka and various other instrumentalities of the former. In this petition, the Company has contended that proviso (a) to section 27 of the Karnataka Stamp Act, which charges mining leases with stamp duty based at an ad valorem basis on the amount of royalty payable to the state government, is arbitrary, unreasonable and without legislative competence, in light of the fact that a mining lease does not fall within the definition of “lease” as defined in section 2(1) of the Karnataka Stamp Act as well as section 105 of the Transfer of Property Act and also, that only the Central Government can enact legislation purporting to levy stamp duty on mining leases and royalties emanating therefrom, in exercise of its powers under entry 54 of List I of Schedule VIII of the Constitution of India. The Company has also alleged, without prejudice to the above, that the fixation of stamp duty on the renewal of the mining lease no. 1769 granted to the Company by the Government of Karnataka for mining in limestone in the Malkhed, Henganahalli and Udgi villages by an order dated 5 October 2002 is arbitrary and contrary to the principles of calculation of stamp duty on a mining lease under Article 30 of Schedule I of the Karnataka Stamp Act. The Company has prayed for appropriate directions from the High Court of Karnataka to declare that proviso (a) of section 27 of the Karnataka Stamp Act was arbitrary and unconstitutional and quashing the order of the Government of Karnataka dated 5 October 2002 computing stamp duty payable on the renewal of mining lease no. 1769 and an interim order staying the operations of the aforementioned order of the Government of Karnataka. The matter is currently pending.
6. The Company has filed a writ petition (WP no. 14720/2010) in the High Court of Karnataka against the State of Karnataka and various other instrumentalities of the former. In this petition, the Company has contended that proviso (a) to section 27 of the Karnataka Stamp Act, which charges mining leases with stamp duty based at an ad valorem basis on the amount of royalty payable to the state government, is arbitrary, unreasonable and without legislative competence, in light of the fact that a mining lease does not fall within the definition of “lease” as defined in section 2(1) of the Karnataka Stamp Act as well as section 105 of the Transfer of Property Act and also, that only the Central Government can enact legislation purporting to levy stamp duty on mining leases and royalties emanating therefrom, in exercise of its powers under entry 54 of List I of Schedule VIII of the Constitution of India. The Company has also alleged, without prejudice to the above, that the fixation of stamp duty on the grant of the mining lease no. 2618 to the Company by the Government of Karnataka for mining in limestone in the Injepalli, Sedam, Batgira and Kurunta Road villages by an order dated 19 January 2010 is arbitrary and contrary to the principles of calculation of stamp duty on a mining lease under Article 30 of Schedule I of the Karnataka Stamp Act. The Company has prayed for appropriate directions from the High Court of Karnataka to declare that proviso (a) of section 27 of the Karnataka Stamp Act was arbitrary and unconstitutional and quashing the order of the Government of Karnataka dated 19 January

2010 computing stamp duty payable on the renewal of mining lease no. 2618 and an interim order staying the operations of the aforementioned order of the Government of Karnataka. The matter is currently pending.

7. The Company has filed a writ petition (WP no. 18102/2011) in the High Court of Karnataka against the State of Karnataka and various other instrumentalities of the former, challenging the imposition, by the Government of Karnataka by a government order dated 4 February 2009, of the imposition of an Environment Protection Fee on non-forest lands, patta lands and revenue lands. The Company alleges that the aforementioned government order, and the consequential demand by the Government of Karnataka of Environment Protection Fees amounting to ₹ 0.5 crore to the Company by a demand notice dated 9 March 2011 in respect of the land pertaining to mining lease no. 2417 granted to the Company by the Government of Karnataka, is arbitrary and unconstitutional, since the imposition of such a fee over mining lands cannot be levied and can only be made by the Central Government, by virtue of its powers under entry 54 of List I of Schedule VIII of the Constitution of India. The matter is currently pending.
8. The Company has filed a writ petition (W.P. No. 1165/2009) against the State of Karnataka and others before the High Court of Karnataka. The Company has claimed that the order of the Deputy Director, Department of Mines and Geology, Sedam calling upon the Company to pay ₹ 7.5 crore as environment protection fee for the mining on the land leased to the Company is illegal and therefore, the Company is not liable to pay the additional fee. The matter is currently pending.
9. The Company has filed a suit (C.S. No. 63 of 2008) against Emirates Trading Agency LLC before the High Court at Calcutta. The Company has alleged that the defendant has breached the agreement for the purchase and sale of bright yellow crude sulphur of Iran as per agreed specification and form as a pre-agreed price. As a result, the Company has claimed damages amounting to ₹ 4.9 crore, being the differential amount on the sulphur which had to be purchased at a higher rate than the pre-agreed price with the defendant, along with interest at the rate of 12% aggregating to ₹ 0.1 crore upto March 31, 2008. The matter is currently pending.

GOVERNMENT APPROVALS

Our Company has received the necessary consents, licenses, permissions and approvals from the government and various governmental agencies required for us to undertake our current business activities and except as stated below, there are no approvals and renewals required for carrying on our present business which are currently pending.

I. Pending approvals in relation to our business

Pending approvals and renewals in relation to our tyres business

Pending approvals where applications are yet to be made

1. Boiler registration (no. OR 470) for a boiler used at the tyres factory of our Company at the Balasore Tyre Plant, which was valid till 16 March 2012.
2. Consent to operate from the Orissa State Pollution Control Board for the expansion of the Balasore Tyre Plant passenger car radial unit to 80 MT per day, which was refused by an order of the Orissa State Pollution Control Board on 31 October 2011.
3. Consent under the Air Act and the Water Act to establish two D.G. sets (standby) having capacity of 1.6 MW each at the Balasore Tyre Plant.

Pending applications for renewal of existing licenses

1. Our Company has made an application to the Deputy Directors of Factories & Boilers, Nainital, for renewal of the factory license of our Company (no. HWR-563) for the year 2013, in respect of the factory of our Company located at the Birla Tyres Unit II plant located at the Laksar Tyre Plant.
2. Our Company has made an application to the Deputy Directors of Factories & Boilers, Nainital, for renewal of the factory license of our Company (no. HWR-895) for the year 2013, in respect of the factory of our Company located at the Birla Tyres Unit III plant located at the Laksar Tyre Plant.
3. Our Company has made an application to the Deputy Directors of Factories & Boilers, Nainital, for renewal of the factory license of our Company (no. HWR-809) for the year 2013, in respect of the factory of our Company located at the Birla Tyres Unit IV plant located at the Laksar Tyre Plant.
4. Our Company has made an application to the the Odisha State Pollution Control Board dated 22 December 2012 for renewal of its consent under the Air Act and Water Act to operate the Birla Tyres plant in Balasore.
5. Our Company has made an application to the the Uttarakhand Environment Protection and Pollution Control Board dated 4 April 2013 for renewal of its consent under the Air Act and Water Act to operate the Birla Tyres Unit II plant in Laksar.
6. Our Company has made an application to the the Uttarakhand Environment Protection and Pollution Control Board dated 4 April 2013 for renewal of its consent under the Air Act and Water Act to operate the Birla Tyres Unit III plant in Laksar.
7. Our Company has made an application to the the Uttarakhand Environment Protection and Pollution Control Board dated 4 April 2013 for renewal of its consent under the Air Act and Water Act to operate the Birla Tyres Unit IV plant in Laksar.
8. Our Company has made an application dated 31 December 2012 to the Civil Suppliers Officer, Balasore for renewal of its license to store solvent/ naphtha at the Birla Tyres Plant, Balasore.
9. Our Company has made an application dated 29 November 2012 to the Member Secretary, Odisha State Pollution Control Board for renewal of its authorisation under the Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008, as amended in respect of the Birla Tyres Plant, Balasore.







Pending approvals and renewals in relation to our cement business

Pending applications for grant of licenses

1. Our Company has made an application to the Regional Director, Central Ground Water Board, Maharashtra, dated 24 August 2012 for grant of permission to extract ground water for use in its proposed clinker grinding and packing unit at Solapur, Maharashtra.
2. Our Company has made an application to the Member Secretary, Environment Department, Government of Maharashtra, dated 12 June 2012 for grant of terms of reference for an environment impact assessment in relation to setting up a clinker grinding and packing unit at Solapur, Maharashtra.

II. Other pending approvals and registrations

Pending intellectual property approvals where applications have been made

Sr. no.	Description of the pending application	Trademarks
1.	Application dated 3 December 2012, to the Trade Marks Registry, Government of India, for registration of a trademark over the logos of the Company (in classes 12, 16, 19 and 23).	 KESORAM INDUSTRIES L I M I T E D
2.	Application dated 2 May 2012 for registration of trademark for the Birla Tyres label in Indonesia.	
3.	Application dated 6 March 2006, to the Trade Marks Registry, Government of India, for registration of a trademark over the word “ ARJUN ”.	ARJUN
4.	Application dated 6 March 2006, to the Trade Marks Registry, Government of India, for registration of a trademark over the word “ BISON-P ”.	BISON-P
5.	Application dated 6 March 2006, to the Trade Marks Registry, Government of India, for registration of a trademark over the word “ DAZZLER ”.	DAZZLER
6.	Application dated 6 March 2006, to the Trade Marks Registry, Government of India, for registration of a trademark over the word “ DERBY ”.	DERBY
7.	Application dated 6 March 2006, to the Trade Marks Registry, Government of India, for registration of a trademark over the word “ TARZAN ”.	TARZAN
8.	Application dated 6 March 2006, to the Trade Marks Registry, Government of India, for registration of a trademark over the marks “ TISON ”, “ TISON XT ” and “ TISON-D ”.	TISON TISON XT TISON-D
9.	Application dated 3 December 2010, to the Trade Marks Registry, Government of India, for registration of a trademark over the mark “ ZING ”.	
10.	Application dated 3 December 2010, to the Trade Marks Registry, Government of India, for registration of a trademark over the mark “ KALA PATTHAR ”.	
11.	Application dated 3 December 2010 to the Trade Marks Registry, Government of India, for registration of a trademark over the mark “ ULTRA GRIP ”.	
12.	Application dated 3 December 2010 to the Trade Marks Registry, Government of India, for registration of a trademark over the mark “ ULTRA TRAC ”.	

Statutory approvals and licenses of our Company that are about to expire

S. no.	Details of statutory approval	Expiry date
<i>Birla Tyres Plant, Balasore</i>		
1.	Approval from the Weights and Measures Controlling Authority for operating an electronic weighing machine at Unit II (capacity of 100,000 kilograms)	22 July 2013
	Approval from the Weights and Measures Controlling Authority for operating an electronic weighing machine at Unit II (capacity of 100,000 kilograms)	22 July 2013
	Approval from the Weights and Measures Controlling Authority for operating electronic weighing machines at Unit II (capacities of 150 kilograms, 100 kilograms, 300 kilograms and 30 kilograms)	22 July 2013
<i>Vasavadatta Cement plant</i>		
1.	Consent from the Karnataka State Pollution Control Board for discharge of effluents under the Air Act and the Water Act.	30 June 2013
2.	License for the use and operation of a boiler (no. 2744 (THP-2))	25 July 2013
3.	License for the use and operation of a boiler (no. 4107 (THP-5))	27 May 2013

The Company is currently in the process of renewal of all these approvals in terms of the relevant statutory provisions governing such approvals.

MATERIAL DEVELOPMENTS

- A. Since this LOF is being filed within two months of the last date of the balance sheet and the profit and loss account provided to the shareholders (i.e. for Fiscal 2013), no information is required to be provided in terms of the circular no. F.2/5/SE/76 dated 5 February 1977 issued by the Ministry of Finance, Government of India, as amended by Ministry of Finance, Government of India through its circular dated 8 March 1977 and in accordance with sub-item (B) of item X of Part E of the SEBI Regulations.
- B. There are no material developments since 1 April 2013 (i.e. last date up to which financial information is incorporated in this Letter of Offer).
- C. Our Company filed its audited financial results for the fiscal year ended 31 March 2013 with the BSE, NSE and CSE in accordance with the requirements of the Listing Agreements.

OTHER REGULATORY AND STATUTORY INFORMATION

Authority for the Issue

Pursuant to a resolution under Sections 81(1), and other provisions of the Companies Act passed by our Board of Directors on 22 August 2012, it has been decided to make the rights offer to the Eligible Equity Shareholders of our Company with a right to renounce.

Prohibition by SEBI, RBI or governmental authorities

Our Company, our Directors, our Promoter, our Group Companies and the members of our Promoter Group have not been restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Our Company, our Directors, our Promoter, the members of our Promoter Group, our Group Companies, the persons in control of our Company, and the companies with which our Directors, Promoter or persons in control are associated as directors or promoters or persons in control have not been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

None of our Company, our Group Companies, members of our Promoter Group or ventures with which our Promoter was associated with in the past have been declared as wilful defaulters by the RBI or any other governmental authority and there have been no violations of securities laws committed by any of them in the past and no such proceedings are currently pending against them.

Association with securities markets

None of the Directors of the Company are associated with the securities markets in any manner.

Eligibility for the Issue

Our Company is an existing listed company registered under the Companies Act whose Equity Shares are listed on BSE, NSE and CSE. It is eligible to make the Issue in terms of Chapter IV of the SEBI Regulations.

Compliance with Part E of Schedule VIII of SEBI Regulations

Our Company is in compliance with the provisions specified in Clause (1) of Part E of Schedule VIII of the SEBI Regulations as explained below:

- (a) Our Company has been filing periodic reports, statements and information in compliance with the Listing Agreements for the last three years immediately preceding the date of filing of the Draft Letter of Offer with SEBI;
- (b) The reports, statements and information referred to in sub-clause (a) above are available on the website of BSE and NSE which are recognised stock exchanges with nationwide trading terminals; and
- (c) Our Company has an investor grievance-handling mechanism which includes meeting of the Shareholders' and Investors' Grievance Committee at frequent intervals, appropriate delegation of power by the Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

Furthermore, as on the date of filing of the LOF, the Company is in compliance with applicable provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011, as amended, the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the Equity Listing Agreement.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT LETTER OF

OFFER TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED, RELIGARE CAPITAL MARKETS LIMITED AND YES BANK LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 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 IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED, RELIGARE CAPITAL MARKETS LIMITED AND YES BANK LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED 9 NOVEMBER 2012 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- “1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER,**

WE CONFIRM THAT:

- (A) THE DRAFT LETTER OF OFFER FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE, AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ ISSUED BY SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - (C) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**
- 3. WE CONFIRM THAT EXCEPT AS DISCLOSED BELOW, BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.**
 - (i) The SEBI registration certificate of Religare Capital Markets Limited, one of the lead managers to the Issue, as a merchant banker, has expired on 11 December 2012. As required under Regulation 8A of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, as amended, an application for permanent registration, in the prescribed manner, was made on 7 September 2012 by Religare Capital Markets Limited to SEBI, three months before the expiry of the said certificate of registration. The approval of SEBI in this regard is awaited. No**

communication has been received by Religare Capital Markets Limited from SEBI rejecting the said application.

- (ii) The SEBI registration of State Bank of India as a Banker to the Issue expired on 30 November 2012. State Bank of India has applied for renewal of its registration certificate on 13 October 2012 prior to the expiry of its registration. The approval of SEBI in this regard is awaited.

4. **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITER TO FULFIL THEIR UNDERWRITING COMMITMENTS. – NOTED FOR COMPLIANCE**
5. **WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER.- NOT APPLICABLE**
6. **WE CERTIFY THAT CLAUSE 33 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS' CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER/ LETTER OF OFFER.- NOT APPLICABLE**
7. **WE UNDERTAKE THAT SUB-REGULATION 4 OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITOR'S CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE**
8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**
9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS WILL BE MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT TO BE ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.- NOTED FOR COMPLIANCE**
10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE EQUITY SHARES IN DEMAT OR PHYSICAL MODE.**
11. **WE CERTIFY THAT ALL APPLICABLE DISCLOSURES MANDATED IN THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN**

ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.

- 12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:**
 - (A) “AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY; AND**
 - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI FROM TIME TO TIME.”**
- 13 WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**
- 14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, RISK FACTORS, PROMOTERS EXPERIENCE ETC. – COMPLIED WITH.**
- 15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY. – COMPLIED WITH.**
- 16. WE ENCLOSE STATEMENT ON ‘PRICE INFORMATION OF PAST ISSUES HANDLED BY MERCHANT BANKERS (WHO ARE RESPONSIBLE FOR PRICING THIS ISSUE)’, AS PER THE FORMAT SPECIFIED BY THE BOARD THROUGH CIRCULAR – NOT APPLICABLE**
- 17. WE CERTIFY THAT THE PROFITS FROM RELATED PARTY TRANSACTIONS HAVE ARISEN FROM LEGITIMATE BUSINESS TRANSACTIONS.**
- 17. THE FILING OF THE DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT LETTER OF OFFER.**

Caution

Our Company and the Lead Managers accept no responsibility for statements made other than in this Letter of Offer or in any advertisement or other material issued by our Company or by any other persons at the instance of our Company and anyone placing reliance on any other source of information would be doing so at his own risk.

Investors who invest in the Issue will be deemed to have represented to our Company, the Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice/ evaluation as to their ability and quantum of investment in the Issue.

The Lead Managers and our Company shall make all information available to the Eligible Equity Shareholders and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Letter of Offer with SEBI.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Kolkata only.

Selling restrictions

The distribution of this Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making the Issue to the Eligible Equity Shareholders of our Company and will dispatch the Abridged Letter of Offer and CAF to the Eligible Equity Shareholders who have an Indian address. Any person who acquires Rights Entitlements or Rights Issue Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of this Letter of Offer, that he/it will acquire such Rights Issue Equity Shares in compliance with the US Securities Act and the rules and regulations thereunder, and the laws of the jurisdiction in which the person is located.

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose, except that this Letter of Offer has been filed with SEBI for observations. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer may not be distributed, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Letter of Offer should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send this Letter of Offer in any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in this Letter of Offer. Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to this date.

Filing

The Draft Letter of Offer was filed with SEBI at L&T Chambers, 3rd Floor, 16 Camac Street, Kolkata 700 017, for its observations. SEBI has, vide its letter bearing ERO/SCS/OW/6994/2013 dated 21 March 2013 issued its final observations observations and the Letter of Offer has been filed with the Stock Exchanges as per the provisions of the Companies Act.

Consents

Consents in writing of our Directors, Company Secretary and Compliance Officer, the Auditors, the Lead Managers, the legal counsels, the Registrar to the Issue, Bankers to the Company, Bankers to the Issue and experts to act in their respective capacities have been obtained and such consents have not been withdrawn up to the date of this Letter of Offer. Price Waterhouse, Chartered Accountants, the Auditors of our Company, have given their written consent for the inclusion of their report in the form and content appearing in this Letter of Offer and such consent and report have not been withdrawn up to the date of this Letter of Offer. Further, Pronob Kumar Dey & Co, Chartered Accountants have given their written consent for inclusion of the statement of tax benefits in the form and context in which they appear in this Letter of Offer and such consent and report have not been withdrawn up to the date of this Letter of Offer.

Expert Opinion

Except as stated below, the Company has not obtained any expert opinions:

The Company has received consent dated 22 May, 2013 from the Auditors namely, Price Waterhouse, Chartered Accountants to include their name as experts under the Companies Act to the extent and in their capacity as an auditor and in respect of their report dated 27 April 2013 issued by them and included in this Letter of Offer.

However, the term “expert” should not be construed to mean an “expert” as defined under the U.S. Securities Act 1933.

Designated Stock Exchange

The Designated Stock Exchange for the purposes of the Issue will be BSE.

Disclaimer Clause of the BSE

“BSE Limited (“the Exchange”) has given vide its letter dated November 27, 2012 permission to this Company to use the Exchange’s name in this Letter of Offer as one of the stock exchanges on which this Company’s securities are proposed to be listed. The Exchange has scrutinised this letter of offer 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:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; or
- ii. warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- iii. 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 letter of offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.”

Disclaimer Clause of the NSE

“As required, a copy of this letter of offer has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref. No. NSE/LIST/188544-Z dated December 10, 2012 permission to the Issuer to use the Exchange’s name in this letter of offer as one of the stock exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinised this letter of offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the letter of offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; nor does it warrant that this Issuer’s securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.”

Disclaimer Clause of the CSE

“CSE Limited (“the Exchange”) has given vide its letter dated 12th November 2012 permission to this Company to use the Exchange’s name in this Letter of Offer as one of the Stock Exchanges where this Company’s securities are proposed to be listed. The Exchange has scrutinized this letter of offer 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:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer;
- ii. warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or

- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of the Company;

and it should not for any reason be deemed or construed that this letter of offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to Independent Inquiry, Investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.”

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately ₹ 2.67 crore. The expenses of the Issue include, among others, fees of the Lead Managers, fees of the Registrar to the Issue, fees of the other advisors, printing and stationery expenses, advertising, travelling and marketing expenses and other expenses.

The estimated Issue expenses are as follows:

Particulars	Estimated Expenses	% of Estimated Issue size	(In ₹ crore)
			% of Estimated Issue expenses
Fees of the Lead Managers	5.50	1.32	49.46
Fees of the legal counsel, other professional services and statutory fees	4.06	0.98	36.51
Fees of the Registrar to the Issue	0.02	0.005	0.18
Advertising, traveling and marketing expenses	0.30	0.07	2.70
Printing and stationery, distribution and postage expenses	0.70	0.17	6.29
Expenses in relation to the Depositories	0.04	0.01	0.36
Other expenses	0.50	0.12	4.50
Total	11.12	2.67	100.00

Investor Grievances and Redressal System

Our Company has adequate arrangements for redressal of Investor complaints. We have been registered with the SEBI Complaints Redress System (SCORES) as required by the SEBI Circular no. CIR/ OIAE/ 2/ 2011 dated 3 June 2011. Consequently, investor grievances are tracked online by our company.

Our Company has a Shareholders’/ Investors’ Grievance Committee which meets as and when required, to deal and monitor redressal of complaints from shareholders. Generally, the investor grievances are dealt within two or three days of the receipt of the complaint. MCS Limited is our Registrar and Share Transfer Agent. All investor grievances received by us have been handled by the Registrar and Share Transfer Agent in consultation with the Compliance Officer.

Status of Shareholders Complaints

- Total number of shareholders complaints received during Fiscal 2012-2013 – 48.
- No. of shareholders complaints as on 31 March 2013 – NIL
- Status of the pending complaints – NIL
- Time normally taken by it for disposal of various types of investor grievances- Between two and three working days.

Investor Grievances arising out of the Issue

Any investor grievances arising out of the Issue will be handled by the Registrar to the Issue. The Registrar to the Issue will have a separate team of personnel handling only our post-Issue correspondence.

Our agreement with the Registrar to the Issue provides for retention of records with the Registrar for a period of at least one year from the last date of dispatch of letters of Allotment and refund orders to enable the Registrar to the Issue to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio no., name and address, contact telephone/ cell numbers, email id of the first applicant, number and type of shares applied for, CAF serial number, amount paid on Application and the name of the bank and the branch where the Application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar to the Issue for attending to routine grievances will be seven working days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to the Issue to attend to them as expeditiously as possible. We undertake to resolve the investor grievances in a time bound manner.

Investors may contact the Registrar to the Issue at:

Karvy Computershare Private Limited

Plot No. 17 – 24

Vithal Rao Nagar

Madhapur

Hyderabad 500 081

Telephone: +91 40 4465 5000

Fascimile: +91 40 2343 1551

E-mail: kesoram@karvy.com

Website: <http://karisma.karvy.com>

Contact Person: Mr. M. Muralikrishna

SEBI Registration No: INR000000221

Investors may contact the Compliance Officer at the below mentioned address and/ or Registrar to the Issue at the above mentioned address in case of any pre-Issue/ post -Issue related problems such as non-receipt of allotment advice/share certificates/ demat credit/refund orders etc.

Address of our Compliance Officer:

Mr. Gautam Ganguli,

Company Secretary and Compliance Officer

Kesoram Industries Limited

8th Floor, Birla Building

9/1, R.N. Mukherjee Road

Kolkata 700 001

Telephone: +91 33 2242 9454

Facsimile: + 91 33 2210 9455

Email: cs@kesoram.net

IMPORTANT INFORMATION FOR INVESTORS – ELIGIBILITY

This Issue and the Equity Shares have not been and will not be registered under the Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) (“U.S. Persons”) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

This Issue and the Equity Shares have not been and will not be registered, listed or otherwise qualified in any jurisdiction outside India and may not be offered or sold, and bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Eligible Investors

The rights or Equity Shares are being offered and sold only to persons who are outside the United States and are not U.S. Persons, nor persons acquiring for the account or benefit of U.S. Persons, in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. All persons who acquire the rights or Equity Shares are deemed to have made the representations set forth immediately below.

Equity Shares and Rights Offered and Sold in this Issue

Each purchaser acquiring the rights or Equity Shares, by its acceptance of this Letter of Offer and of the rights or Equity Shares, will be deemed to have acknowledged, represented to and agreed with us, the Lead Manager that it has received a copy of this Letter of Offer and such other information as it deems necessary to make an informed investment decision and that:

- (1) the purchaser is authorised to consummate the purchase of the rights or Equity Shares in compliance with all applicable laws and regulations;
- (2) the purchaser acknowledges that the rights and Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (3) the purchaser is purchasing the rights or Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the Securities Act;
- (4) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the rights or Equity Shares, is a non-U.S. Person and was located outside the United States at each time (i) the offer was made to it and (ii) when the buy order for such rights or Equity Shares was originated, and continues to be a non-U.S. Person and located outside the United States and has not purchased such rights or Equity Shares for the account or benefit of any U.S. Person or any person in the United States or entered into any arrangement for the transfer of such rights or Equity Shares or any economic interest therein to any U.S. Person or any person in the United States;
- (5) the purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate;
- (6) the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any “directed selling efforts” as defined in Regulation S under the Securities Act in the United States with respect to the rights or the Equity Shares; and
- (7) the purchaser acknowledges that the Company, the Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such rights or Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of such rights or Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

SECTION VII - OFFERING INFORMATION

TERMS OF THE ISSUE

The Equity Shares proposed to be issued are subject to the terms and conditions contained in this Letter of Offer, the CAF enclosed with the Letter of Offer, the Memorandum and Articles of Association, the provisions of the Companies Act, FEMA, the SEBI Regulations, any other regulations, guidelines, notifications and regulations for issue of capital and for listing of securities issued by SEBI, RBI, GOI and/ or other statutory authorities and bodies from time to time, and the terms and conditions as stipulated in the Allotment advice or letters of Allotment or share certificate and rules as may be applicable and introduced from time to time. All rights/ obligations of Equity Shareholders in relation to Applications and refunds pertaining to this Issue shall apply to Renounees as well.

ASBA Investors should note that the ASBA process involves Application procedures that may be different from the procedure applicable to non-ASBA process. ASBA Investors should carefully read the provisions applicable to such Applications before making their Application through the ASBA process. For more information, see the section titled “– Applications by ASBA Investors” on page 238.

Authority for the Issue

This Issue to our Eligible Equity Shareholders with a right to renounce is being made pursuant to a resolution passed by our Board of Directors on 22 August 2012.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing equity shareholders of our Company whose names appear, as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form, and on the register of members of our Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date, i.e., 16 May 2013, fixed in consultation with the Designated Stock Exchange.

Ranking of Equity Shares

The Equity Shares shall be subject to the Memorandum and Articles of Association. The Equity Shares allotted in the Issue shall rank *pari passu* with the existing Equity Shares in all respects, including payment of dividends, provided that voting rights and dividend payable shall be in proportion to the paid-up value of the Equity Shares held.

Mode of Payment of Dividend

We shall pay dividends (in the event of declaration of such dividends) to our equity shareholders as per the provisions of the Companies Act and our Articles of Association.

Principal Terms and Conditions of the Issue

Face Value

Each Equity Share shall have the face value of ₹ 10.0.

Issue Price

Each Equity Share is being offered at a price of ₹ 65.0 (including a premium of ₹ 55.0 per Equity Share).

Terms of payment

Full amount of ₹ 65.0 shall be payable at the time of making the Application.

The payment towards Equity Shares offered will be applied as under:

- (a) ₹ 10.0 towards share capital; and

(b) ₹ 55.0 towards securities premium account.

Where an Applicant has applied for additional Equity Shares and is allotted lesser number of Equity Shares than applied for, the excess Application Money paid shall be refunded. The monies would be refunded within 15 days from the Issue Closing Date. In the event that there is a delay of making refunds beyond eight days after our Company becomes liable to make such refunds, i.e. on the expiry of 15 days from the Issue Closing Date, our Company shall pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of section 73 of the Companies Act.

Rights Entitlement Ratio

The Equity Shares are being offered on a rights basis to the existing equity shareholders of our Company in the ratio of seven Equity Shares for every five Equity Shares held as on the Record Date.

As your name appears as a beneficial owner in respect of Equity Shares held in the electronic form or appears in the register of members as an equity shareholder of our Company as on the Record Date, you are entitled to the number of Equity Shares as set out in Part A of the CAF enclosed with the Letter of Offer.

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled “– Application on Plain Paper” on page 252.

Fractional Entitlements

For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the Eligible Equity Shareholders is less than five Equity Shares or is not in multiples of five, the fractional entitlement of such Eligible Equity Shareholders shall be ignored for computation of the Rights Entitlement. However, Eligible Equity Shareholders whose fractional entitlements are being ignored earlier will be given preference in the Allotment of one additional Equity Share each, if such Eligible Equity Shareholders have applied for additional Equity Shares.

An illustration stating the rights entitlement for number of Equity Shares is set out below:

Number of Equity Shares held	Rights Entitlement
1	1
2	2
3	4
4	5
5	7
6	8
7	9
8	11
9	12
10	14

Those Eligible Equity Shareholders holding less than one Equity Share and, in terms of the Rights Entitlement Ratio, are entitled to less than one Equity Share under this Issue shall be dispatched a CAF with zero entitlement. Such Eligible Equity Shareholders are entitled to apply for additional Equity Shares. However, they cannot renounce the same in favour of any third parties. CAFs with zero entitlement will be non-negotiable/ non-renounceable.

The distribution of the Letter of Offer and the issue of the Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. We are making the issue of the Equity Shares on a rights basis to the Equity Shareholders and the Letter of Offer, Abridged Letter of Offer and the CAFs will be dispatched only to those Equity Shareholders who have a registered address in India or who have provided an Indian address. Any person who acquires Rights Entitlements or the Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer, that it is not and that at the time of subscribing for

the Equity Shares or the Rights Entitlements, it will not be, in the United States and in other restricted jurisdictions.

Notices

All notices to the Eligible Equity Shareholders required to be given by our Company shall be published in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where our Registered Office is situated and/ or will be sent by ordinary post or registered post or speed post to the registered address of the Equity Shareholders in India as updated with the Depositories/ registered with the Registrar and Transfer Agent from time to time.

Listing and trading of the Equity Shares

Our Company's existing Equity Shares are currently traded on the BSE (scrip code 502937) and NSE (symbol KESORAMIND). Our Company's Equity Shares are also listed on the CSE (scrip code 10000020) under the ISIN INE087A01019 but are not currently being traded thereon. The fully paid-up Equity Shares proposed to be issued pursuant to the Issue shall, in terms of the circular (no. CIR/MRD/DP/21/2012) by SEBI dated 2 August 2012, be Allotted under a temporary ISIN which shall be kept blocked till the receipt of final listing and trading approval from the Stock Exchanges. Upon receipt of such listing and trading approval, the Equity Shares proposed to be issued pursuant to the Issue shall be debited from such temporary ISIN and credited in the existing ISIN of the Company and be available for trading.

All steps for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares allotted pursuant to the Issue shall be taken within seven working days of the finalization of the Basis of Allotment. Our Company has made applications to the BSE, NSE and CSE seeking "in-principle" approval for the listing of the Equity Shares proposed to be issued pursuant to the Issue in accordance with Clause 24(a) of the Listing Agreement and BSE, NSE and CSE have issued their approvals vide their letters dated 27 November 2012, 10 December 2012 and 11 December 2012, respectively. Our Company will also apply to the Stock Exchanges for final approval for the listing and trading of the Equity Shares. No assurance can be given regarding the active or sustained trading in the Equity Shares or that the price at which the Equity Shares offered under the Issue will trade after listing on the Stock Exchanges.

The Global Depository Receipts with respect to the Equity Shares of the Company, issued by Citibank N.A. as initial depository, and replaced by Deutsche Bank Trust Americas ("**GDR Depository**") vide appointment letter dated 30 September 2009 ("**GDRs**") are currently listed on the Luxembourg Stock Exchange appearing on the EuroMTF market pursuant to the Deposit Agreement dated 9 August 1996 (the "**Deposit Agreement**"). Under the terms of the Deposit Agreement, the holders of GDRs have no voting rights with respect to their underlying shares, however, they are entitled to receive any dividend payments or distribution of shares, including pursuant to a rights offering, made by the Company.

The GDR holders are expected to be able to participate indirectly in the Issue through the ICICI Bank as the custodian (the "**Custodian**") of the issue of GDRs in respect of Equity Shares provided that (i) they furnish certification regarding their status such as to satisfy the Company and the GDR Depository that they may legally subscribe to the underlying shares without taking of any further action by the Company or the GDR Depository; and (ii) upon making payment in respect of the amounts payable for the underlying shares and the completion of such other formalities as the Custodian or the GDR Depository may determine. GDR holders who are unable to participate in the Issue or fail to do so are expected to receive a proportionate share of any net value the GDR Depository may receive from selling the proportion of rights entitlements corresponding to their GDR holdings.

A separate notice with respect to the Issue will be distributed by the GDR Depository in respect of the GDRs detailing how persons entitled to such GDRs may participate in the Issue. The GDR Depository may be contacted at Deutsche Bank Trust Americas, at 60 Wall Street, New York, New York 10005 Fax: +1 732 544 6346.

If permissions to list, deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Company will forthwith repay, without interest, all moneys received from the Applicants in pursuance of this Letter of Offer. If such money is not repaid beyond eight days after our Company becomes liable to repay it, i.e., the date of refusal of an application for such a permission from a Stock Exchange, or on expiry of 15 days from the Issue Closing Date in case no permission is granted, whichever is earlier, then our

Company and every Director who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as per applicable law.

Rights of the Equity Shareholder

Subject to applicable laws, 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 of shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles of Association.

GENERAL TERMS AND CONDITIONS OF THE ISSUE FOR ASBA INVESTORS AND NON – ASBA INVESTORS

Market Lot

The Equity Shares are tradable only in dematerialised form. The market lot for the Equity Shares in dematerialised mode is one Equity Share. In case of physical certificates, our Company would issue one certificate for the Equity Shares allotted to one folio (“**Consolidated Certificate**”). In respect of Consolidated Certificates, our Company will upon receipt of a request from the respective holder of Equity Shares, split such Consolidated Certificates into smaller denominations.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, or the subscription falls below 90% after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of Applications, our Company shall refund the entire subscription amount received within 15 days from the Issue Closing Date. If there is delay in the refund of subscription by more than eight days after the date from which our Company becomes liable to pay the amount (i.e. 15 days from the Issue Closing Date), our Company shall pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.

The above is subject to the terms mentioned under the section titled ‘– Basis of Allotment’ on page 253.

Joint-Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-holders with benefits of survivorship subject to provisions contained in the Articles of Association.

Nomination facility

In terms of Section 109A of the Companies Act, nomination facility is available in case of Equity Shares. An applicant can nominate, by filling the relevant details in the CAF in the space provided for this purpose.

A sole Eligible Equity Shareholder or first Eligible Equity Shareholder, along with other joint Eligible Equity Shareholders being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A Person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Eligible Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Eligible Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Share by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Share is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at our Registered and Corporate Office or such other person at such addresses as may be

notified by our Company. The Applicant can make the nomination by filling in the relevant portion of the CAF.

Only one nomination would be applicable for one folio. Hence, in case the Eligible Equity Shareholder(s) has already registered the nomination with our Company, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio. However, new nominations, if any, by the Eligible Equity Shareholder(s) shall operate in supersession of the previous nomination, if any.

In case the Allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in the Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective DP.

Offer to Non Resident Eligible Equity Shareholders/ Applicants

Applications received from NRs for Allotment shall be *inter alia*, subject to the conditions imposed from time to time by the RBI under FEMA in the matter of receipt and refund of Application Money, Allotment, issue of letters of Allotment/ Allotment advice/ share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to purchase shares offered on a rights basis by an Indian company in terms of FEMA and Regulation 6 of notification No. FEMA 20/2000-RB dated 3 May 2000. Our Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Allotment of Equity Shares, payment of dividend etc. to the Non Resident Eligible Equity Shareholders. The Equity Shares purchased on a rights basis by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original equity shares against which equity shares are issued on a right basis.

By virtue of Circular No. 14 dated 16 September 2003 issued by the RBI, OCBs have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated 8 December 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated nonresident entities.

The RBI has, through its letter (bearing FED.CO.FID/18627/11.01.02/2012 – 13) dated 12 March 2013, granted permission to our Company to offer Equity Shares through the Issue on a repatriation basis to the following OCBs who are Eligible Equity Shareholders and who are not under the adverse notice of the RBI (“**Eligible OCBs**”):

- (i) Devi Investment and Development INC;
- (ii) Grand Island Limited; and
- (iii) Magnus Capital Corporation Limited

The Letter of Offer and CAF shall only be dispatched to Non Resident Eligible Equity Shareholders with registered addresses in India.

We have made an application to the RBI on 17 May 2013 requesting for the approval of the RBI for renunciation by the Eligible OCBs of their Rights Entitlements to Renouncees (including resident and Non – Resident Renouncees, with the exception of other OCBs). The approval of the RBI in this regard is awaited. The outcome of this application will be duly intimated by the Company through a public announcement in all the newspapers where the pre-Issue advertisement will be published, as well as through dissemination to the Stock Exchanges.

Option to subscribe

Applicants to the Equity Shares issued through this Issue shall be Allotted the securities in dematerialised (electronic) form at the option of the applicant. Our Company, along with the Registrar and Transfer Agent, has signed tripartite agreements dated 16 October 2003 and 4 September 2003, with each of NSDL and CDSL respectively, which enables our Equity Share to be held and traded in a dematerialised form, instead of in the form of physical certificates. Our Company has appointed Karvy Computershare Private Limited as the Registrar to the Issue, which has connectivity with both Depositories, and can therefore, allot the Equity Shares in dematerialised form.

How to Apply?

Resident Eligible Equity Shareholders

Applications should be made only on the CAF enclosed with the Letter of Offer. The CAF should be complete in all respects, as explained in the instructions indicated in the CAF. An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled ‘– Application on Plain Paper’ on page 252. Applications will not be accepted by the Lead Managers or by the Registrar to the Issue or by our Company at any offices, except in the case of postal Applications as per instructions given in this Letter of Offer. ASBA Investors shall be required to indicate either in (i) Part A of the CAF, or (ii) a plain paper Application, as to their desire to avail of the ASBA option of payment.

Non Resident Eligible Equity Shareholders

Non Resident Indian applicants can obtain the CAF from the Registrar to the Issue. Applications received from Non Resident Eligible Equity Shareholders for the Issue shall, *inter alia*, be subject to the conditions as may be imposed from time to time by the RBI under FEMA, in the matter of receipt and refund of Application Money, Allotment, issue of letters of Allotment/ Allotment advice payment of interest, dividends etc.

APPLICATIONS BY ASBA INVESTORS

This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA process. Our Company and the Lead Managers are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Eligible Equity Shareholders who are eligible to apply under the ASBA process are advised to make their independent investigations and to ensure that the CAF is correctly filled up, specifying the number of the bank account maintained with the Self Certified Syndicate Bank (“SCSB”) in which the Application Money will be blocked by the SCSB.

The Lead Managers, our Company, its directors, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to Applications accepted by SCSBs, Applications uploaded by SCSBs, Applications accepted but not uploaded by SCSBs or Applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Applications uploaded by SCSBs, the amount payable on Application has been blocked in the relevant ASBA Account.

Self Certified Syndicate Banks

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA process is provided on <http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries>. For details on Designated Branches of SCSBs collecting the CAF, please refer to the above mentioned SEBI link.

Eligible Equity Shareholders who are eligible to apply under the ASBA process

The option of applying for Equity Shares through the ASBA process is available only to Eligible Equity Shareholders of our Company on the Record Date.

In terms of the SEBI circular no. SEBI/CFD/DIL/ASBA/1/2009/30/12 dated 30 December 2009 (“**December 2009 Circular**”), to qualify as ASBA Investors, Eligible Equity Shareholders:

- (a) are required to hold Equity Shares in dematerialised form as on the Record Date and apply for (i) their Rights Entitlement or (ii) their Rights Entitlement and Equity Shares in addition to their Rights Entitlement in dematerialised form;
- (b) should not have renounced their Right Entitlement in full or in part;
- (c) should not be Renouncees; (paragraphs (a), (b) and (c) are collectively referred to as the “**ASBA Investor Eligibility Criteria**”) and
- (d) should apply through blocking of funds in bank accounts maintained with SCSBs.

All Applicants who are QIBs and Non – Institutional Investors and who satisfy the ASBA Investor Eligibility Criteria must participate in the Issue only through the ASBA Process. Any Application by such categories of Applicants including plain paper applications by them have to be made through the ASBA process. All Applicants who are QIBs and Non – Institutional Investors and who do not satisfy the ASBA Investor Eligibility Criteria can apply in the Issue only through the non – ASBA process.

A Retail Individual Shareholder and a Retail Individual Investor applying for a value of up to ₹ 0.02 crore in the Issue can participate in the Issue through either the ASBA process or the non – ASBA process.

CAF

The Registrar will dispatch the CAF to all Eligible Equity Shareholders as per their Rights Entitlement on the Record Date. Those Eligible Equity Shareholders who must apply or who wish to apply through the ASBA process and have complied with the parameters mentioned above will have to select this mechanism in Part A of the CAF and provide necessary details.

Application in electronic mode will only be available with such SCSBs who provide such facility. The Eligible Equity Shareholder shall submit the CAF to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the Application in the said bank account maintained with the same SCSB.

Please note that no more than five Applications (including CAF and plain paper) can be submitted per bank account in the Issue. ASBA Investors are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on Application as stated in the CAF will be blocked by the SCSB.

Acceptance of the Issue

ASBA Investors may accept the Issue and apply for the Equity Shares either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors in this regard.

Mode of payment

An ASBA Investor agrees to block the entire amount payable on Application with the submission of the CAF, by authorising the SCSB to block an amount, equivalent to the amount payable on Application, in a bank account maintained with the SCSB.

After verifying that sufficient funds are available in the bank account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on Application mentioned in the CAF until it receives instructions from the Registrar to the Issue. Upon receipt of intimation from the Registrar to the Issue, the SCSBs shall transfer such amount as per the Registrar to the Issue's instruction from the bank account maintained with the SCSB, as mentioned by the Eligible Equity Shareholder in the CAF. This amount will be transferred in terms of the SEBI Regulations, into a separate bank account maintained by our Company as per the provisions of section 73(3) of the Companies Act. The balance amount remaining after the finalisation of the basis of Allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Managers.

The ASBA Investor would be required to block the entire amount payable on its Application at the time of the submission of the CAF. The SCSB may reject the Application at the time of acceptance of CAF if the bank account with the SCSB, details of which have been provided by the Eligible Equity Shareholder in the CAF, does not have sufficient funds equivalent to the amount payable on Application mentioned in the CAF. Subsequent to the acceptance of the Application by the SCSB, our Company would have a right to reject the Application only on technical grounds.

Options available to the ASBA Investors

A summary of options available to Eligible Equity Shareholders is presented below. ASBA Investors may exercise any of the following options with regard to the Equity Shares, using the respective CAFs received from Registrar:

Option Available	Action Required
Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A of the CAF (All joint holders must sign)
Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)

ASBA Investors will need to select the ASBA process option in the CAF and provide required details. However, in cases where this option is not selected, but the CAF is tendered to the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that CAF would be treated as if the Eligible Equity Shareholder has selected to apply through the ASBA process.

Additional Equity Shares

An ASBA Investor is eligible to apply for additional Equity Shares over and above the number of Equity Shares that it is entitled to, provided that it is eligible to apply for Equity Shares under applicable law and has applied for all the Equity Shares (as the case may be) offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and Allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under “ – Basis of Allotment” on page 253.

If you desire to apply for additional Equity Shares please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF.

Renunciation under the ASBA process

ASBA Investors can neither be Renounees, nor can renounce their Rights Entitlements in part.

ELIGIBLE EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR COMPANY UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA INVESTOR ON THE RECORD DATE.

Issuance of Intimation Letters

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the controlling branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The number of Equity Shares to be allotted against each successful ASBA Application;
- The amount to be transferred from the ASBA Account to the separate account opened by the Company for the Issue, for each successful ASBA Application;
- The date by which the funds referred to in above paragraph, shall be transferred to separate account opened by the Company for Rights Issue; and
- The details of rejected ASBA Applications, if any, along with reasons for rejection to enable SCSBs to unblock the respective ASBA Accounts.

General instructions for ASBA Investors

- Please read the instructions printed on the CAF carefully.
- Applications should be made on the printed CAFs and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of the Letter of Offer, Abridged Letter of Offer are liable to be rejected. The CAF must be filled in English.
- The CAF/ plain paper application in the ASBA process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue (assuming that such Banker to the Issue is not a SCSB), to our Company or Registrar or a Lead Manager to the Issue.

- All applicants, and in the case of Application in joint names, each of the joint applicants, should mention his/ her PAN number allotted under the IT Act, irrespective of the amount of the Application. Except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, CAFs without PAN will be considered incomplete and are liable to be rejected. With effect from 16 August 2010, the demat accounts for Investors for which PAN details have not been verified shall be “suspended for credit” and no Allotment and credit of Equity Shares shall be made into the accounts of such Investors.
- All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment or payment by cheque/ demand draft/ pay order is not acceptable for ASBA Investors. In case payment is affected in contravention of this, the Application may be deemed invalid and the Application money will be refunded and no interest will be paid thereon.
- Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company and/ or Depositories.
- In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Depository/ our Company. In case of joint applicants, reference, if any, will be made in the first applicant’s name and all communication will be addressed to the first applicant.
- All communication in connection with Application for the Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in the Issue quoting the name of the first/ sole applicant Eligible Equity Shareholder and CAF number.
- Only the person or persons to whom the Equity Shares have been offered shall be eligible to participate under the ASBA process.
- Only persons outside restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Equity Shares under applicable securities laws are eligible to participate.
- Only the Eligible Equity Shareholders holding shares in demat form, and who comply with all the parameters for being an ASBA Investor, are eligible to participate through ASBA process.
- SCSBs making ASBA Applications on their own account are required to have a separate ASBA Account in their own name with any other SEBI registered SCSB. Such ASBA Account should be used solely for the purpose of making applications in rights issues and clear demarcated funds should be available in such account for ASBA Applications.

Do’s for ASBA Investors:

- Ensure that the ASBA process option is selected in part A of the CAF and necessary details are filled in. In case of non-receipt of the CAF, the Application can be made on plain paper with all necessary details as required under the paragraph “Application on plain paper” on page 252.
- Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated.
- Ensure that the CAFs are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the CAF.
- Ensure that there are sufficient funds (equal to {number of Equity Shares as the case may be applied for} multiplied by {the Issue Price, as the case may be}) available in the bank account maintained with the SCSB mentioned in the CAF before submitting the CAF to the respective Designated Branch of the SCSB.
- Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on Application mentioned in the CAF, in the bank account maintained with the respective SCSB, of which details are provided in the CAF and have signed the same.
- Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF in physical form.
- Except for CAFs submitted on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, each applicant should mention their PAN allotted under the IT Act.
- Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF 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 CAF.

- Ensure that the Demographic Details are updated, true and correct, in all respects.
- Ensure that the account holder in whose bank account the funds are to be blocked has signed authorizing such funds to be blocked.
- Ensure that you apply through the ASBA process if you are a QIB or a Non – Institutional Investor and satisfy the eligibility requirements for being an ASBA Investor in terms of the December 2009 Circular.
- For ASBA Applications by SCSBs on own account, ensure that a separate ASBA Account in its own name is opened with any other SCSB.

Don'ts for ASBA Investors:

- Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
- Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.
- Do not pay the amount payable on Application in cash, by money order or by postal order.
- Do not send your physical CAFs/plain paper applications to the Lead Managers/ Registrar to the Issue/ Bankers to the Issue (assuming that such Bankers to the Issue is not a SCSB)/ to a branch of the SCSB which is not a Designated Branch of the SCSB/ Bank; instead submit the same to a Designated Branch of the SCSB only.
- Do not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground.
- Do not apply if the ASBA Account has been used for five applicants.
- Do not instruct respective banks to release the funds blocked under the ASBA process.

Grounds for Technical Rejection under ASBA process

Applications under the ASBA process are liable to be rejected on the following grounds:

- Application on a Split Application Form.
- Application for Allotment of Rights Entitlements or additional shares which are in physical form.
- DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.
- Renounces applying under the ASBA process.
- Sending an ASBA Application on plain paper to the Registrar to the Issue.
- Sending CAF to a Lead Manager / the Registrar to the Issue/ the Registrar and Transfer Agent/ a Banker to the Issue (assuming that such Banker to the Issue is not a SCSB)/ to a branch of a SCSB which is not a Designated Branch of the SCSB/ Bank.
- Insufficient funds are available with the SCSB for blocking the amount.
- Funds in the bank account with the SCSB whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.
- Account holder not signing the CAF or declaration mentioned therein.
- CAFs that do not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in restricted jurisdictions and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.
- CAFs which have evidence of being executed in/ dispatched from restricted jurisdiction or executed by or for the benefit of a "U.S. Person" (as defined in Regulation S).
- Submitting the GIR number instead of the PAN.
- ASBA Applications by SCSBs on their own account, through an ASBA Account maintained in their own name with themselves.

Depository account and bank details for ASBA Investors

IT IS MANDATORY FOR ALL THE ELIGIBLE EQUITY SHAREHOLDERS WHO COMPLY WITH THE PARAMETERS FOR BEING AN ASBA INVESTOR TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL SUCH ELIGIBLE EQUITY SHAREHOLDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. SUCH ELIGIBLE EQUITY SHAREHOLDERS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF 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 CAF.

Such Eligible Equity Shareholders should note that on the basis of name of these Eligible Equity Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository, the Demographic Details. Hence, Eligible Equity Shareholders should carefully fill in their Depository Account details in the CAF.

These Demographic Details would be used for all correspondence with such Eligible Equity Shareholders including mailing of the letters intimating unblocking of bank account of the respective Eligible Equity Shareholder. The Demographic Details given by the Eligible Equity Shareholders in the CAF would not be used for any other purposes by the Registrar to the Issue. Hence, Eligible Equity Shareholders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the CAFs/ plain paper ASBA Applications, ASBA Investors 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.

Letters intimating Allotment and unblocking of funds would be mailed to the address of the ASBA Investors as per the Demographic Details received from the Depositories. The Registrar to the Issue will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Equity Shares are not allotted to such shareholders. ASBA Investors may note that delivery of letters intimating unblocking of the funds 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 Eligible Equity Shareholder in the CAF would be used only to ensure dispatch of letters intimating unblocking of the funds.

Note that any such delay shall be at the sole risk of the ASBA Investors and none of the Company, the SCSBs or the Lead Managers shall be liable to compensate the ASBA Investors for any losses caused 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, (a) names of the Eligible Equity Shareholders (including the order of names of joint holders), (b) the DP ID and (c) the beneficiary account number, then such Applications are liable to be rejected.

APPLICATIONS BY NON – ASBA INVESTORS

Eligible Equity Shareholders who are eligible to apply under the non – ASBA process

The option of applying for Equity Shares through the non – ASBA process is available only to Eligible Equity Shareholders of our Company on the Record Date as well as Renounees. All Applicants who are QIBs and Non – Institutional Investors and who do not satisfy the ASBA Investor Eligibility Criteria can apply in the Issue through the non – ASBA process.

Furthermore, a Retail Individual Shareholder and a Retail Individual Investor applying for a value of up to ₹ 0.02 crore in the Issue can participate in the Issue through either the ASBA process or the non – ASBA process.

Instructions for options for Non – ASBA Investors

The CAF consists of four parts:

- Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares;
- Part B: Form for renunciation;
- Part C: Form for Application by Renounee(s); and
- Part D: Form for request for Split Application Forms.

The summary of options available to the Eligible Equity Shareholder who applies through the non – ASBA process is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Option Available	Action Required
Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A (<i>all joint holders must sign</i>)
Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including 'Block III' relating to the acceptance of Rights Entitlement and 'Block IV' relating to additional Equity Shares (<i>all joint holders must sign</i>)
Renounce your Rights Entitlement in full to one person, (<i>Joint Renouncees are considered as one</i>).	Fill in and sign Part B (<i>all joint holders must sign</i>) indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncees must fill in and sign Part C (<i>all joint Renouncees must sign</i>)
Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s) OR Renounce your Rights Entitlement to all the Equity Shares offered to you to more than one Renouncee	Fill in and sign Part D (<i>all joint holders must sign</i>) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for the receipt of requests for Split Application Forms. Splitting will be permitted only once. On receipt of the Split Application Form take action as indicated below. For the Equity Shares you wish to accept, if any, fill in and sign Part A. For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncees. Each of the Renouncees should fill in and sign Part C for the Equity Shares accepted by them.
Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the Renouncees must fill in and sign Part C.

Please note that:

- Part A of the CAF must not be used by any person(s) other than the Eligible Equity Shareholders. If used, this will render the Application invalid.
- Request for Split Application Form should be made for a minimum of one Equity Share or in multiples thereof and one Split Application Form for the balance Equity Shares, if any.
- Request by the Eligible Equity Shareholder(s) for the Split Application Form should reach the Registrar to the Issue on or before 10 June 2013.
- Only the person, to whom the Letter of Offer and/ or Abridged Letter of Offer has been addressed to and not the Renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. CAF once split cannot be split again.
- Eligible Equity Shareholders may not renounce in favour of persons or entities in restricted jurisdictions including the United States or to or for the account or benefit of U.S. Person (as defined in Regulation S) who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities law.
- While applying for or renouncing their Rights Entitlement, joint Eligible Equity Shareholders must sign the CAF in the same order and as per specimen signatures recorded with our Company/ the Depositories.
- Split Application Forms(s) will be sent to the applicant(s) by post at the applicant's risk.

Acceptance of the offer to participate in the Issue through the non – ASBA process

You may accept the offer to participate and apply for the Equity Shares offered through the Issue, either in full or in part by filling of Part A of the CAF and submit the same along with the Application Money payable to the Bankers to the Issue or any of the collection branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board thereof in this regard. Non – ASBA Investors located at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn at par at Hyderabad or demand draft/ pay order payable at Hyderabad to the Registrar to the Issue by registered post. Such Applications sent to anyone other than the Registrar to the Issue are liable to be rejected. Please note that all Applications in the Issue by QIBs and Non-Institutional Investors who satisfy the ASBA Investor Eligibility Criteria are mandatorily required to be made through the ASBA process.

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled ‘– Application on Plain Paper’ on page 252.

Renunciation for Non – ASBA Investors

Any renunciation (i) from a resident Indian Eligible Equity Shareholder to a Non Resident, or (ii) from a Non Resident Eligible Equity Shareholder to a resident Indian, or (iii) from a Non Resident Eligible Equity Shareholder to a Non Resident is subject to the renouncer (s)/ Renouncee(s) obtaining the necessary approvals, including from RBI under the FEMA and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

We have made an application to the RBI on 21 May 2013 requesting for the approval of the RBI for renunciation of Rights Entitlements by (i) resident Eligible Equity Shareholders to Non – Resident Renouncees (with the exception of OCBs); and (ii) Non – Resident Eligible Equity Shareholders to resident Renouncees and Non Resident Renouncees (with the exception of OCBs). The approval of the RBI in this regard is awaited. The outcome of this application will be duly intimated by the Company through a public announcement in all the newspapers where the pre-Issue advertisement will be published, as well as through dissemination to the Stock Exchanges.

As an Eligible Equity Shareholder, you have the right to renounce your Rights Entitlement for the Equity Shares in full or in part in favour of one or more persons. Your attention is drawn to the fact that our Company shall not allot and/ or register any Equity Shares in favour of the following Renouncees:

- More than four persons including joint holders;
- Partnership firm(s) or their nominee(s);
- Minors (unless it is through their legal guardian);
- A Hindu Undivided Family (however, you may renounce your Rights Entitlements to the Karta of an Hindu Undivided Family acting in his capacity of a Karta);
- Any trust or society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable trust laws and is authorised under its constitutions to hold equity shares of a company), not being an existing shareholder of the Company;
- Any person or entity in the United States or to, or for the account or benefit of, a “U.S. Person” (as defined in Regulation S); or
- Any person situated or subject to jurisdiction where the offering in terms of the Letter of Offer could be illegal or requires compliance with securities laws.

The right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the Application from the Renouncee(s) without assigning any reason thereof. Renouncee(s) shall not be entitled to further renounce the entitlement in favour of any other person.

Procedure for renunciation

The procedure for renunciation is as follows:

To renounce the entire Rights Entitlement in favour of one Renouncee

If you wish to renounce the Rights Entitlement indicated in Part A of the CAF, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favour renunciation has been made should complete and sign Part C of the CAF. In case of Renouncees, all joint Renouncees must sign this part of the CAF.

To renounce in part/ or renounce the whole to more than one person(s)

If you wish to either accept the Rights Entitlement in part and renounce the balance or renounce the entire Rights Entitlement in favour of two or more Renouncees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of Split Application Forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for Split Application Forms. On receipt of the required number of

Split Application Forms from the Registrar to the Issue, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Eligible Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with our Company, the Application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the CAF and submit the entire CAF on or before the Issue Closing Date along with the Application Money.

Change and/ or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not exceeding three persons, who is/ are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that our Board of Directors shall be entitled in its absolute discretion to reject the Application from the Renouncee(s) without assigning any reason thereof.

Additional Equity Shares

You may apply for additional Equity Shares over and above your Rights Entitlement, provided that you have applied for your entire Rights Entitlement without renouncing them in whole or in part in favor of any other person(s). Applications for additional Equity Shares shall be considered and Allotment shall be in the manner prescribed under the section titled ‘– Basis of Allotment’ on page 254. If you desire to apply for additional Equity Shares, please indicate your requirements in the place provided for additional Equity Shares in Part A of CAF. Renouncees applying for all the Equity Shares renounced in their favor may also apply for additional Equity Shares by indicating the details of additional Equity Shares applied for in the place provided for additional Equity Shares in Part C of CAF.

Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Payment options for Non – ASBA Investors

Mode of payment for Resident Eligible Equity Shareholders/ Applicants

- Non – ASBA Investors who are resident in centers with the bank collection centres shall draw cheques/ drafts accompanying the CAF, crossed account payee only and marked “***Kesoram Rights Issue***”.
- Resident Non – ASBA Investors residing at places other than places where the bank collection centres have been opened by our Company for collecting Applications, are requested to send their Applications together with Demand Draft/ Pay Order net of bank and postal charges, payable at Hyderabad, crossed account payee only and marked “***Kesoram Rights Issue***” directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company or the Registrar to the Issue or the Lead Managers will not be responsible for postal delays or loss of Applications in transit, if any. Applicable banking and postal charges in this regard shall be borne by the Company.

Mode of payment for Non – Resident Eligible Equity Shareholders/ Applicants

Payment by Non – Residents must be made by demand draft payable at Hyderabad/cheque payable drawn on a bank account maintained at Hyderabad or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

- By Indian Rupee drafts purchased from abroad and payable at Hyderabad or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or

- By cheque/ draft on a Non Resident External Account (NRE) or FCNR Account maintained in India; or
- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Hyderabad; or FIIs registered with SEBI must remit funds from special non resident rupee deposit account.
- Non Resident investors applying with repatriation benefits should draw crossed account payee cheques/ drafts in favour of and marked “**Kesoram Rights Issue - NR**” payable at Hyderabad for the full Application Money.
- In the case of NRIs who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account, details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in U.S Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. Our Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into U.S. Dollar or for collection charges charged by the applicant’s bankers.

Application without repatriation benefits

- As far as Non Residents holding shares on non-repatriation basis are concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non Resident (Ordinary) Account maintained in India or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Hyderabad. In such cases, the Allotment of Equity Shares will be on non-repatriation basis.
- All cheques/ demand drafts submitted by non-residents applying on a non-repatriation basis should be drawn in favour of, and marked “**Kesoram Rights Issue**” payable at Hyderabad and must be crossed ‘account payee only’ for the full Application Money. The CAF duly completed together with the amount payable on Application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- Applicants may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the Application shall be considered incomplete and is liable to be rejected.
- New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to IT Act.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on Application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

In case of Applications received from Non Residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by an applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue at least seven days prior to the Issue Closing Date. Please note that those who are making the Application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he/ she shall face the risk of rejection of both the Applications. Neither the Registrar to the Issue

nor the Lead Managers or our Company, shall be responsible for postal delays or loss of duplicate CAFs in transit, if any.

Duplicate CAFs will also be available at the website of the Registrar to the Issue, a hyper – link to which link will also be provided on the website of the Company.

General instructions for Non – ASBA Investors

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Application should be made on the printed CAF, provided by our Company or a plain paper Application and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's/ husband's name must be filled in block letters.
- (c) The CAF together with cheque/ demand draft should be sent to the Bankers to the Issue/ Collecting Bank or dispatched to the Registrar to the Issue, and not to our Company, the Lead Managers. Resident applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by our Company for collecting Applications, will have to make payment by crossed account payee cheques payable at Hyderabad or demand drafts/ pay orders payable at Hyderabad and send their CAFs to the Registrar to the Issue by registered post/ speed post. If any portion of the CAF is/ are detached or separated, such Application is liable to be rejected.
- (d) Each of the applicants should mention his/ her PAN allotted under the IT Act along with the Application for the purpose of verification of the number. Except in case of Applications on behalf of the Central or State Government and the officials appointed by the courts and by Investors residing in Sikkim, **CAFs without the PAN details will be considered incomplete and are liable to be rejected.**
- (e) Investors holding Equity Shares in physical form, are advised to provide information as to their savings/ current account number, the nine digit MICR number and the name of the Company, branch with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Applications not containing such details are liable to be rejected.
- (f) All payment should be made by cheques/ demand draft only. Cash payment is not acceptable. In case payment is effected in contravention of this, the Application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.
- (g) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Eligible Equity Shareholders must sign the CAF or the plain paper Application as per the specimen signature recorded with our Company.
- (h) In case of an Application under a power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the Application and a certified true copy of the memorandum and articles of association and/ or bye-laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the Application is liable to be rejected.
- (i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company. Further, in case of joint applicants who are Renounees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

- (j) Application(s) received from Non Residents/ NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of Application Money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, dispatch of share certificates, etc. In case a Non Resident Eligible Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- (k) All communication in connection with Application for the Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the Allotment Date quoting the name of the first/ sole applicant Eligible Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Eligible Equity Shareholders, after the Allotment Date, should be sent to the Registrar and Share Transfer Agent, in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialised form.
- (l) Split Application Forms cannot be re-split.
- (m) Only the person or persons to whom Equity Shares have been offered and not Renounee(s) shall be entitled to obtain Split Application Forms.
- (n) Applicants must write their CAF number at the back of the cheque/ demand draft.
- (o) A separate cheque/ demand draft must accompany each CAF. Outstation cheques/ demand drafts or post-dated cheques and postal/ money orders will not be accepted and Applications accompanied by such cheques/ demand drafts/ money orders or postal orders will be rejected. The Registrar will not accept payment against Application if made in cash. (For payment against Application in cash please refer point (f) above).
- (p) No receipt will be issued for Application Money received. The Bankers to the Issue/ Collecting Bank/ Registrar to the Issue will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
- (q) Our Company shall not allot and/ or register any Equity Shares in favour of any person situated or subject to any jurisdiction where the offering in terms of this Letter of Offer could be illegal or requires compliance with applicable securities laws.
- (r) The distribution of the Letter of Offer and issue of Equity Shares under the Issue and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in the United States and such other jurisdictions are instructed to disregard the Letter of Offer and not to attempt to subscribe for Rights Issue Equity Shares.

Do's for Non – ASBA Investors:

- (a) Check if you are eligible to apply;
- (b) Read all the instructions carefully and ensure that the cheque/ draft option is selected in part A of the CAF and necessary details are filled in;
- (c) In the event you hold Equity Shares in dematerialised form, ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as the Equity Shares will be allotted in the dematerialised form only;
- (d) Ensure that your Indian address is available to our Company and the Registrar and Transfer Agent, in case you hold Equity Shares in physical form or the depository participant, in case you hold Equity Shares in dematerialised form;
- (e) Ensure that the value of the cheque/ draft submitted by you is equal to the (number of Equity Shares applied for) X (Issue Price of Equity Shares, as the case may be) before submission of the CAF;
- (f) Ensure that you receive an acknowledgement from the collection centres of the collection bank for your submission of the CAF in physical form;
- (g) Ensure that you mention your PAN allotted under the IT Act with the CAF, except for Applications on behalf of the Central and State Governments, residents of Sikkim and officials appointed by the courts;

- (h) Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF 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 CAF; and
- (i) Ensure that the Demographic Details are updated, true and correct, in all respects.

Dont's for Non – ASBA Investors:

- (a) Do not apply on duplicate CAF after you have submitted a CAF to a collection centre of the Bankers to the Issue;
- (b) Do not pay the amount payable on Application in cash, by money order or by postal order;
- (c) Do not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground;
- (d) Do not submit an Application accompanied with stockinvest; or
- (e) Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.

Grounds for Technical Rejections for Non – ASBA Investors

Investors are advised to note that Applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the Application Money payable;
- Bank account details (for refunds) are not given and the same are not available with the Depository Participant (in the case of Equity Shares held in dematerialised form) or the Registrar and Transfer Agent (in the case of Equity Shares held in physical form);
- Age of the first applicant not given (in case of Renounees);
- Except in case of Applications on behalf of the Central or State Government and the officials appointed by the courts and by Investors residing in Sikkim, PAN details not given;
- PAN in CAF not matching the PAN in the DP ID;
- In case of CAF under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder does not match with the one given on the CAF and for Renounees if the signature does not match with the records available with their depositories;
- If the Applicant desires to have Equity Shares in electronic form, but the CAF does not have the Applicant's depository account details;
- CAF is not submitted by the applicants within the time prescribed as per the CAF and this Letter of Offer;
- CAF not duly signed by the sole/ joint applicants;
- CAF by OCBs other than the Eligible OCBs;
- CAF accompanied by stockinvest/ outstation cheques/ post – dated cheques/ outstation money orders/ postal orders/ outstation demand drafts;
- CAFs that do not include the certifications set out in the CAF to the effect that, among other thing, the subscriber is not located in restricted jurisdictions and is authorized to acquire the Rights Entitlements and Equity Shares under the Issue in compliance with all applicable laws and regulations;
- CAFs which have evidence of being executed in/dispatched from restricted jurisdictions;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the applicants (including the order of names of joint holders), the DP ID and the beneficiary's identity;
- CAFs by ineligible Non Residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided;
- Multiple Applications, including where an applicant submits a CAF and a plain paper Application; and
- Duplicate Applications;
- In case the GIR number is submitted instead of the PAN;
- Applications by Renounee(s) who are persons not competent to contract under the Indian Contract Act, 1872, including minors; and
- Non – ASBA Applications made by QIBs and Non – Institutional Investors who satisfy the ASBA Investor Eligibility Criteria.

Please read this Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of the Letter of Offer and must be carefully followed. The CAF is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.

Payment of refunds to Non – ASBA Investors

Our Company will issue and dispatch refund orders within a period of 15 days from the Issue Closing Date. If such money is not repaid within the stipulated time period, our Company shall pay that money with interest at the rate of 15% per annum for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.

The payment of refund to Non – ASBA Investors, if any, would be done through any of the following modes:

1. NECS – Payment of refund would be done through NECS for Investors having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories/ the records of the Registrar and Transfer Agent. The payment of refunds is mandatory for Investors having a bank account at any centre where NECS facility has been made available by the RBI (subject to availability of all information for crediting the refund through NECS), except where the Investor, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. National Electronic Fund Transfer (“NEFT”) – Payment of refund shall be undertaken through NEFT wherever the Investor’s bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.
3. Direct Credit – Investors having bank accounts with the Refund Bank, in this case being, HDFC Bank Limited shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank for the same would be borne by our Company.
4. RTGS – Investors having a bank account at any of the 15 locations where the RBI manages clearing houses for such payments, namely, Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Thiruvananthapuram and Patna, and whose refund amount exceeds ₹ 0.02 crore, have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Banks for the same would be borne by our Company. Charges, if any, levied by the Investors’ bank receiving the credit would be borne by the Investor.
5. For all other Investors, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched through Speed Post/ Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn and will be payable at par.
6. In case of any category of Investors specified by SEBI, crediting of refunds to the Investors in any other electronic manner permissible under the banking laws of India for the time being in force which is permitted by SEBI from time to time.

Option to receive Equity Shares in Dematerialised Form

Except for ASBA Investors, Investors shall be Allotted Equity Shares in dematerialised (electronic) form at the option of the Investor. Our Company, along with the Registrar and Transfer Agent, has signed tripartite agreements dated 16 October 2003 and 4 September 2003 with NSDL and CDSL, respectively, which enables the Investors to hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates. Our Company has appointed Karvy Computershare Private Limited as the Registrar to

the Issue, which has connectivity with both Depositories, and can therefore, credit the Equity Shares Allotted in dematerialised form.

In this Issue, Allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a Depository Participant. Investors will have to give the relevant particulars for this purpose in the appropriate place in the CAF or the plain paper application, as the case may be. Applications, which do not accurately contain this information, will receive securities in physical form. No separate Applications for securities in physical and/ or dematerialised form should be made. If such Applications are made, the Application for physical securities will be treated as multiple Applications and is liable to be rejected. In case of partial Allotment, Allotment will be done in demat option for the shares sought in demat and balance, if any, may be allotted in physical shares.

OTHER GENERAL INSTRUCTIONS

Application on plain paper

Applications on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with our Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Company, being “Kesoram Industries Limited”;
- Name and address of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID No.;
- Share certificate numbers and distinctive numbers of Equity Shares (if Equity Shares are held in physical form);
- Number of Equity Shares held as on Record Date;
- Number of Equity Shares entitled as per Rights Entitlement;
- Number of Equity Shares applied for as per Rights Entitlement;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total amount paid at the rate of ₹ 65.0 per Equity Share;
- Particulars of cheque/ demand draft/ pay order;
- Savings/ current account number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order (in case of Equity Shares held by such Eligible Equity Shareholders in physical form). In case of Equity Shares allotted in dematerialised form, the bank account details will be obtained from the information available with the Depositories;
- Details of PAN, except in case of Applications on behalf of the Central or State Government and the officials appointed by the courts and by Investors residing in Sikkim, irrespective of the total value of the Equity Shares being applied for pursuant to the Issue;
- Signature of Eligible Equity Shareholders to appear in the same sequence and order as they appear in the records of our Company;
- If the payment is made by a draft purchased from NRE/FCNR/NRO account, as the case may be, an account debit certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRE/FCNR/NRO account.
- For ASBA Investors, the Application on plain paper should contain details of the ASBA Account such as the account number, name, address and branch of the relevant SCSB.
- Additionally, by subscribing to any Equity Shares offered in the Issue, you are deemed to have represented, warranted, acknowledged and agreed to us, the Lead Managers, as follows:

“If we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/we understand that neither us, nor the Registrar, the Lead Managers or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the Lead Managers or any other person acting on behalf of us have reason to believe is, a resident of the United States or “U.S. Person” (as defined in Regulation S) or is ineligible to participate in the Issue under the securities laws of their jurisdiction.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Equity Shares is/are, outside the United States, (ii) am/are not a "U.S. Person" (as defined in Regulation S), and (iii) is/are acquiring the Rights Entitlement and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We acknowledge that we, the Lead Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements."

Please note that those who are making the Application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If an applicant violates any of these requirements, he/ she shall face the risk of rejection of both the Applications. Our Company will refund such Application Money to such applicant without any interest thereon.

A Resident Non – ASBA Investor and a Non Resident Non – ASBA Investors applying on non-repatriation basis, who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper, along with a crossed account payee cheque payable at Hyderabad or demand draft/ pay order payable at Hyderabad in favour of "**Kesoram Rights Issue**" and send the same by registered post directly to the Registrar to the Issue, so as to reach the Registrar to the Issue on or before the Issue Closing Date. The envelope should be superscribed "**Kesoram Rights Issue**".

Non Resident Non – ASBA Investors applying on repatriation basis who have neither received the original CAF nor are in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper, along with a crossed 'Account Payee Cheque' payable at Hyderabad or a demand draft/ pay order payable at Hyderabad in favour of "**Kesoram Rights Issue - NR**" and send the same by registered post directly to the Registrar to the Issue, so as to reach the Registrar to the Issue on or before the Issue Closing Date. The envelope should be superscribed "**Kesoram Rights Issue – NR**".

Resident and Non Resident ASBA Investors who have neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper and such ASBA Investors should send the same by registered post/ speed post directly to the relevant SCSB. Applications on plain paper will not be accepted from any address outside India. The envelope should be super-scribed "**Kesoram Rights Issue**" in case of Resident ASBA Investors or Non Resident ASBA Investors applying on non repatriable basis and "**Kesoram Rights Issue - NR**". Non – ASBA Investors applying on repatriation basis and should be postmarked in India.

Applicants are requested to strictly adhere to these instructions. Failure to do so could result in the Application being liable to be rejected without our Company, the Lead Managers and the Registrar to the Issue incurring any liabilities to such applicants for such rejections.

Last date of Application

The last date for submission of the duly filled in CAF or the plain paper Application is 17 June 2013. Our Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

If the CAF, or the plain paper Application together with the amount payable is not received by the Bankers to the Issue/ Registrar to the Issue, on or before the close of banking hours on the aforesaid last date or such date as may be extended by our Board or any committee of our Board, the offer contained in the Letter of Offer shall be deemed to have been declined and our Board or any committee of our Board shall be at liberty to dispose of the Equity Shares hereby offered, as provided under the section titled " – Basis of Allotment' on page 254.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES ISSUED PURSUANT TO THIS ISSUE CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

Basis of Allotment

Subject to the provisions contained in this Letter of Offer, the Abridged Letter of Offer, the CAF, the Articles of Association and the approval of the Designated Stock Exchange, our Board will proceed to allot the Equity Shares in the following order of priority:

- (a) Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s), who has/ have applied for Equity Shares renounced in their favour, in full or in part.
- (b) If the shareholding of any of the Eligible Equity Shareholders is equal to or less than five Equity Shares or is not in multiples of five, the fractional entitlement of such holders shall be ignored. Shareholders whose fractional entitlements are being ignored would be considered for Allotment of one additional Equity Share each if they apply for additional Equity Share(s). Allotment under this head shall be considered if there are any un-subscribed Equity Shares after Allotment under (a) above. If the number of Equity Shares required for Allotment under this head is more than number of Equity Shares available after Allotment under (a) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange. (For further details, see the section titled ‘– Fractional Entitlements’ on page 234.)
- (c) Allotment to Eligible Equity Shareholders who having applied for the Rights Entitlement in full and have also applied for additional Equity Shares. The Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making Allotment in (a) and (b) above. The Allotment of such Equity Shares will be at the sole discretion of our Board in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential Allotment.
- (d) Allotment to the Renounees, who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full Allotment in (a), (b) and (c) above. The Allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of our Board or any committee of our Board but in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.
- (e) Allotment to any other person as our Board may in its absolute discretion deem fit provided there is surplus available after making Allotment under (a), (b), (c), and (d) above, and the decision of the Board in this regard shall be final and binding.

In the event of oversubscription, Allotment will be made within the overall size of the Issue.

Intention and extent of participation by the Promoter and the members of the Promoter Group in the Issue

Our Promoter, Mr. Basant Kumar Birla and members of our Promoter Group namely Ms. Manjushree Khaitan, Mr. Krishna Gopal Maheshwari, Pilani Investment and Industries Corporation Limited, Ms. Sarala Devi Birla, Ms. Rajashree Birla, Mr. Kumar Mangalam Birla, Ms. Vasavadatta Bajaj, Ms. Jayashree Mohta, Ms. Vidula Jalan, Manav Investment & Trading Company Limited, Aditya Marketing & Manufacturing Limited, Parvati Tea Company Private Limited, Century Textiles and Industries Limited and Padmavati Investment Limited holding Equity Shares, have confirmed that they intend to fully subscribe to their Rights Entitlement in the Issue subject to the terms of this Letter of Offer and applicable law. Further, subject to compliance with applicable laws including the Takeover Code, the Promoter and members of our Promoter Group reserve the right to subscribe for additional equity shares of the Company.

Further, Pilani Investment and Industries Corporation Limited have provided an undertaking dated 3 October 2012 stating that in the event of under-subscription in the Issue, they will apply for Equity Shares, in addition to their Rights Entitlement in the Issue, either directly or through entities/persons belonging to the Promoter Group, to the extent of such undersubscribed portion of the Issue, subject to obtaining any approvals required under applicable law, to ensure that at least 90% of the Issue is subscribed.

As a result of the subscription, our Promoter, Mr. Basant Kumar Birla and members of our Promoter Group namely Ms. Manjushree Khaitan, Mr. Krishna Gopal Maheshwari, Piloni Investment and Industries Corporation Limited, Ms. Sarala Devi Birla, Ms. Rajashree Birla, Mr. Kumar Mangalam Birla, Ms. Vasavadatta Bajaj, Ms. Jayashree Mohta, Ms. Vidula Jalan, Manav Investment & Trading Company Limited, Aditya Marketing & Manufacturing Limited, Parvati Tea Company Private Limited, Century Textiles and Industries Limited and Padmavati Investment Limited may acquire Equity Shares over and above their respective entitlements in the Issue, which may result in an increase of their shareholding above the current shareholding along with the Rights Entitlement. Such subscription and acquisition of additional Equity Shares by our Promoter and the members of the Promoter Group through the Issue, if any, shall be made in accordance with applicable laws.

As such, other than meeting the requirements indicated in the section titled “Objects of the Issue” on page 51, there is no other intention/purpose for the Issue, including any intention to delist the Company, even if, as a result of any Allotments in the Issue to the Promoter, or the members of the Promoter Group, their shareholding in the Company exceeds their current shareholding. The Promoter, and/or members of the Promoter Group shall subscribe to, and/or make arrangements for the subscription of, such unsubscribed portion as per the relevant provisions of law and in compliance with the Listing Agreement.

Our Company expects to complete the Allotment within a period of 15 days from the Issue Closing Date in accordance with the Listing Agreement with the Stock Exchanges. Our Company shall retain no oversubscription.

Underwriting

The Issue is not underwritten.

Allotments

Our Company will issue and dispatch letters of Allotment/ Allotment advice/ share certificates/ demat credit and/ or letters of regret or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date. If such money is not repaid within the stipulated time period, our Company shall pay that money with interest at the rate of 15% per annum for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.

In case of those Investors who have opted to receive their Rights Entitlement in dematerialised form using electronic credit under the depository system, and advise regarding their credit of the Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of the Issue Closing Date.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and our Company issues letters of Allotment or Allotment advice, the corresponding share certificates will be kept ready within three months from the Allotment Date thereof or such extended time as may be approved by the Companies Law Board under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of Allotment/ Allotment advice, which would be exchanged later for the share certificates. For more information see the section titled ‘– Letters of Allotment/ Allotment advice/ Share Certificates/ Demat Credit’ on page 255.

The letters of Allotment/ Allotment advice/ refund order would be sent by registered post/ speed post to the sole/ first applicant's registered address. Such refund orders would be payable at par at all locations. The same would be marked ‘Account Payee only’ and would be drawn in favour of the sole/ first applicant. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Letters of Allotment/Allotment Advice/ Share Certificates/ Demat Credit

Letters of Allotment/ Allotment advice/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within 15 days, from the date of closure of the subscription list. In case our Company issues letters of Allotment/ Allotment advice, the relative share certificates will be dispatched within three months from the Allotment Date. Allottees are requested to preserve such letters of Allotment/ Allotment advice (if any) to be exchanged later for share certificates. Dispatch of letters of Allotment/ Allotment advice (if any)/ share certificates/ demat credit to Non

Resident Allottees will be subject to the any applicable approvals of the RBI. Our Company has appointed Karvy Computershare Private Limited as the Registrar to the Issue, which has connectivity with both Depositories, and can therefore, credit the Equity Shares Allotted in dematerialised form.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALISED FORM.

The Equity Shares will be listed on the Stock Exchanges.

Procedure for availing the facility for Allotment of Equity Shares in the electronic form is as under:

1. Open a beneficiary account with any DP (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as is registered in the records of our Company). In case of investors having various folios in our Company with different joint holders, the investors will have to open separate accounts for such holdings. **Those Eligible Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.**
2. For Eligible Equity Shareholders already holding Equity Shares in dematerialised form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Equity Shares arising out of this Issue may be made in dematerialised form even if the original Equity Shares are not dematerialised. Nonetheless, it should be ensured that the depository account is in the name(s) of the Eligible Equity Shareholders and the names are in the same order as in the records of our Company.

Responsibility for correctness of information (including applicant's age and other details) filled in the CAF vis-à-vis such information with the applicant's DP, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's DP.

If incomplete/ incorrect details are given under the heading 'Request for Shares in Electronic Form' in the CAF, the applicant will get Equity Shares in physical form.

Allotment to investors opting for dematerialised form would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice or letters of Allotment, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's DP will provide to him the confirmation of the credit of such Equity Shares to the applicant's depository account.

Renounees will also have to provide the necessary details about their beneficiary account for Allotment in this Issue. In case these details are incomplete or incorrect, such applications by Renounees are liable to be rejected. The Company may also instead decide to allot the Equity Shares in physical form to such Renounees.

Impersonation

As a matter of abundant caution, attention of the investors is specifically drawn to the provisions of sub-section (1) of section 68A of the Companies Act which is reproduced below:

“Any person who makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or 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”.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated 5 November 2003, the stockinvest scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

Disposal of Application and Application Money

The Bankers to the Issue/ Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. Please note that no such acknowledgment will be issued by our Company.

In case an Application is rejected in full, the whole of the Application Money received will be refunded. Wherever an Application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Equity Shares Allotted, will be refunded to the applicant within 15 days from the Issue Closing Date. In the event that there is a delay of making refunds beyond eight days after our Company becomes liable to make such refunds, i.e. on the expiry of 15 days from the Issue Closing Date, our Company shall pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of section 73 of the Companies Act.

For further instruction, please read the CAF carefully.

Utilisation of Issue Proceeds

Our Board declares that:

- (a) The funds received against this Issue will be transferred to a separate bank account.
- (b) Details of all moneys utilised out of this Issue shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such moneys has been utilised.
- (c) Details of all such un-utilised moneys out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such un-utilised moneys have been invested.

Our Company shall utilize funds collected in rights issue only after the finalization of the basis of Allotment.

Undertakings by our Company

Our Company undertakes as follows:

- (a) The complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.
- (b) All steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchange where the Equity Shares are proposed to be listed will be taken within seven working days of finalization of basis of Allotment.
- (c) The funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed in this Letter of Offer shall be made available to the Registrar to the Issue by our Company.
- (d) Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicants within 15 days of the Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- (e) The letters of Allotment/ Allotment advice shall be dispatched within the specified time.
- (f) Adequate arrangements shall be made to collect all ASBA Applications and to consider them similar to non – ASBA Applications while finalizing the basis of Allotment.
- (g) No further issue of securities affecting equity capital of our Company shall be made till the securities issued/ offered through this Letter of Offer Issue are listed or till the application money are refunded on account of non-listing, under-subscription etc.
- (h) At any given time there shall be only one denomination of equity shares of our Company.
- (i) Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

Restriction on Foreign Ownership of Indian Securities

Investment by FIIs

In accordance with the current regulations, the following restrictions are applicable for investment by FIIs:

The Issue of Equity Shares under this Issue to a single FII should not result in such FII holding more than 10% of the post-issue paid up capital of our Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts the investment on behalf of each sub-account shall not exceed 5% of the total paid up capital of our Company.

Investment by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

Procedure for Applications by Mutual Funds

A separate Application can be made in respect of each scheme of an Indian mutual fund registered with the SEBI and such Applications shall not be treated as multiple Applications. The Applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the Application is being made.

Important

- Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the Application is liable to be rejected.
- It is to be specifically noted that this Issue of Equity Shares is subject to the risk factors mentioned in the section titled “Risk Factors” on page 9.
- All enquiries in connection with this Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Eligible Equity Shareholder as mentioned on the CAF and superscribed “***Kesoram Rights Issue***” incase of Resident Investors or Non-Resident Investors applying on non repatriable basis or “***Kesoram Rights Issue – NR***” incase of non resident shareholders applying on repatriable basis on the envelope) to the Registrar to the Issue at the following address:

Karvy Computershare Private Limited

Plot No. 17 – 24

Vithal Rao Nagar

Madhapur

Hyderabad 500 081

Telephone: +91 40 4465 5000

Fascimile: +91 40 2343 1551

E-mail: kesoram@karvy.com

Website: <http://karisma.karvy.com>

Contact Person: Mr. M. Muralikrishna

SEBI Registration No: INR000000221

- This Issue will be kept open for a minimum of 15 days unless extended, in which case it will be kept open for a maximum of 30 days from the Issue Opening Date.

SECTION VIII – STATUTORY AND OTHER INFORMATION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material have been entered or are to be entered into by the Company. Such contracts and documents for inspection as referred in paragraph (A) below, may be inspected at the Registered and Corporate Office from 10.00 am to 4.00 pm on working days (excluding Saturdays) from the date of this Letter of Offer until the date of closure of the Issue.

A. Material Contracts

1. Issue agreement dated 9 November 2012 between our Company and Lead Managers.
2. Agreement dated 7 November 2012 between our Company and Karvy Computershare Private Limited.
3. Bankers to the Issue Agreement dated 21 May 2013 between our Company, Lead Managers, the Registrar to the Issue and the Bankers to the Issue.
4. Tripartite Agreement dated 16 October 2003 between our Company, our Registrar and Transfer Agent and NSDL to establish direct connectivity with the Depository.
5. Tripartite Agreement dated 4 September 2003 between our Company, our Registrar and Transfer Agent and CDSL to establish direct connectivity with the Depository.
6. Copy of letter of offer dated 29 August 1995 filed by our Company for its rights issue with the Stock Exchanges.

B. Material Documents

1. Memorandum of Association and Articles of Association of our Company.
2. Our certificates of incorporation dated 18 October 1919 and certificate of incorporation consequent upon change in name of our Company dated 30 August 1961 and 9 July 1986.
3. Annual Report of our Company for the Fiscal 2012, Fiscal 2011, Fiscal 2010, Fiscal 2009 and Fiscal 2008.
4. Copy of our Board Resolutions dated 22 August 2012 and 7 November 2012 authorizing the Issue and related matters.
5. Consents of the Directors, the Compliance Officer, Auditors, Lead Manager, legal counsel to the Issue and the Registrar to the Issue, to include their names in this Letter of Offer and to act in their respective capacities.
6. The report of Price Waterhouse, Chartered Accountants dated 27 April 2013 in relation to the financial statements of our Company for Fiscal 2013, as set out in this Letter of Offer.
7. Statement of tax benefits dated 7 November 2012, issued by Pronob Kumar Dey & Co, Chartered Accountants, as set out in this Letter of Offer.
8. Consent of Price Waterhouse, Chartered Accountants dated 22 May 2013 for inclusion of their report on the financial statements of our Company for Fiscal 2013, in the form and context in which it appears in this Letter of Offer.
9. Consent of Pronob Kumar Dey & Co, Chartered Accountants dated 7 November 2012, for inclusion of the statement of tax benefits in the form and context in which they appear in this Letter of Offer.
10. Certificates dated 7 November 2012 and 9 January 2013 from N Sureka & Co., Chartered Accountants, confirming the Company has substantially utilised the loan amounts for the purposes for which the loans were availed.

11. Due Diligence Certificate dated 9 November 2012 from the Lead Managers.
12. In-principle listing approvals dated 27 November 2012, 10 December 2012 and 11 December 2012 from BSE, NSE and CSE respectively.
13. Letter (bearing FED.CO.FID/18627/11.01.02/2012 – 13) dated 12 March 2013 from the RBI to the Company in relation to participation of OCBs in the Issue.
14. Letter no. ERO/SCS/OW/6994/2013 dated 21 March 2013 from SEBI conveying its final observations on the Draft Letter of Offer.

Any of the contracts or documents mentioned in this Letter of Offer may be amended or modified at any time, if so required in the interest of our Company or if required by the other parties, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 1956, and the rules made thereunder. All the legal requirements connected with the Issue as also the guidelines, instructions, etc., issued by SEBI, Government and any other competent authority in this behalf, have been duly complied with. We further certify that all the statements in this Letter of Offer are true and correct.

SIGNED BY THE CHAIRMAN & THE VICE CHAIRPERSON

Mr. Basant Kumar Birla
Chairman

Ms. Manjushree Khaitan
Executive Vice-Chairperson

SIGNED BY THE DIRECTORS OF THE COMPANY

Mr. Kamal Chand Jain
Whole time Director

Mr. Krishna Gopal Maheshwari
Director

Mr. Pesi Kushru Choksey
Director

Mr. Amitabha Ghosh
Director

Mr. Prasanta Kumar Mallik
Director

Mr. Vinay Sah
Director

Mr. Kashi Prasad Khandelwal
Director

SIGNED BY THE CHIEF FINANCIAL OFFICER

Mr. Tridib Kumar Das

Place: Kolkata, West Bengal

Date: 22 May 2013