

**KNR CONSTRUCTIONS LIMITED**

Our Company was incorporated as KNR Constructions Limited vide certificate of incorporation on July 11, 1995 bearing number 01-21016 under the Companies Act, 1956 and has been allotted CIN U74210AP1995PLC021016. Our registered office was shifted from Plot No. D-26, Madhuranagar, Hyderabad to Plot No. 609, Aditya Enclave, Nilgiri Block, Ameerpet, Hyderabad w.e.f. May 21, 1998 and thereafter to our present registered office at 6-3-635, 3 rd Floor, Akash Ganga, Khairatabad, Hyderabad w.e.f. August 25, 2000.

Registered Office: KNR Constructions Limited, 6-3-635, 3rd Floor, Akash Ganga, Khairatabad, Hyderabad 500 004, Andhra Pradesh.

Tel: +91 40 66669379 Fax: +91 40 66669349

Corporate Office: KNR Constructions Limited, 12th Square Building, 3rd Floor, Road No. 12, Banjara Hills, Hyderabad-500034

Tel: +91-40-23323435 / 36 / 37 Fax: +91-40-23323439

Contact Person: Mr. M.V. Venkata Rao, Company Secretary and Compliance Officer

Tel: +91-40-23323435 / 36 / 37 Fax: +91-40-23323439.

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PUBLIC ISSUE OF 7,874,570 EQUITY SHARES OF RS.10/- EACH FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE AGGREGATING RS. [•] MILLION (THE "ISSUE"), INCLUDING A RESERVATION FOR ELIGIBLE EMPLOYEES OF 140,000 EQUITY SHARES (THE "EMPLOYEE RESERVATION PORTION") AND A NET ISSUE TO THE PUBLIC OF 7,734,570 EQUITY SHARES (THE "NET ISSUE") BY KNR CONSTRUCTIONS LIMITED ("COMPANY"/"ISSUER"). THE ISSUE WOULD CONSTITUTE 28.00% OF THE FULLY DILUTED POST ISSUE PAID UP CAPITAL OF OUR COMPANY. THE NET ISSUE WOULD CONSTITUTE 27.50% OF THE FULLY DILUTED POST ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY.

PRICE BAND: RS. 170/- TO RS. 180/- PER EQUITY SHARE OF FACE VALUE RS. 10/-

THE ISSUE PRICE IS 17 TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 18 TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND.

In case of revision in the Price Band, the Bidding Period shall be extended for 3 additional working days after such revision, subject to the Bidding Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), by issuing a press release and by indicating the change on the website of the Book Running Lead Manager ("BRLM"), the Co-Book Running Lead Manager ("CBRLM") and the terminals of the other members of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIB Bidders), of which 5% shall be available for Allocation on a proportionate basis to Mutual Funds only. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price. Further, 140,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

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

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). We have received in-principle approval from BSE and NSE for the listing of our Equity Shares pursuant to letters dated October 22, 2007 and November 21, 2007 respectively. BSE shall be the Designated Stock Exchange.

IPO GRADING

This Issue has been graded by CRISIL Limited and has been assigned the CRISIL IPO Grade '3/5' (pronounced 'three on five'), indicating that the fundamentals of the Issue are average, in relation to other listed equity securities in India, through its letter dated December 6, 2007. For more information on IPO Grading, please refer to Section "General Information" beginning on page 31.

BOOK RUNNING LEAD MANAGER**REGISTRAR TO THE ISSUE****AXIS BANK LIMITED**

111, Maker Towers 'F' Cuffe Parade, Colaba,
Mumbai- 400 005, India
Tel: +91-22-67071425; Fax: +91-22-2216 2467

Website: www.axisbank.com;

E-mail: axbmbd@axisbank.com

Contact person: Mr. Sandeep Walawalkar
SEBI Regn No. INM000006104

**INTIME SPECTRUM REGISTRY LIMITED**

C-13, Pannalal Silk Mills Compound,
LBS Road, Bhandup (West), Mumbai 400 078, India.
Tel: +91 22 25960320; Fax: +91 22 25960329

Website: www.intimespectrum.com;

Email: knr.ipo@intimespectrum.com

Contact Person: Mr. Vishwas Attawar
SEBI Regn No. INR000003761

ISSUE PROGRAMME

BID/ISSUE OPENS ON

THURSDAY, JANUARY 24, 2008

BID/ISSUE CLOSSES ON

TUESDAY, JANUARY 29 2008

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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
“KNRCL” or “the Company” or “our Company” or “KNR Constructions Limited”	Unless the context otherwise requires, refers to KNR Constructions Limited, a public limited company incorporated under the Companies Act, 1956 having its registered office at 6-3-635, 3rd Floor, Akash Ganga, Khairatabad, Hyderabad 500 004.
“we” or “us” and “our”	Refers to KNR Constructions Limited
Group Companies / Ventures of Promoters.	KNR Infrastructure Projects Private Limited, Trapezoid Software Solutions Private Limited, Vishnu Publicity Solutions Limited, M/s Yuva Sakthi Enterprises
Special Purpose Vehicle(s) / SPV(s)	Patel KNR Heavy Infrastructure Private Limited, Patel KNR Infrastructures Private Limited
Promoters	Mr. K Narasimha Reddy, Mr. K Jalandhar Reddy, Mr. J.V Panindra Reddy and Mr. M Rajesh Reddy

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the issue of Equity Shares, pursuant to this Issue.
Article/Articles of Association	Articles of Association of our Company.
Auditors	The statutory auditors of our Company, being M/s Sukumar Babu & Co
Axis Bank/ BRLM/ Book Running Lead Manager	Axis Bank Limited having their central office at 111, Maker Towers ‘F’ Cuffe Parade, Colaba, Mumbai- 400 005.
Bankers to the Company	Banks who have provided working capital facilities to the Company, in this case being State Bank of Patiala, Oriental Bank of Commerce, State Bank of Indore, ING Vysya Bank Limited, State Bank of Mysore
Banker(s) to the Issue	Axis Bank Limited, ICICI Bank Limited, ABN Amro Bank N.V. & Standard Chartered Bank
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper and Hindi national newspaper and a newspaper in the regional language with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form.
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper and a newspaper in the regional language with wide circulation.
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made.
BSE	The Bombay Stock Exchange Limited

Term	Description
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
CBRLM/B&K Sec/Co-Book Running Lead Manager/Syndicate Member	Batlivala & Karani Securities India Limited having their registered office at Room no. 3/4, 7 Lyons Range, Kolkata-700001
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Companies Act	The Companies Act, 1956 as amended from time to time.
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLM and the CBRLM. A Bid submitted at the Cut-off Price by a Retail Individual Bidder and Eligible Employees under the Employee Reservation Portion is a valid Bid at all price levels within the Price Band.
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Issue Account after the Prospectus is filed with the RoC, following which the Allotment will be made to successful Bidders.
Designated Stock Exchange	Bombay Stock Exchange Limited
Director(s)	Director(s) of KNR Constructions Limited, unless otherwise specified.
Draft Red Herring Prospectus	Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. Upon filing with the RoC atleast three days before the Bid/Issue Opening date it will become the Red Herring Prospectus. It will become a Prospectus upon filing with RoC after the determination of the Issue Price.
Eligible Employee/ Employees (in the Employee Reservation Portion)	The term “Eligible Employee”, as used in the context of the Employee Reservation Portion, means a permanent employee of our Company who is an Indian national as on January 14, 2008, based in India and physically present in India on the date of submission of the Bid-cum-Application Form. A director of the Company, whether a whole time director except any Promoter or members of the Promoter Group, part time director or otherwise as of January 14, 2008 and based and present in India as on the date of the submission of the Bid cum Application Form. Also, such person should be a permanent employee of our Company on the Bid/Issue Opening Date. “Eligible Employee”, if any, who is a person resident outside India within the meaning of FEMA, is not eligible to invest in the Issue.
Eligible NRI	NRI from such jurisdictions outside India where it is not unlawful to make an offer or invitation under the Issue.
Employee Reservation Portion	The portion of this Issue being a maximum of 140,000 Equity Shares available for Allocation to Eligible Employees.
Equity Shares	Equity shares of our Company of Rs. 10/- each unless otherwise specified in the context thereof.
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into amongst our Company, the Registrar, the Escrow Collection Bank(s), the BRLM, the CBRLM and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account will be opened in this case being Axis Bank Limited, ICICI Bank Limited, ABN Amro Bank N.V. & Standard Chartered Bank.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India.

Term	Description
FVCI	Foreign Venture Capital Investors (as defined under the Securities And Exchange Board of India) (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year /fiscal / FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Grading Agency	CRISIL Limited / CRISIL
GoI/Government	The Government of India.
Half Year / HY	Period of six months ended September 30, of that particular year, unless otherwise stated.
Indian GAAP	Generally accepted accounting principles in India.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
Issue	Public issue of 7,874,570 Equity Shares at the Issue Price pursuant to the Red Herring Prospectus.
Issue Price	The final price at which Equity Shares will be allotted in terms of the Red Herring Prospectus, as determined by us in consultation with the BRLM and the CBRLM, on the Pricing Date.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% or 100% of the Bid Amount, as applicable.
Memorandum / Memorandum of Association	The Memorandum of Association of our Company.
Mutual Fund Portion	5% of the QIB Portion of the Issue, being not less than 193,365 Equity Shares of Rs. 10/- each available for allocation on proportionate basis to the Mutual Funds only.
Mutual Funds	Mutual Funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
NSE	The National Stock Exchange of India Limited.
Net Issue	The Issue other than the Employee Reservation Portion, in this case, being 7,734,570 Equity Shares.
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000/-.
Non-Institutional Portion	The portion of the Issue being not less than 1,160,185 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders on a proportionate basis.
Non Resident/NRs	All eligible bidders that are persons resident outside India, as defined under FEMA, including NRIs, FII's and FVCI's.
NRI / Non-Resident Indian	Non-Resident Indian, is a person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time. Pursuant to the existing regulations, OCBs are not eligible to participate in this Issue.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability

Term	Description
	company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
Price Band	The price band with a minimum price (Floor Price) of Rs. 170/- and the maximum price (Cap Price) of Rs 180/- including revisions thereof.
Pricing Date	The date on which our Company in consultation with the BRLM and CBRLM finalises the Issue Price.
Prospectus	The Prospectus, filed with the RoC containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
QIB Portion	The portion of the Issue being 3,867,280 Equity Shares of Rs. 10 each at the Issue Price, available for proportionate allocation to QIBs.
Registered Office	The registered office of our Company located at 6-3-635, 3 rd Floor, Akash Ganga, Khairatabad, Hyderabad 500 004.
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have bid for Equity Shares for an amount less than or equal to Rs. 1,00,000/-, in any of the bidding options in the Issue. However, Bids by Retail Individual Bidders who are persons resident outside India, otherwise eligible to invest in the Issue, would be allowed only if and to the extent permitted by the FIPB.
Retail Portion	The portion of the Issue being not less than 2,707,105 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	Means the document issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC at least 3 days before the Bid/Issue Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation.
RoC	Registrar of Companies, Andhra Pradesh, situated at 2 nd Floor, CPWD Bldg. Kendriya Sadan, Sultan Bazar, Koti, Hyderabad – 500195, India
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time.
Stock Exchanges	BSE, and NSE.
Syndicate	The BRLM, CBRLM & Syndicate Member.
Syndicate Agreement	The agreement to be entered into among our Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	Batlivala & Karani Securities India Private Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Underwriters	The BRLM, CBRLM and the Syndicate Member
Underwriting Agreement	The Agreement among the members of the Syndicate to be entered into on or after the Pricing Date.

ABBREVIATIONS

Abbreviation	Full Form
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIN	Company Identification Number
DIN	Director Identification Number
EBIDTA	Earnings before Interest, Depreciation, Taxation and Amortisation
EGM	Extraordinary General Meeting
EPS	Earnings per share
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FIPB	Foreign Investment Promotion Board
GIR Number	General Index Registry Number
LC	Letters of credit
NAV	Net Asset Value
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited.
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit after tax
PBDIT/ PBIDT	Profit before depreciation, amortisation and interest
PBT	Profit before tax
Plan/ Five Year Plan	Development Plans prepared by the Planning Commission covering a period of five years
PSU	Public Sector Undertaking
RBI	The Reserve Bank of India
RONW	Return on Net Worth
SO	Standing Orders
Supreme Court	The Hon'ble Supreme Court of India
TIN	Tax payers Identification Number
USD or US\$	United States Dollar

INDUSTRY RELATED TERMS

Abbreviation	Full Form
ADB	Asian Development Bank
BOOT	Build, Own, Operate and Transfer
BOQ	Bill of Quantities
BOT	Build, Operate and Transfer
CLRA	Contract Labour (Regulation and Abolition) Act, 1970
CPHEEO	Central Public Health and Environmental Engineering Organization
DPR	Detailed Project Report
EPA	The Environment Protection Act, 1986
EPC	Engineering, Procurement and Construction
EPFA	The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
ESIA	The Employee State Insurance Act, 1948
IRC	Indian Road Congress
KW	Kilo Watt
JNNURM	Jawaharlal Nehru Urban Renewal Programme
JV	Joint Venture
Land Acquisition Act	Land Acquisition Act, 1894, as amended from time to time.
LOA	Letter of Acceptance

Abbreviation	Full Form
MORTH	Ministry of Road Transport and Highway
NABARD	National Bank for Agricultural and Rural Development
NHAI	National Highway Authority of India
NHDP	National Highway Development Programme
PMGSY	Pradhan Mantri Gram Sadak Yojna
PPP	Public Private Partnership
PWD	Public Works Department
RFP	Request for Proposal
SPV	Special Purpose Vehicle
Sq. ft.	Square Feet
WSS	Water Supply and Sanitation

Notwithstanding the foregoing, in the section titled “Main Provisions of the Articles of Association of our Company”, “Statement of Tax Benefits”, “Financial Information” and “Disclaimer Clause of BSE & NSE” beginning on page 276, 58, 140 and 232 respectively of the Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of our Company, and otherwise in these respective sections.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Financial Data

Unless stated otherwise, the financial and operating data in the Red Herring Prospectus is derived from our restated consolidated financial statements prepared in accordance with Indian GAAP and included elsewhere in the Red Herring Prospectus. The financial and operational data in the Red Herring Prospectus is presented on both unconsolidated basis and consolidated basis which includes the operations of our Company and our joint ventures. Our fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In the Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in the Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in the Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

Throughout the Red Herring Prospectus, all figures have been expressed in million, unless otherwise stated. Unless the context otherwise requires, all references to one gender also refers to the other gender and the word 'lac' or 'lakh' means "100 thousand", the word "million (mn)" means "10 lacs", the word "crore" means "10 million" and the word "billion (bn)" means "100 crores". In the Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. Additionally, in the section titled "Industry Overview", some figures have been expressed in billions

Currency of Presentation

All references to "India" contained in the Red Herring Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US\$"; "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America.

For additional definitions, please see the section titled "Definitions and Abbreviations" on page ii of the Red Herring Prospectus.

Market Data

Unless stated otherwise, industry data used throughout the Red Herring Prospectus has been obtained from industry publications and publicly available Government documents. 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. Similarly while information contained in the publicly available Government documents that is relied upon for the purposes of the Red Herring Prospectus is believed to be complete and reliable, but there can be no assurance of the same.

FORWARD-LOOKING STATEMENTS

We have included statements in the Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely 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”.

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

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” and “Management Discussion And Analysis of Financial Conditions And Results of Operations” beginning on pages x and 178 of the Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, BRLM and the CBRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges, for the Equity Shares allotted pursuant to this Issue.

SECTION II - RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all information in the Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Company's Equity Shares. To obtain a complete understanding of our Company, you should read this section in conjunction with the sections entitled "Our Business" and "Management's Discussion And Analysis of Financial Condition And Results of Operations" on pages 74 and 178 of the Red Herring Prospectus as well as other financial information contained in the Red Herring Prospectus. If any of the following risks or any of the other risks and uncertainties discussed in the Red Herring Prospectus actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

These risks are not the only ones that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.

Internal Risks

➤ *Risks Related to our Company*

1. *Our operations are substantially dependent on government agencies/state government public works departments. Risks associated with such dependence include risk of delayed payments and risk of uncertainty as to procurement of business since contracts are on a tender basis.*

Our operations primarily comprise of contracts under the NHDP awarded by NHAI, which is a government agency. We also execute contracts awarded by public works departments of various State Governments. As on November 30, 2007, 78.67% of our order book comprises of contracts received from NHAI and the public works departments of the State Governments of Andhra Pradesh, Madhya Pradesh, Karnataka, Tamil Nadu and Uttar Pradesh. There may be delays associated with collection of receivables from the Government, Government owned or controlled entities.

Contracts awarded by the aforesaid authorities are tender based. We compete with various infrastructure companies while submitting the tender to Government, Government owned or controlled agencies. In case we do not qualify or are not amongst the lowest bidders, we stand to lose the business. We cannot assure that any of the bids we submit would be accepted/awarded to us; therefore our ability to procure the business by bidding at the lowest rates is crucial for our revenues.

Our operations involve substantial working capital requirements and delayed collection of receivables could adversely affect our liquidity and results of operations. In addition, we may be subject to additional regulatory requirements/scrutiny associated with commercial transactions with the Government or Government owned or controlled entities.

2. *Projects included in our balance order book may be delayed which could have a material adverse effect on our cash flow position, revenues and earnings.*

As of November 30, 2007, our balance order book was approximately Rs. 17,338.25 million. Our order book does not necessarily indicate future earnings. Balance order book merely indicates the values of signed contracts or contracts where letters of acceptance have been received and represents only business that is considered firm, although cancellations or modifications may occur.

We may also face problems in executing the project as contracted, or executing it on a timely basis. Moreover, factors beyond our control or the control of our clients may delay a project or cause change of scope, including delays or failures to obtain necessary permits, authorizations, permissions, right-of-way, and other types of difficulties or obstructions. Due to the possibility of delays or changes in project scope and schedule, as a result of exercise of our clients' discretion, problems we encounter in project execution, or reasons outside our control or the control of our clients, we cannot predict with certainty when, if or to what extent an order book project will be performed. Delays in the completion of a project can lead to clients delaying to us some or all of the amounts we expect to be paid in respect of the project. Any delay, reduction in scope, execution difficulty or payment delay in regard to balance

order book projects, or disputes with clients in respect of any of the foregoing, could have a material adverse effect on our cash flow position, revenues and earnings.

3. *We do not have any definitive agreements to utilize the net proceeds of the Issue. Further the Objects of the Issue have not been appraised by any bank or financial institution.*

We have not entered into any definitive agreements for utilisation of the net proceeds of the Issue for investment in capital equipment or for investments in any special purpose vehicles on terms anticipated by us. Although we intend to make equity investments in our special purpose vehicles from the proceeds of this Issue, we do not have binding contractual arrangement with our special purpose vehicle or the joint venture partner to invest the proceeds of this Issue in the special purpose vehicles. Further our capital expenditure plans are based on management estimates and have not been appraised by any bank or financial institution or any other independent organization. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns and changes in the perception of management for current plans, amongst others. There can be no assurance that we will be able to conclude definitive agreements for such investments in capital equipment or for investments in any special purpose vehicles.

For details please see the section titled "Objects of the Issue" beginning on page 49 of the Red Herring Prospectus.

4. *We depend very heavily on road transportation engineering projects.*

Presently we are engaged in the business of providing engineering, procurement and construction services in the transportation sector, namely road & highways, irrigation and urban water infrastructure management segment. As on March 31, 2007 and September 30, 2007 revenues from road transportation-engineering segment has contributed to approximately 95% of our respective income from operations on consolidated basis. Further the balance order book of our Company as on November 30, 2007 also reflects substantial dependence of our Company on road transportation-engineering segment, which is approximately 89% of our total balance order book position. Our revenues may be adversely affected, if we are unable to execute major portion of our road transportation engineering projects or we are not able to bid for and procure additional business in other segments of our business.

5. *We may not qualify for bidding for larger projects independently.*

Our operations primarily include construction of roads under the NHDP awarded by NHAI. We can bid for projects only if we meet the pre-qualification bidding criteria set for each project. Although, we have grown over the past few years, we are comparatively small in size vis-à-vis other construction companies with whom we compete. This necessitates a need for entering into joint venture with bigger construction companies; on account of which, our profit margins may be impacted. We cannot assure that we will be able to secure projects independently in the future or of being able to secure the projects on our terms which may adversely impact our results of operations and financial condition.

6. *Majority of our projects currently under execution and those bid for are with our joint venture partner Patel Engineering Limited ("PEL").*

We derive a major portion of our revenues from contracts, which we have/are jointly executed/executing with PEL. For FY 2006, FY 2007 and half year ended September 30, 2007 we have reported a total consolidated revenue of Rs. 1,499.95 million, Rs. 3,244.16 million and Rs. 2,315.81 million respectively. Further of the said reported consolidated revenue the income through contracts jointly executed with Patel Engineering Limited ("PEL") amounts to Rs. 294.70 million for FY 2006, Rs. 1,336.94 million for FY 2007 and Rs. 1,219.94 million for the half year ended September 30, 2007 which is represents 19.65%, 41.21% and 53.16 % of the respective total consolidated revenues.

We do not have a fixed arrangement/agreement with PEL with regard to tendering for projects and they may bid for the same project independently. In the event that we are unable to negotiate with PEL for future contracts on mutually agreeable terms, we may have to bid independently or jointly with other construction companies. However, there cannot be any assurance on our securing contracts whether bid jointly or independently or secure terms which are suitable to us. In such events, there could be an adverse effect on our results of operations and financial condition.

7. Any material price escalation in the costs of and/or scarcity in availability of key equipments, basic materials may adversely affect our operations.

Materials costs such as steel, bitumen etc. and fuel costs such as cost of furnace oil constitute a major portion of our operating expenses. In addition, under the terms of our contracts, we are required to procure various process and mechanical equipments, machinery, dumpers and tippers and electrical and instrumentation components. Unanticipated increase in equipment, materials and fuel costs not factored into while bidding may adversely affect our results of operations.

8. The Objects of our Issue will be financed from the proceeds of this Issue. Any delay in launching the Issue may impact the implementation of the Objects of our Issue or increase the cost of implementation of the objects of the Issue.

The total requirement of funds for the Objects of our Issue is Rs. [•] million. We propose to use the net proceeds of this Issue for investment in capital equipments, BOT Projects by way of our equity contribution in the special purpose vehicles incorporated for the purpose of domiciling the project, and for augmenting working capital requirements. In case there is any delay in launching the Issue, the implementation of the objects of this Issue would be delayed, which may increase the cost in relation thereto, and/or require us to make alternative arrangements for the implementation. We cannot assure that such alternative arrangements can be made, or made on terms and conditions acceptable to us.

9. We have not placed any orders for all the plants and machineries required in terms of our objects for the Issue.

We are yet to place orders for the plant and machineries aggregating to Rs. 214.87 million (amounting to 100% of the cost of the plant and machineries) to be financed from the proceeds of this Issue. Further this requirement is based on our management estimates and our past experience.

10. We have planned investments in capital equipments and in BOT projects, which may not yield the benefits intended.

Our Company has planned investments in capital equipments and in BOT projects to the tune of Rs. 998.33 million (translating to [•]* % of the total fund requirement) through the proposed issue as detailed in the section titled 'Objects of the Issue' beginning from page 49 of the Red Herring Prospectus. In past, we have not undertaken investments of such size and our inability to manage capital expenditure may adversely effect our operations. We cannot assure that we will be able to get the benefits of the overall growth witnessed in the construction sector and accordingly the benefits accruing to us from the planned investments may be less than what is anticipated.

*-Will be incorporated at the stage of filing of the Prospectus.

11. We face competition in our business from other engineering construction companies.

We mainly compete with domestic players in the road construction and irrigation segments. While service quality, technical capability, past performance record, experience, safety records and availability of skilled personnel are key factors influencing client decisions, price often is the deciding factor when it comes to awarding contracts. There are a number of competitors having better financials and other resources who have achieved greater market penetration than we have in the markets in which we compete. We may have to accept contracts with lower margins and values if we are unable to compete with other bigger players in the large and high margin contracts. This may affect our relative market share and profit.

12. Our inability to adhere to agreed timelines could adversely affect our reputation and/or expose us to financial liability.

Most contracts awarded to us contain conditions for completion of the contract within stipulated schedules with liquidated damages payable in the event the schedules not being adhered to. However in the course of our business the awarding authority, subject to prior intimation to us, may revise the scope and schedule of the project. Failure on our part to adhere to contractually agreed or revised schedules could result in payment of liquidated damages in addition to the damage which may be caused to our reputation within the construction industry, among clients or prospective clients. Though presently we have not been penalised for non-adherence of timelines by any of our clients/awarding authority(ies), we cannot assure that in future there will be no cases of any penalties being imposed on us for non-adherence of timelines.

13. Our business operations are sensitive to weather conditions, which may affect our revenues.

Implementation of our projects may get affected due to adverse weather conditions, such as heavy rains and floods. Though we make adequate provisions for non-execution during certain seasons like monsoon, any unforeseen vagaries of nature and season may result in failure of our meeting the contractual obligations and affect our business. We record revenues on the percentage of completion method determined on the basis of applicable accounting standards issued by ICAI. Since revenues are not recognized until we make reasonable progress on a contract, revenues booked in the first half of our financial year are traditionally lower as compared to revenues recorded during the second half of our financial year.

14. Changes in the scope of work may result in disputes, which could have a material and adverse impact on the profits from that project.

In certain cases, we may be required to perform additional work on a project that is beyond the stated scope of the contract. We may not receive any remuneration for the same, or payments in respect of the same may be delayed or may not be commensurate to the quantum of work performed, which may have a material adverse effect on our profits. Further, in certain contracts we may be required to execute modified work order as directed by the client which may not be agreed upon at the time of execution of the contract. This process may result in disputes and may result in delayed or inadequate payments. This could have an adverse effect on our profits.

15. Loss of key managerial personnel could have a material adverse effect our business.

Our business substantially depends on the continued service of our key managerial personnel including our whole-time directors. The loss of the services of our key managerial personnel could have a material and adverse effect on our operations. Our future success will also depend on our ability to attract and retain experienced and skilled personnel, such as engineering, project management and senior management professionals. We could experience difficulty from time to time in hiring and retaining the personnel necessary to support our business. If we do not succeed in retaining our current employees and attracting new qualified employees it may adversely affect our reputation and our future business.

16. We had not obtained any independent valuation for acquiring the assets and liabilities of partnership business of M/s K Narasimha Reddy & Co. The consideration paid may not necessarily reflect the fair market valuation of the assets and liabilities acquired by us.

Our Company had acquired the assets and liabilities of partnership business of M/s K Narasimha Reddy & Co. (“the firm”) at their book values as on March 31, 1997 for a total consideration of Rs. 31.86 million w.e.f. April 1, 1997. The valuation for acquiring the said assets and liabilities was done by our Company for which we have not obtained any valuation report from an independent valuer, and we did not enter into any written agreement with the firm or its partners. For more details, please refer to the section titled ‘Our History and Other Corporate Matters’ on page no. 99 of the Red Herring Prospectus.

17. We have to renew, maintain and obtain statutory and regulatory permits and licenses as may be required to operate our business and any delay or inability to obtain the same may have an adverse impact on our business.

Being in the infrastructure and construction business, we require several statutory and regulatory permits, licenses and approvals to operate our business. Many of these approvals are granted for fixed periods of time after the expiry of which these need to be renewed from time to time. We cannot assure that we would apply for and obtain the relevant licenses/approvals required for our projects or otherwise within the statutory time limits, and there can be no assurance that the relevant authorities will issue any such permits, licenses or approvals in time or at all. Failure by us to renew, maintain or obtain the required permits, licenses or approvals, or cancellation, suspension or revocation of any of our permits, licenses or approvals may result in the interruption of our operations and may have a material adverse effect on our business.

18. We have applied for certain licenses/approvals which are yet to be received, and inability to obtain these approvals, could adversely affect our business.

We have applied for certain licenses/approvals which are yet to be received. A list of same is as follows:

1. Trade Mark Application No. 1560562 of the Company for the word “KNRC” in class – 37, Dated May 23, 2007

2. Trade Mark Application No. 1560563 for the device “KNR CONSTRUCTIONS LIMITED” dated May 23, 2007
3. Application dated August 22, 2007 to the Project Director, KMRP, PIU, BMP Bangalore requesting for issue of Employer Certificate in respect of application for labour license for the Fourteen Roads Project, East Zone, Bangalore Project
4. Application dated August 22, 2007 to the Project Director, KMRP, PIU, BMP Bangalore requesting issue of Employer Certificate in respect of application for labour license for the Six Roads Project, West Zone, Bangalore Project.
5. Application bearing Ref : PK/MV/ Gen/ 2006/307 dated March 13, 2006 from Patel KNR (JV) to the Tamil Nadu Pollution Control Board for issue of pollution certificate for the hotmix plant in respect of the NS-39 Madurai project
6. Application made by the KNR – SLEC (JV) for registration of establishments employing contract labour made under rule 17(1) of the Andhra Pradesh Contract Labour (R & A) Rules, 1971 for the construction of Budpur balancing reservoir at Budpur.
7. Application made by the KNR – SLEC (JV) for obtaining a licence under rule 21(1) of the Contract Labour (R & A) Central and AP Rules, 1971 for employing 50 workers for the Budpur Balancing Reservoir, Budpur, Mahaboobnagar.
8. Application to the Assam State Electricity Board made by the project manager of the Patel – KNR (JV) under category H.T.–II for the purpose of supply of electricity Commercial 80 KW of electricity being supplied to field no. 118, 136, 128, 123, 107, 110, 113, 119,12; patta no. 236, 460, 281, 267, 34, 153, 162, 266 located in Kasorigaon, Nagaon.
9. Application dated March 12, 2007 to the Chief Engineer, World Bank Projects, UPWD, in respect of application for labour license for the following Projects:
 - (a) RMC-02-Muzzaffarnagar-Saharanpur
 - (b) UPG-06-Lucknow-Bangerumau Package UPG6-Upgradation of RoadWorks
 - (c) RMC-10- Bachhrawan-Fatehpur-Package
 - (e) RMC-21-Lucknow-Rai Bareilly -Rehabilitation Road Works
 - (f) RMC-24-Raniganj-Rai Bareilly-Rehabilitation of Road Works
 - (g) RMC-26-Bulandsahar Package-Rehabilitation Road Works
 - (h) RMC-35-Sahajanpur Jalalabad -Package- Rehabilitation Work

For further details, please refer section titled “Government and Regulatory Approvals” beginning on page 211 of the Red Herring Prospectus. Any delay in or inability to obtain such approvals could impact our business adversely.

19. There may be a conflict of interest between our Company and entities promoted by our Promoters.

Two of the ventures promoted by our promoters namely M/s. Yuva Sakthi Enterprises, KNR Infrastructure Projects Private Limited have objects similar to those of our Company, and therefore there may be a conflict of interest between us and these entities. For details, please refer paragraph titled “Common Pursuits” in the section titled “Our Promoters and their Background” on page 123 of the Red Herring Prospectus.

20. We may have to raise capital or debt to fund our growth, which may further dilute the rights/interests of the existing equity shareholders and/or increase our overall interest cost.

Construction industry as such and particularly BOT based projects are capital intensive in nature. Going forward to meet our capital requirements or pre-qualification criteria for bidding, we may have to access the capital markets and/or raise debt to fund our growth. This in turn, could further dilute the rights or interests of our existing equity shareholders and/or increase our overall interest cost.

21. *We rely on contract labour for the performance of many of our operations. We do not typically maintain contractual relationship with these contractors.*

We rely on contractors who engage on-site labourers for performance of many of our unskilled operations. The requirement of these contract labourers is presently met through local contractors. We do not typically maintain contractual relationship with these contractors; hence any change in relationship with these contractors may adversely affect our operations. Further, pursuant to hiring of labourers, there may be application made by the contract labourers to a court/tribunal, pleading for regularisation or absorption as permanent employees of our Company, which may lead to judicial proceedings and orders against us.

22. *We have made applications for registration of trademarks, which are yet to be registered.*

We have made trademark applications for registration of our corporate logo and trade name, which is pending registration. Failure to obtain registrations of this trademark, and pending registration of this trademark, we may have a lesser recourse to legal proceedings to protect our trademark, which could have an adverse effect on our business.

For further details, please refer to section titled “Our Business” beginning on page 74 of the Red Herring Prospectus.

23. *Our loan agreements contain several restrictive covenants.*

There are restrictive covenants in the agreement which we have entered into with our lenders. These restrictive covenants require us to seek prior permission of the lender for various activities, including, amongst others, alteration of our capital structure or our memorandum or articles of association, undertaking new projects, undertaking any merger/amalgamation/restructuring, change in the shareholding pattern of our Directors, principal shareholders and promoters. Though we have received approval from our lenders for this Issue, these restrictive covenants may adversely affect our ability in relation to future expansions, future capital raising initiatives, rights of our shareholders, including the payment of dividends etc. For further details please refer chapter titled ‘Capital Structure’ beginning on page 47 & 48 of the Red Herring Prospectus.

24. *Our insurance coverage may not adequately protect us against all material hazards.*

We have taken contractor's all risk insurance policy in respect of projects and workmen's compensation policies to protect against losses caused to workmen through accident. While, we believe that the insurance coverage that we maintain would be reasonably adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies taken by us will be honoured fully, in part or on time. To the extent that we suffer loss or damage that is not covered by insurance or which exceeds our insurance coverage, our results of operations or cash flows may be affected.

25. *We have in the past entered into related party transactions and may continue to do so in the future.*

We have in the past entered into transactions with certain promoter/relatives of our promoters/entities promoted by our promoters. Furthermore, it is likely that we may enter into related party transactions in the future. While we believe that all such transactions have been/would be conducted on an arm's length basis, there can be no assurance that we might not have achieved/may not achieve more favourable terms had such transactions not been entered into with related parties. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. For further details please refer to chapter titled ‘Related Party Transactions’ beginning on page 133 of the Red Herring Prospectus.

26. *Book value per equity share in respect of some of our group companies/special purpose vehicles is below their face value*

Some of our group companies/special purpose vehicles are yet to commence commercial operations and in respect of those companies no profit and loss accounts have been prepared. Since these companies have been incurring certain pre-operative expenses which are shown as miscellaneous expenditure (yet to be written off) in the audited balance sheets of these companies. As a result of which the book value per equity share of some these companies is declining year-on-year and is much below its face value.

Details of these group companies is as under:

Promoter Group Entities	Book Value per equity share (Rs.)	
	FY 2007	FY 2006
KNR Infrastructure Projects Private Limited	3.22	3.72
Vishnu Publicity Solutions Limited	3.83	4.87
PATEL-KNR Heavy Infrastructures Private Limited	6.39	NA
PATEL KNR Infrastructures Private Limited	8.95	NA

For further details please see section titled “Our Group Companies and Special Purpose Vehicles” on page 127 of the Red Herring Prospectus.

27. Our workforce is exposed to various operational risk and hazards.

Our operations subject our workforce to hazards inherent in providing construction services, such as risk of equipment failure, impact from falling objects, collision, work accidents, fire, or explosion, including hazards that may cause injury and loss of life, severe damage to and destruction of property and equipment and environmental damage. Although we have taken insurance coverage to reduce the damage or losses from such circumstances, we cannot assure that we would be absolved from any future liability, if any which may arise as a result of these hazards.

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

The success of our business will depend mainly on our ability to effectively implement our business and growth strategy. While we have successfully executed our business strategy in the past, there can be no assurance that we will be able to execute our strategy in future also and within the estimated budget, or that we will meet the expectations of targeted customers. Our inability to manage our business and growth strategy may have a material adverse effect on our business, financials and operations.

29. Post this Issue, our Promoters and Promoters Group will continue to hold majority shares in our Company.

Post this Issue, our Promoters and Promoters Group will own 71.21% of our fully diluted Equity Share capital. As long as the Promoters continue to own significant Equity Shares and voting rights representing more than 50% of the voting strength in our Company, they will be able to direct the election of the members of our Board of Directors and determine the outcome of most matters requiring approval at shareholders meeting.

30. Our past history of dividend declaration / payment does not assure that our Company will pay dividends to its shareholders in the near future.

We have declared / paid dividends in the last three fiscal years. However, there can be no assurance that dividend will be paid in the future. The declaration and payment of dividends, if any in the future will be recommended by our Board of Directors, at their discretion and will depend on a number of factors, including legal requirements, its earnings, cash generated from operations, capital requirements and overall financial condition.

31. We have certain contingent liabilities, which have not been provided for.

As on September 30, 2007 on a stand alone and consolidated basis we have contingent liabilities aggregating Rs. 2,384.52 million and Rs. 2,447.30 million respectively These contingent liabilities which if determined against us in future may impact our financial position. Details of our contingent liabilities are as given below:

Contingent liabilities as on September 30, 2007

Particulars	Standalone	Consolidated
Corporate Guarantee	500.00	500.00
Bank Guarantees	1515.70	1515.70
Claims not acknowledged as debts		-
Demands against the Company not acknowledged as debts and not provided for in respect of which the company has filed appeal.		
- Income Tax	0.48	63.26*

Particulars	Standalone	Consolidated
- Sales Tax	22.08	22.08
Estimated amount of contracts Remaining to be executed on Capital account	346.26	346.26
Total	2,384.52	2,447.30

*- This contingent liability is subject to interest on tax liability and adjustment of brought forward losses of earlier years on account of disallowance of claims made by various joint ventures u/s 80IA with retrospective effect and disputes pending at various appellate authorities.

32. If we fail to comply with environmental laws and regulations or face environmental litigation, our profitability may be adversely affected.

Our Projects under execution are subject to environmental laws and regulations including the Environmental Protection Act 1986, the Air (Prevention and Control of Pollution) Act 1981, the Water (Prevention and Control of Pollution) Act 1974 and other regulations promulgated by the Ministry of Environment and the Pollution Control Boards (PCBs) of the relevant states. These may entail additional expenditure on pollution control equipments and ensuring compliance with environmental laws rules and regulations and orders of pollution control authorities. If we do not comply with these norms, it may adversely affect our ability to continue our operations and as a result it could have a material adverse effect on our business prospects and results of operations. In addition, some of our operations are subject to risks involving personal injury, loss of life, environmental damage and severe damage to property. There can be no assurance that we will not get involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future.

33. We are involved in various legal proceedings, which if decided against us, could impact our income and financial condition.

Our Company is involved in certain legal proceedings and claims in relation to certain civil, criminal, labour and taxation matters incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse decision may affect our business and results of operations. A classification of these legal and other proceedings instituted by and against our Company are given in the following table:

Cases filed by our Company:

Type of legal proceeding	Total number of pending cases / show cause notices / summons	Financial Implications (to the extent quantifiable) (Rs. in million)*
Income Tax	5	9.05
Sales Tax	4	7.80
Criminal	2	4.00
Company Law Dispute	1	Not quantifiable

The detail of criminal cases filed by our Company is as under:

Our Company has filed two criminal complaints being C.C No. 1805 and 1803 of 2006 in the Court of the III Additional Chief Metropolitan Magistrate at Hyderabad against S.R.K. Constructions & Projects Private Limited (the "Accused No. 1") and its managing director, Sri. S Ravi Kumar (the "Accused No. 2"). These complaints have been filed by our Company under section 138 of the Negotiable Instruments Act 1938 for dishonour of cheques issued by the Accused Rs. 1,500,000/- and Rs. 2,500,000/- respectively (aggregating to Rs. 4,000,000/-). The Accused No. 1 was acting as the sub-contractor for our Company. The Accused No. 1 had provided two post dated cheques dated January 29, 2006 and February 8, 2006 for amounts as mentioned above against on amounts due to our Company. Upon presentation to the bank by the Complainant, of the cheque dated January 29, 2006, the same was returned dishonoured for the reason "Insufficient Funds". The matter is pending.

For more information regarding litigation, please refer to the section titled "Outstanding Litigations and Material Developments" beginning on page 201 the Red Herring Prospectus.

Cases filed against our Company:

Type of legal proceeding	Total number of pending cases / show cause notices / summons	Remarks and amount involved(to the extent quantifiable) (Rs. in million)*
Income Tax	5	4.33
Labour cases	3	3.43
Civil	1	9.64
Commercial Tax Dispute	1	Not quantifiable
Motor Accident	1	0.5

Cases filed by our Joint Ventures:

Type of legal proceeding	Total number of pending cases / show cause notices / summons	Remarks and amount involved(to the extent quantifiable) (Rs. in million)*
Arbitration	2	4110.42
Criminal (FIRs)	7	0.086

Details of complaints and FIR's filed by our Joint Ventures

S. No.	Particulars	Amount Involved	Party who has lodged the FIR
1.	Theft of shuttering plates	Rs.25,000/-	M/s KNR-Patel (JV)
2.	Theft of shuttering plates	Rs.15,000/-	M/s KNR--Patel (JV)
3.	Theft of shuttering plates and Steel Rods	Rs.15,000/-	M/s KNR-Patel (JV)
4.	Theft of steel rods	Rs.6,000/-	M/s KNR-Patel (JV)
5.	Theft of shuttering plates and Steel Rods	Rs.7,000/-	M/s KNR-Patel (JV)
6.	Accident of Vehicle Number AP9W 0633	-	Patel KNR Engineering Limited
7.	Theft of M.S. Cribs	Rs.18,000/-	M/s KNR-Patel (JV)

Cases filed against our Joint Ventures:

Type of legal proceeding	Total number of pending cases / show cause notices / summons	Remarks and amount involved(to the extent quantifiable) (Rs. in million)*
Commercial Tax Dispute	1	Not quantifiable
Civil Disputes	1	0.5
Income Tax	7	112.39

* The amount involved is the amount expressly claimed, being the liability and financial impact which may be incurred if it/they are unsuccessful in legal proceedings. However, it does not include those penalties, interests and costs, if any, which may be imposed which may have been pleaded but not quantified in the course of legal proceedings, or which the Court/Tribunal otherwise has the discretion to impose. The imposition and amount of such penalties/interest/costs are at the discretion of the Court/Tribunal where the case is pending. Such liability, if any, would crystallize only on the order of the Court / Tribunal where the case is pending.

For further details on the above litigation, please refer to the section titled "Outstanding Litigations, Material Developments and Other Disclosures" on page 201 of the Red Herring Prospectus.

34. We had negative cash flow from operating activities for the financial year 2005-2006

We had negative cash flow from operating activities for the financial year 2005-2006 on consolidated basis amounting to Rs. 169.70 million arising from increase in working capital requirement. Any negative cash flow in the future could affect our operations and financial conditions.

35. Delay in payment of statutory dues

Our Company had in past delayed in depositing statutory dues namely Provident Fund Dues, TDS, Fringe Benefit Tax, Sales Tax, Wealth Tax, Service Tax and Municipal Taxes with the relevant authorities.

Further as per the audited annual accounts following is the undisputed amount outstanding for more than six months as at the end of each financial year:

(Rs. in million)

Particulars	FY 2006-07	FY 2005-06	FY 2004-05	FY 2003-04	FY 2002-03
Income Tax	NIL	0.13	0.23	0.28	0.94
Service Tax	0.14	NIL	NIL	NIL	NIL
Entry Tax	7.03	NIL	NIL	NIL	NIL

36. Risk pertaining to not obtaining mutation of the title deeds.

Our Company has acquired various freehold lands without any commitment to deploy them for immediate business requirements or operations. Further in respect of some these freehold lands, we are yet to obtain the mutation of the title deeds. Though we have moved application with the relevant land/revenue authorities for mutation of the said free hold lands in the name of our Company, we are yet to receive any communication from the said authorities. Though we have entered into a registered sale deeds with the respective vendors of the land, pending the mutation of title deeds the name of our Company will not be reflected in the record of rights maintained with the relevant sub-registrar.

For details of our freehold lands, please refer to section titled 'Our Business' beginning on page 74 of the Red Herring Prospectus.

37. We could not appoint Company Secretary for some period, as required under section 383A of the Companies Act.

For the period October 2006 to April 2007 we did not have a whole-time company secretary as required under section 383A of the Companies Act. Our Company has appointed a Company Secretary w.e.f. April 4, 2007 vide the resolution of board of directors passed at their meeting held on June 30, 2007. Non-appointment of Company Secretary for the aforesaid period may invite financial liability on the Company as prescribed under the referred Act.

38. Our business is subject to a significant number of legal and tax regulations and there may be changes in legislation governing the rules implementing them or the regulator enforcing them.

We currently have operations and staff spread across many states in India. Consequently, we are subject to the jurisdiction of various laws, tax authorities and regulations of these respective states. The final determination of our tax liabilities involve the interpretation of local tax laws and related authorities in each jurisdiction as well as the significant reliance on estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in the operating environment, including changes in tax law, could impact the determination of our tax liabilities for any given year. Taxes and other levies imposed by the central or state governments in India that affect our industry include customs duties, excise duties, VAT, income tax, service tax and other taxes, duties or surcharges introduced from time to time.

39. We are subject to risks arising from interest rate fluctuations, which could adversely affect our business, financial condition and results of operations.

Changes in interest rates could significantly affect our financial condition and results of operations. As of September 30, 2007, Rs. 371.73 million, of our borrowings was at floating rates of interest. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase. This may adversely impact our results of operations, planned capital expenditures and cash flows.

➤ **External Risk Factors**

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

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy. A slowdown in the Indian economy could adversely affect our business. India's economy could be adversely affected by a general rise in interest rates, weather conditions

adversely affecting commodity and energy prices or various other factors. In addition, the Indian economy is in a state of transition with the share of the services sector of the economy is rising while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy or future volatility in global commodity prices could adversely affect our business.

2. *Our performance is linked to the stability of policies and the political situation in India*

The role of the Central and State Governments in shaping Indian economy on has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalization, including relaxing restrictions on the private sector. Any political instability could delay the reform of the Indian economy and could have a material adverse effect on the market for our Equity Shares. We cannot assure you that these liberalization policies will continue to be pursued by the governments in future. Protests against privatisation could slowdown the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting companies in the infrastructure sector, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well thereby affecting our business.

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

Certain force majeure events, being beyond our control, including natural disasters, terrorist attacks and other acts of violence or war which may involve India or other countries may adversely affect worldwide financial markets, which could lead to economic instability. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. More generally, any of these events could lower business confidence in India or other countries which could adversely affect our financial performance or the market price of the Equity Shares.

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

India has experienced natural calamities such as earthquakes, tsunami, floods and drought in the past few years. The extent and severity of these disasters determines their impact on the Indian economy. Drought and erratic monsoons have affected the agricultural sector adversely in the past, leading to increasing inflationary trends.

5. *Any future issuance of Equity Shares by our Company or sales of the Equity Shares by any of its significant shareholders may adversely affect the trading price of the Equity Shares.*

Any future issuance of our Equity Shares could dilute your shareholding. Any such future issuance of our Equity Shares or sale of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

6. *Active trading market for our Equity Shares may not develop or prices of Equity Shares may be volatile post listing*

We through this Issue, propose to list our Equity Shares on BSE and NSE. Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our Company/competitors, general economic, political and social factors and any other internal or external factors as stated above. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

Notes to Risk Factors:

- I. This is a public issue of 7,874,570 Equity Shares of Rs. 10 each, for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million. The issue comprises of net issue to public of 7,734,570 Equity Shares of Rs 10 each for cash at a price of Rs [●] per Equity Share aggregating Rs. [●] million and a reservation of upto 140,000 Equity Shares of Rs 10 each for cash at a price of Rs [●] per Equity Share aggregating Rs. [●] million to the employees of the

Company. The Issue and the Net Issue will respectively constitute 28.00% and 27.50% of the fully diluted post-issue Equity Share capital of our Company.

- II. Pre-Issue net worth of our Company as on March 31, 2007 and September 30, 2007 on a consolidated basis is Rs. 573.96 million and Rs. 701.98 million.
- III. Book value of the Equity Shares of the Company on consolidated basis as on March 31, 2007 and September 30, 2007 is Rs. 28.35 and Rs. 34.67 per Equity Share.
- IV. The average cost of acquisition per Equity Share for the Promoters is as follows:

Name of the Promoter	Cost per Equity Share
Mr. K Narasimha Reddy	Rs. 2.81
Mr. K Jalandhar Reddy	Rs. 2.92
Mr. J V Panindra Reddy	Rs. 2.67
Mr. M Rajesh Reddy	Rs. 2.67

- V. This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue will be allocated on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
- VI. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in consultation with the Designated Stock Exchange i.e. Bombay Stock Exchange Limited (BSE). For details, refer to the Section “Issue Procedure” beginning on page 247 of the Red Herring Prospectus.
- VII. The BRLM, CBRLM and our Company shall make all information available to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
- VIII. Investors are advised to go through Basis of allotment in the section titled “Issue Procedure” on page 247 of the Red Herring Prospectus.
- IX. Other than as stated in the section titled ‘Our Promoter and their background’, ‘Our Management’ and ‘Related Party Transactions’ beginning on page nos. 123, 106 and 133 of the Red Herring Prospectus our Promoters/Directors/Key Managerial Personnels have no interest other than reimbursement of expenses incurred or normal remuneration or benefits.
- X. Investors are advised to refer to the paragraph on “Basis of Issue Price” on page 56 of the Red Herring Prospectus before making an investment in this Issue.
- XI. The investors may contact the BRLM, CBRLM or the Compliance officer for any complaint / clarification/information pertaining to the Issue. For contact details of the BRLM and CBRLM please refer section titled “General Information” beginning on page 31 of the Red Herring Prospectus.
- XII. As on March 31, 2007 and September 30, 2007 the cumulative value of Related Party Transactions and Loans and Advances made to our directors and/or any company in which our Directors are interested was Rs. 99.97 million and Rs. 23.59 million respectively. For further details please refer to the section titled “Related Party Transaction” beginning on page 133 of the Red Herring Prospectus.
- XIII. There are no contingent liabilities as on March 31, 2007 and for the half year ended September 30, 2007, except as disclosed in section titled ‘Financial Information’ beginning on page no. 140 of the Red Herring Prospectus.

The notes on significant accounting policies have been included in the report of our Auditor in chapter titled “Financial Information of our Company” beginning on page 140 of the Red Herring Prospectus.

SECTION III - INTRODUCTION

SUMMARY OF INDUSTRY AND OUR BUSINESS

This is only a summary and does not contain all the information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information contained in the chapters titled “Risk Factors” and “Financial Statements” and related notes beginning on pages x and 140 of the Red Herring Prospectus before deciding to invest on our Equity Shares.

Industry Overview

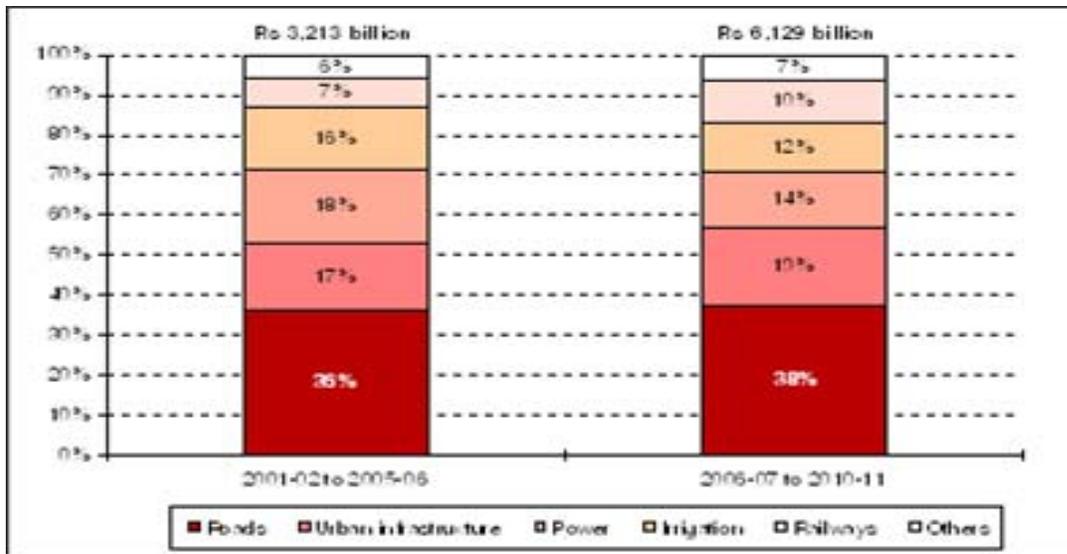
General Economy and Role of Infrastructure

(Source: Approach Paper to 11th plan)

India has witnessed an economic growth of 9.2 per cent in the period 2006–07. It is aiming for sustainable growth trajectory with a rate of approximately 10 per cent by the end of the next plan period (2007-2012). The higher growth rate expectations are based on the likely better performance from the manufacturing and service sectors and strong consumer demand. In order to achieve and sustain the anticipated growth levels, large investments in infrastructure segments are required.

As outlined in Approach Paper to 11th Plan, investment in infrastructure defined as road, rail, air and water transport, power generation, transmission and distribution telecommunication, water supply, irrigation and storage will need to increase from 4.6% to around 8% of GDP in the 11th Plan period. In other words, of the increase of 6 percentage points in average gross domestic investment rate from 29.1% to 35.1% of GDP needed to accelerate GDP growth rate from 7% to 9%, about half should be in infrastructure. This will place a heavy burden on the government finances, which will have to invest more in this area. Since government resources are scarce, an aggressive effort at promoting public private partnership in infrastructure development will be needed. A number of initiatives have been taken in the last two years of the 10th Plan by both the Central government and the state governments to promote infrastructure development through public private partnership.

Composition of Expected Infrastructure Investments:



(Source: Crisil Research, Annual Review – Construction, May 2007)

Over the next 5 years, roads are slated to be the key driver of construction investments among infrastructure sectors. Road development programmes such as the National Highway Development Programme (NHDP) and

Pradhan Mantri Gram Sadak Yojana (PMGSY) together with state-level projects will provide a fillip to the construction industry.

ROADS

(Source: Crisil Research, Roads & Highways – Annual Review, September 2006.)

For a country of India's size, an efficient road network is necessary both for national integration as well as for socio-economic development. As part of infrastructure growth it has become essential for the transport sector to flourish efficiently and effectively to ensure better connectivity between various industrial towns, Special Economic Zones, airports, ports etc and for that a wide and well-developed network of roads is required.

However, the focus on the road modernisation program in India has regained ever since the conceptualization of the Golden Quadrilateral (GQ) project. National Highways Development program (NHDP) has been promoted to develop and upgrade the long-neglected Indian national highways. Besides NHDP, the road sector in India will also witness a greater level of development activity through road programmes like Pradhan Mantri Gram Sadak Yojana (PMGSY) and Special Accelerated Road Development program (SARDP-NE) and also on account of the increased focus of state governments on development of road sector.

The ongoing NHDP involves a total of seven phases entailing development and upgradation of around 52,960 km of roads. In this regard, Cabinet approval has been received for Phase I, Phase II and Phase IIIA, involving development and upgradation of around 18,287 km, while the remaining phases i.e. Phase III B to Phase VII, have received an in-principle approval from the government. Out of the remaining phases, Phase IIIB and V are expected to be launched in the next few years.

OUR BUSINESS

Any reference to 'we', 'us' or 'our' in this section would, unless the context otherwise requires, also be deemed to include the business activities of our joint ventures.

Overview

We are an infrastructure project development company providing engineering, procurement and construction services across various fast growing sectors namely roads & highways, irrigation and urban water infrastructure management. Our project execution strength primarily is in road transportation engineering projects namely construction and maintenance of roads, highways, flyovers and bridges wherever integral to the projects undertaken. Our strong project management skills help us in timely and successful completion of projects.

We were incorporated in 1995 by professionals having experience in the field of infrastructure development. In 1997, we acquired at their book values the assets and liabilities of M/s K. Narasimha Reddy & Co. ("partnership firm"), which was engaged in the business of undertaking civil and mechanical contracts work since 1979, for details please refer to the section titled "Our History and Corporate Matters" on page 99 of the Red Herring Prospectus. We have over a period of time gained expertise in construction of roads on EPC basis and further diversified into other infrastructure segments like irrigation, water supply and urban water infrastructure management.

We have in the past executed infrastructure projects independently as well as through joint ventures. Currently, most of the road projects under execution are with our joint venture partner, Patel Engineering Limited with whom we have business association for the past 7 years. As on June 30, 2007, we have 25 projects on hand across various states in India covering Uttar Pradesh, Madhya Pradesh, Assam, Andhra Pradesh, Karnataka, and Tamil Nadu. Our Company has the ability to bid, execute and implement medium and large size projects across various infrastructure segments.

The estimated unexecuted order book position as at November 30, 2007 was Rs. 17,338.25 million, which is approximately 5.4 times the operational income of FY 2006-07 on consolidated basis.

Composition of our order book as of November 30, 2007 is as follows:

Sectors	Balance Order Book as at November 30, 2007	
	Rs. in million	%
Road transportation engineering projects	15,490.28	89.34
Irrigation and Water Supply	1,456.46	8.40
Urban Water Infrastructure Management	391.51	2.26
Total	17,338.25	100.00

Our Vision

We intend to become a world-class construction company having presence across all segments of infrastructure development. We are committed to create wealth out of nation's available resources by using latest technologies and precision engineering.

Our Strengths

We believe our Company has the following competitive strengths:

1. *Significant experience and strong track record in timely and successful execution of projects*
2. *We believe that we have earned significant reputation and goodwill in road construction sector, as demonstrated by the repeat orders received by us on continuous basis*
3. *Good clientele base*
4. *Qualified and experienced employees led by a proven management team*
5. *Expertise in sourcing and maintaining supply chain for raw material*
6. *Strong order book position: Our unexecuted order book position of Rs. 17,338.24 million as on November 30, 2007 is approx 5.4 times of our operational income for FY 2007.*

Our Business Strategy

We intend to achieve our growth objectives by adopting the following strategies:

1. *Maintain performance and competitiveness of existing business to capitalize on huge investments expected to be made in infrastructure development especially in segments where we presently operate*
2. *Focus on BOT based projects in the infrastructure sector*
3. *Focus on Irrigation and Water Supply projects*
4. *Focus on urban water infrastructure management projects*
5. *Focus on projects involving higher degree of engineering skills*
6. *Leverage our business growth by identifying and forming strategic joint venture relationships for mutual benefit through sharing of resources and business skills.*

Business Operations

We are an infrastructure project development company. Our execution strength lies in road transportation engineering projects and have further diversified into other related segments like irrigation, water supply and urban water infrastructure management.

Presently we are executing 25 contracts spread across various states in the country. Execution of all our projects is systematically planned in terms of material, manpower, machinery and finance. Our top management is actively involved and closely monitors all the projects on a regular basis thereby ensuring quick decisions and timely availability of all resources.

SUMMARY OF CONSOLIDATED FINANCIAL DATA

SUMMARY OF PROFIT AND LOSS ACCOUNT - AS RESTATED

The Profit and Loss statement of the company for five financial years ended March 31, 2003 to 2007 and also as at the half year ended 30th September, 2007 read with Significant Accounting Policies, (Annexure - VI A) after making certain regroupings for comparability and making adjustments as stated in Notes to Accounts, (Annexure - VI B) are set out below:

(Rs. In Millions)

Particulars	Half Year ended 30, September 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
INCOME						
Work Contract Receipts	2294.83	3,212.03	1,455.66	1,218.00	2,136.83	1,820.66
Other Operating Income	20.98	32.13	44.29	75.26	1.04	2.36
Other Income	6.82	82.22	104.43	14.33	11.22	10.85
Increase / (Decrease) in Work in Progress	92.26	(7.99)	106.30	(191.60)	51.89	42.66
TOTAL INCOME	2414.89	3,318.39	1,710.68	1,115.99	2,200.98	1,876.53
EXPENDITURE						
Material Consumed	389.48	532.35	168.02	239.60	948.39	645.60
Work Contract Expenses	1549.65	2,117.55	1,214.16	664.47	992.14	1,014.91
Staff Cost	48.98	60.37	31.95	32.75	63.34	25.75
Administration & Other Expenses	55.04	82.66	58.58	66.11	44.35	32.66
Preliminary Expenses Written Off	-	0.04	0.04	0.04	0.04	0.04
TOTAL EXPENDITURE	2043.15	2,792.97	1,472.75	1,002.97	2,048.26	1,718.96
Profit Before Interest, Depreciation and Taxation	371.74	525.42	237.93	113.02	152.72	157.57
Interest & Finance Charges	72.21	119.79	17.18	13.46	32.25	38.39
Depreciation	97.59	136.42	53.98	33.77	35.33	31.51
Net Profit before tax	201.94	269.21	166.77	65.79	85.14	87.67
Provision for Taxation						
- Current tax	64.23	69.43	38.83	18.98	13.12	13.66
- Fringe benefit tax	0.69	0.90	0.80	-	-	-
- Wealth Tax	0.11	0.09	-	-	-	-
- Deferred tax	1.36	(5.22)	42.82	1.77	0.90	21.75
Net Profit after tax	135.55	204.01	84.32	45.04	71.12	52.26
Add/(Less) :Prior Period Items	(7.40)	(5.23)	(10.71)	0.09	(1.76)	1.45
Net Profit After Tax before Extra ordinary items	128.15	198.78	73.61	45.13	69.36	53.71
Extra Ordinary Items						
Net Profit After Tax as per Audited Financial Statements	128.15	198.78	73.61	45.13	69.36	53.71
Impact of adjustments for restatement in corresponding years	7.40	6.62	7.11	(3.94)	(1.60)	(8.59)
Restated Profits	135.55	205.40	80.72	41.19	67.76	45.12
Balance in Profit and Loss account brought forward	372.67	190.96	268.32	234.83	167.07	121.95
Profit available for	508.22	396.36	349.04	276.02	234.83	167.07

Appropriation							
Proposed Dividend & Dividend Tax	-	23.69	23.09	7.70	-	-	-
Less: Appropriation towards Bonus Shares	-	-	134.99	-	-	-	-
Balance Carried to Balance Sheet	508.22	372.67	190.96	268.32	234.83	167.07	

DETAILS OF OTHER INCOME

(Rs.In Million)

Particulars	For the Year ended						Nature of Income	Operational / Non Operational
	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003		
Other Operating Income:								
Hire Charges / Job work Receipts	2.04	32.13	37.50	14.45	1.04	2.36	Recurring	
Excise Duty Refund	18.94	-	6.79	60.81	-	-	Recurring	
Total	20.98	32.13	44.29	75.26	1.04	2.36		
Other Income :								
Dividend Income	-	-	-	-	-	0.06	Non recurring	Non-Operational
Profit on Sale of Investments	-	-	0.02	0.07	0.13	-	Non recurring	Non-Operational
Profit on sale of Assets	-	75.33	81.56	3.75	0.23	-	Non recurring	Non-Operational
Excess Credit written back	0.38	1.81	12.18	0.57	2.76	0.04	Non recurring	Operational
Foreign currency exchange fluctuations	0.59	-	-	-	-	-	Recurring	Operational
Miscellaneous Income	5.85	5.08	10.67	9.94	8.10	10.75	Recurring	Operational
Total	6.82	82.22	104.43	14.33	11.22	10.85		

Note: The classification of income into recurring and non-recurring is based on the current operations and business activity of the company.

SUMMARY OF ASSETS & LIABILITIES - AS RESTATED

Assets & Liabilities of the Company as at the end of each five financial years and also at the half year ended 30th September, 2007 read with Significant Accounting Policies, (Annexure - IIIA) after making adjustments as stated in Notes to Accounts, (Annexure - IIIB) are set out below.

(Rs. in Millions)

Particulars	Half Year ended September 30 2007	March, 31 2007	March, 31 2006	March, 31 2005	March, 31 2004	March, 31 2003
A. Fixed Assets:						
Gross Block	1852.45	1,504.87	767.71	441.38	370.07	344.92
Less : Depreciation	318.50	221.35	86.25	143.69	143.92	119.67
Net Block	1533.95	1,283.52	681.46	297.69	226.15	225.25
Capital Work in Progress	302.89	15.04	18.79	-	-	-
Total Fixed Assets	1836.84	1,298.56	700.25	297.69	226.15	225.25
B. Investments	0.53	0.02	0.01	0.14	0.03	2.58
C. Current Assets, Loans & Advances						
Inventories	435.37	286.85	328.84	188.06	385.25	261.87
Sundry Debtors	403.51	476.69	286.71	153.02	93.84	104.95
Cash and Bank Balances	252.82	143.02	135.59	130.37	77.29	49.61
Other Current Assets	383.51	395.18	203.71	85.53	28.30	84.72
Loans and Advances	729.58	530.77	271.23	122.81	101.69	164.13
Total Current Assets	2204.79	1,832.51	1,226.08	679.79	686.37	665.28
D. Total Assets (A+B+C)	4042.16	3,131.09	1,926.34	977.62	912.55	893.11
E. Liabilities & Provisions						
Secured Loans	1877.06	1,326.39	843.13	224.82	108.08	230.53
Unsecured Loans	9.73	16.86	3.91	2.84	12.00	137.45
Current Liabilities and Provisions	1390.01	1,151.88	618.03	389.13	462.70	268.95
Deferred Tax Liability	63.38	62.00	67.86	25.08	22.65	21.75
Total Liabilities & Provisions	3340.18	2,557.13	1,532.93	641.87	605.43	658.68
F. Networth (D-E)	701.98	573.96	393.41	335.75	307.12	234.43
Represented by Shareholder's Fund :						
G. Share Capital	202.49	202.49	202.49	67.50	72.39*	67.50
H. Reserves and Surplus	508.22	372.67	190.96	268.32	234.83	167.07
Less: Miscellaneous Expenditure(to the extent not written off)	3.24	1.20	0.04	0.07	0.10	0.14
Issue Expenses	5.49	-	-	-	-	-
	499.49	371.47	190.92	268.25	234.73	166.93
I. Net Worth (G+H)	701.98	573.96	393.41	335.75	307.12	234.43

*- Inclusive of share application money of Rs. 4.89 mn

SUMMARY OF CASH FLOWS

(Rs. in million)

Particulars	Half year ended September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Net cash flow from Operating activities	477.09	490.15	(169.70)	57.37	375.73	38.72
Net cash flow from Investing activities	(636.42)	(660.55)	(374.04)	(128.91)	(44.91)	(17.55)
Net cash flow from financing activities	269.13	177.83	548.96	124.62	(303.14)	(32.01)
Net Increase/(Decrease) in Cash & Cash Equivalents	109.80	7.43	5.22	53.08	27.68	(10.84)

THE ISSUE

Particulars	Number of Equity Shares
Issue by our Company	7,874,570 Equity Shares constituting 28% of the fully diluted post-Issue paid-up capital of our Company aggregating Rs. [●] million.
Of which	
Employee Reservation Portion ⁽¹⁾	140,000 Equity Shares aggregating Rs. [●] million
Net Issue	7,734,570 Equity Shares, constituting 27.50% of the fully-diluted post-Issue paid-up capital of our Company aggregating Rs. [●] million
Of which:	
A) Qualified Institutional Buyers Portion ⁽¹⁾ (Allocation on a proportionate basis)	Upto 3,867,280 Equity Shares aggregating Rs. [●] million, constituting upto 50% of the Net Issue. 5% of the QIB Portion i.e. 193,365 Equity Shares aggregating Rs. [●] million, being the Mutual Fund Portion, shall be available for allocation on proportionate basis only to Mutual Funds. Balance i.e. 3,673,915 Equity Shares shall be available for allocation on proportionate basis to QIBs including Mutual Funds.
B) Non-Institutional Portion ⁽¹⁾ (Allocation on a proportionate basis)	Minimum of 1,160,185 Equity Shares aggregating Rs. [●] million, constituting not less than 15% of the Net Issue that will be available for allocation on a proportionate basis to Non-Institutional Bidders.
C) Retail Portion ⁽¹⁾ (Allocation on a proportionate basis)	Minimum of 2,707,105 Equity Shares aggregating Rs. [●] million constituting not less than 35% of the Net Issue that will be available for allocation on a proportionate basis to Retail Individual Bidders.
Equity Shares outstanding prior to the Issue	20,248,890 Equity Shares
Equity Shares outstanding after the Issue	28,123,460 Equity Shares
Use of Proceeds	Please refer to section titled “Objects of the Issue” on page 49 of the Red Herring Prospectus for additional information.

⁽¹⁾ Under-subscription, if any, in any category shall be allowed to be met with spillover from the other categories, at the sole discretion of our Company in consultation with the BRLM, CBRLM and the Designated Stock Exchange. Allocation in all the aforesaid categories shall be on a proportionate basis.



KNR CONSTRUCTIONS LIMITED

Registered with Registrar of Companies, Andhra Pradesh, Hyderabad situated 2nd Floor, CPWD Bldg.
Kendriya Sadan, Sultan Bazar, Koti, Hyderabad – 500195, India,
Telephone +91 40 4657937/4652807, Fax:+91 40 4652807
Email: richard.henry@mca.gov.in

Company's Registration No is 21016 and Corporate Identification No. is U74210AP1995PLC021016.

GENERAL INFORMATION

Registered office of our Company:

KNR Constructions Limited
6-3-635, 3rd Floor, Akash Ganga,
Khairatabad, Hyderabad 500 004
Tel: +91 40 66669379 Fax: +91 40 66669349
Website: www.knrcl.com
Email: ipo@knrcl.com

Corporate Office

KNR Constructions Limited
12th Square Building,
3rd Floor, Road No. 12, Banjara Hills
Hyderabad-500034
Tel: +91-40-23323435 / 36 / 37, Fax: +91-40-23323439

Board of Directors:

Our Board consists of 8 (eight) Directors of which 4 (four) are independent Directors. Our Chairman is a non-executive and Independent Director. The following persons constitute our Board of Directors:

Name and Occupation	Designation (Nature of Directorship)	Age	Address
Mr. B.V Rama Rao, <i>Service</i>	Chairman, (Non-Executive and Independent)	68 years	Flat No. 101, Fernhills Apts, 6-3-890/1, Rajbhavan Road, Somajiguda, Hyderabad-500 082
Mr. K. Narasimha Reddy <i>Business</i>	Managing Director (Executive and Non-Independent)	60 years	8-2-293/W/84, Plot No: 84, Womens Co-operative Society, Jubilee Hills, Hyderabad
Mr. J.V Panindra Reddy <i>Business</i>	Director (Executive and Non-Independent)	41 years	H. No: 11-4-646/D-1-A, Flat No. 102, Vijaya Hills, Sai Aashirwad Apartments, Hyderabad
Mr. K. Jalandhar Reddy <i>Business</i>	Director (Executive and Non-Independent)	36 years	Plot No. 84, Women's Co-operative Society, Road No. 7, Jubilee Hills, Hyderabad 500033
Mr. M. Rajesh Reddy <i>Business</i>	Director (Executive and Non-Independent)	35 years	Flat No-102 Jyothi Marvel, Sri Nagar Colony, Hyderabad

Name and Occupation	Designation (Nature of Directorship)	Age	Address
Mr. D Ramaiah <i>Retired</i>	Director (Non- Executive and Independent)	71 years	Plot No. 75, Women's Co-operative Housing Society, Krishna Nagar, Jubilee Hills, Hyderabad
Mr. L.B Reddy <i>Practising Chartered Accountant</i>	Director (Non- Executive and Independent)	65 years	310 Emerald Apartments, Punjagutta, Hyderabad,
Mr. JS R Chandra Mouli <i>Retired</i>	Director (Non- Executive and Independent)	73 years	No. 72, Umanagar, Begumpet, Hyderabad-16

Brief Profile of our Whole time Directors is as follows:

Mr. K. Narasimha Reddy aged 60 years, is our founder Promoter and Managing Director. He holds a Bachelor's degree in Arts from Kakatiya University. He has over 38 years of experience in the roads and infrastructure sector, and has been the driving force behind our Company's establishment and growth, and we have grown to our current size and scale under his able leadership. He started his career in 1968 as a sub-contractor for other construction companies. In 1979, he formed a partnership business in the name and style of M/s K Narasimha Reddy & Company, which was engaged in the business of undertaking civil and mechanical contracts. Mr. Reddy has extensive knowledge and experience in project planning, scheduling, cost controls, and quantity surveying in addition to overall construction project management. Mr Reddy oversees the implementation of all our projects and has formulated the corporate vision of our Company.

Mr. K. Jalandhar Reddy, aged 36 years is the Promoter and Executive Director of our Company. He holds a Bachelor's Degree in Computer Engineering from Bangalore University. He has over 15 years of experience in the roads and infrastructure sector. He started his career with our Company as a Project Manager and was elevated as our Executive Director on April 1, 1997. He heads the tendering and bidding activities of our Company, as also is in-charge of our projects which are executed in Southern India.

Mr. J.V. Panindra Reddy, aged 41 years, is the Promoter and Executive Director of our Company. He holds a Bachelor's Degree in Civil Engineering from REC, Warrangal. He has over 18 years of experience in the roads and infrastructure sector. He has been closely associated with our Company since its inception. As Executive Director he is responsible and is in-charge of our projects which are executed in Northern and North-Eastern India.

Mr. M. Rajesh Reddy, aged 35 years, is the Promoter and Executive Director of our Company. He holds a Bachelors Degree in Electronics Engineering from Kuvempu University, Karnataka. He has over 12 years of work experience, of which he has five yeas experience in the roads and infrastructure sector. He is responsible for corporate finance, co-ordination with various construction sites all over India and the day to day administrative activities of our Company. He is additionally responsible for supervision and implementation of our Company's human resource policies.

For further details of our independent Directors including our Chairman, please refer section titled "Our Management" beginning on page 106 of the Red Herring Prospectus

Company Secretary and Compliance Officer**Mr. M.V Venkata Rao****Registered Office**

6-3-635, 3rd Floor, Akash Ganga,
Khairatabad, Hyderabad 500 004
Tel: +91 40 66669379
Fax: +91 40 66669349

Corporate Office

KNR Constructions Limited
12th Square Building,
3rd Floor, Road No. 12, Banjara Hills
Hyderabad-500034
Tel: +91-40-23323435 / 36 / 37
Fax: +91-40-23323439
Email: ipo@knrcl.com

Registrar to the Issue**Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound,
LBS Road, Bhandup (West), Mumbai 400 078, India
Tel: +91 22 25960320
Fax: +91 22 25960329
Website: www.intimespectrum.com
Email: knr.ipo@intimespectrum.com
Contact Person: Vishwas Attawar
SEBI Regn No. INR000003761

The investors can contact the Compliance Officer or the Registrar in case of pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, demat credit of allotted Equity Shares in respective beneficiary account, non-receipt of refund orders if any etc.

Book Running Lead Manager**Axis Bank Limited**

111, Maker Towers, F'
Cuffe Parade, Colaba,
Mumbai – 400 005
Tel: +91-22-67071425
Fax: +91-22-2216 2467
E-mail: axbmbd@axisbank.com
Website: www.axisbank.com
Contact person: Mr. Sandeep Walawalkar
SEBI Regn No. INM000006104

Co-Book Running Lead Manager & Syndicate Member**Batlivala & Karani Securities India Private Limited**

Bajaj Bhawan 1st Floor, Opp CR2,
Nariman Point,
Mumbai-400 021
Tel: +91 22 4092 4238
Fax: +91 22 2283 9729/30
E-Mail: john.band@bksec.com
Website: www.bksec.com
Contact Person: Mr. John Band
SEBI Regn No. INM000010908

Legal Advisors to the Issue**M/s. Crawford Bayley & Co.****Advocates & Solicitors**

State Bank Buildings, 4th floor,
N. G. N. Vaidya Marg, Fort,
Mumbai - 400 023.
Tel.: +91 22 2266 8000
Fax: +91 22 2266 3978

Bankers to the Company**State Bank of Patiala,**

Commercial Branch,
Atlanta, Nariman Point,
Mumbai 400 021
Tel : +91 22 66375701,
Fax: +91 22 66375703
E-Mail: sbop313@rediffmail.com
Website: www.sbp.co.in
Contact Person: Mr. N S Srivatsa- Manager

Oriental Bank of Commerce

PNB House, 9-1-129/1,
Oxford Plaza Building, Sarojini Devi Road,
Secunderabad- 500 003
Tel No: +91 40 27704935 ,
Fax: +91 40 27712959
E-Mail: bm1041@obc.co.in
Website: www.obcindia.com
Contact Person: Mr. A Hasan- Asst. General Manager

State Bank of Indore

P.B No. 4-1-971/974,
Triveni Complex, Abids Road, Hyderabad- 500 001
Tel: +91 40 24754898,
Fax: +91 40 24760548
E-Mail: sbn3233@sbiindore.co.in
Website: www.statebankofmysore.co.in
Contact Person: Mr. Shailendra Shukla- Asst. General
Manager

ING Vysya Bank

D. No. 8-2-120/76/1/b, Ashoka Hi-tech Chambers,
Road No. 2, Banjara Hills, Hyderabad- 400 034
Tel: +91 40 23442201,
Fax: 91 40 23442205
E-Mail: brahmaiah@ingvysyabank.com
Website: www.ingvysyabank.com
Contact Person: K Brahmaiah- Associate Vice President
& Branch Head

State Bank of Mysore

1st Floor, Lenaine Estate,
Abids Branch, Hyderabad- 500 001
Tel No: +91 40 23387572, Fax: +91 40 23387582
E-Mail: abids@sbm.co.in
Website: www.statebankofmysore.co.in
Contact Person: Mr. N.V. Subramaniam-Chief Manager

Bankers to the Issue**Axis Bank Limited**

E - Wing, 3rd Floor, Maker Towers,
Cuffe Parade, Mumbai - 400005,
Tel: + 91 22 67071657
Fax: + 91 22 22155157
Email: prashant.fernandes@axisbank.com
Website: www.axisbank.com
Contact Person: Mr. Prashant Fernandes
SEBI Regn No. INBI00000017

ICICI Bank Limited

Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai-400 001
Tel: + 91 22 2262 7600
Fax: + 91 22 2261 1138
Email: venkatraghavan@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Venkataraghavan T.A.
SEBI Regn No. INBI00000004

ABN Amro Bank N.V.

Brady House, 14 Veer Nariman Road,
Hornimon Circle, Fort,
Mumbai-400 001
Tel: + 91 22 66585858 (Board)
Tel: + 91 22 66585817 (Direct)
Fax: + 91 22 22042673
Email: akhourimalay@in.abnamro.com
Website: www.abnamro.co.in
Contact Person: Mr. Akhourimalay
SEBI Regn No.: INBI00000034

Standard Chartered Bank

270, D.N. Road. Fort,
Mumbai – 400 001
Tel.: 91-22-22092213
Fax: 91-22- 22092216
Email: rajesh.malwade@in.standardchartered.com
Web Site: www.standardchartered.com
Contact Person: Mr. Rajesh Malwade
SEBI Regn No.: INBI000000885

IPO Grading Agency**CRISIL Limited**

341/342, Solitaire Corporate Park,
Andheri – Ghatkopar Link Road,
Andheri (East), Mumbai – 400 093
Tel: +91 22 67588023
Fax: +91 22 67588088
Email: tvishal@crisil.com
Contact person: Mr. Vishal Thakkar

Statutory Auditors**M/s Sukumar Babu & Co.**

Chartered Accountants,

Flat. No: 513, Aditya Encalve,

Annapurna Block,

Ameerpet, Hyderabad

Phone: +91 40 23731173

E-Mail: sukumarbabu@hotmail.com

Contact Person: Mr. C Sukumar Babu

Statement of Responsibilities for the Issue

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

Activities	Responsibility	Coordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	Axis Bank	Axis Bank
Due diligence of the Company's operations / management / business plans / legal etc.;	Axis Bank	Axis Bank
Drafting and design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. Ensure compliance with stipulated requirements and completion of prescribed formalities with SEBI, Stock Exchanges, and RoC.	Axis Bank	Axis Bank
Primary co-ordination with SEBI, Stock Exchanges and RoC upto bidding and co-ordination interface with lawyers for agreement	Axis Bank	Axis Bank
Appointment of Registrar, Printers and Advertising Agency	Axis Bank	Axis Bank
Appointment of Escrow Collection Bankers / Bankers to the Issue.	Axis Bank, B&K Sec	Axis Bank
Company Positioning and pre-marketing exercise, finalise media and Public Relation strategy	Axis Bank, B&K Sec	Axis Bank
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisements, brochure, etc.	Axis Bank, B&K Sec	Axis Bank
Qualified Institutional Buyers ('QIBs'): Finalising the list and division of investors for one to one meetings and coordinating institutional investors meetings.	Axis Bank, B&K Sec	Axis Bank
Non-Institutional and Retail Marketing of the Issue, which will cover inter-alia,	Axis Bank	Axis Bank
<ul style="list-style-type: none"> • Formulating marketing strategies • Preparation of publicity budgets • Finalizing centers for holding conferences for brokers, etc. • Finalizing collection centers • Follow-up on distribution of publicity and Issue material including forms, prospectus and deciding on the quantum of the Issue material 		
Managing the Book, interaction / co-ordination with Stock Exchanges for book building software, bidding terminals and mock trading-	Axis Bank, B&K Sec	Axis Bank
-Appointment of Syndicate Members / Brokers to the Issue - Finalise Underwriters and the Underwriting Arrangements	Axis Bank, B&K Sec	Axis Bank
Finalising pricing, QIB Allocation and Intimation by BRLM's in consultation with the Company	Axis Bank, B&K Sec	Axis Bank
Finalisation of Prospectus and RoC filings etc.;	Axis Bank, B&K Sec	Axis Bank

Activities	Responsibility	Coordinator
Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, invoking the Underwriting obligations and ensuring the underwriters pay the amount of devolvement etc.	Axis Bank	Axis Bank
The post Issue activities of the Issue will involve essential follow up steps, which include finalisation of basis of allotment / weeding out the multiple applications, listing of instruments and dispatch of non-institutional allotment advice and related orders, with the various agencies connected with the work such as Registrar to the Issue, Bankers to the Issue and the bank handling refund business.	Axis Bank	Axis Bank

Credit Rating

This being an equity Issue, credit rating is not required.

IPO Grading

This Issue has been graded by CRISIL Limited and has been assigned the CRISIL IPO Grade 3/5 (pronounced 'three on five'), indicating that the fundamentals of the Issue are average, in relation to other listed equity securities in India, through its letter dated December 6, 2007

Grading Rationale

The grading assigned by CRISIL Limited reflects KNRCL's strong track record of project execution in both roads construction and operations and maintenance (O&M). The Company has executed many projects as part of the NHAI'S NHDP program and has had a 7-year relationship with Patel Engineering as a joint venture partner. The KNR-Patel JV has won 10 road construction projects so far. These include two BOT annuity projects as a part of NHDP Phase II, the combined value of which is 9.6 billion. As of September 2007, KNRCL's order book stood at 16.25 billion, of which roads sector constituted 89%. The grading is constrained by the relatively underdeveloped state of the Company's operating system, which in turn, could constrain its ability to augment the size of its operations. The grading also reflects the uncertainties associated with Company's plans to diversify into power generation and real estate sectors.

For more information on IPO Grading, please refer to Section "Other Regulatory and Statutory Disclosures" on page 232. A copy of the report provided by CRISIL Limited, furnishing the rationale for its grading is available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Trustees

This being an equity Issue, the appointment of debenture trustee is not required.

Book Building Process

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

- Our Company;
- Book Running Lead Manager, in this case being Axis Bank Limited;
- Co-Book Running Lead Manager, in this case being Batlivala & Karani Securities India Private Limited;
- Syndicate Member(s) who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters;
- Registrar to the Issue, in this case being Intime Spectrum Registry Limited and;
- Escrow Collection Bank(s).

The SEBI Guidelines have permitted an Issue of securities to the public through the 100% Book Building Process, wherein not more than 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a proportionate basis. 5% of QIB portion shall be available on a proportionate basis to Mutual fund only and the remainder of the QIB portion shall be available for allocation on a proportionate basis to all QIBs including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. We will comply with the SEBI Guidelines for this Issue. In this regard, we have appointed the BRLM, CBRLM and Syndicate Member(s) to procure subscriptions to the Issue.

QIBS ARE NOT ALLOWED TO WITHDRAW THEIR BID AFTER THE BID/ ISSUE CLOSING DATE AND ARE REQUIRED TO PAY 10% MARGIN AMOUNT UPON SUBMISSION OF THEIR BID AND ALLOCATION TO QIBS WILL BE ON PROPORTIONATE BASIS. FOR DETAILS SEE THE SECTION TITLED “TERMS OF THE ISSUE” BEGINNING ON PAGE 244 OF THE RED HERRING PROSPECTUS.

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

The Bidders can Bid at any price within the Price Band. For instance, assume a Price Band of Rs. 60 to Rs. 72 per Equity Share, Issue size of 5,400 Equity Shares and receipt of five Bids from the Bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the Bidding/Issue Period. The illustrative book as set forth below shows the demand for the Equity Shares of our Company at various prices and is collated from Bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
1,500	72	1,500	27.78%
3,000	69	4,500	83.33%
4,500	66	9,000	166.67%
6,000	63	15,000	277.78%
7,500	60	22,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which our Company is able to issue the desired quantity of Equity Shares is the price at which the book cuts off, i.e., Rs. 66 in the above example. Our Company, in consultation with the BRLM and CBRLM, will finalize the Issue Price at or below such cut off price, i.e., at or below Rs. 66. All Bids at or above this Issue Price and cut-off Bids are valid Bids and are considered for allocation in the respective category.

The process of Book building under the SEBI Guidelines is relatively new and is subject to change, from time to time. Accordingly, investors are advised to make their own judgement about investment through this process of Book Building prior to making a Bid.

Steps to be taken for bidding:

1. Check eligibility for making a Bid (see section titled “Issue Procedure - Who Can Bid” beginning on page 247 of the Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form.
3. Ensure that the Bid-cum-Application Form is accompanied by the Permanent Account Number. For details please refer to the chapter titled “Issue Procedure” beginning on page 247 of the Red Herring Prospectus.
4. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application.

Withdrawal of the Issue

Our Company, in consultation with the BRLM and the CBRLM reserves the right not to proceed with the Issue at any time before Allotment in the Issue, without assigning any reason therefor

Bid/Issue Programme

Bidding/Issue Period

BID ISSUE OPENS ON	THURSDAY, JANUARY, 24, 2008
BID ISSUE CLOSSES ON	TUESDAY, JANUARY, 29, 2008

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

Our Company reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

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

Underwriting Agreement

After the determination of the Issue Price and prior to filing of the Prospectus with the RoC, our Company and the Underwriters will enter into an Underwriting Agreement for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM and the CBRLM shall be responsible for bringing in the amount devolved in the event that the members of the Syndicate do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions as to closing, as specified therein. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be completed prior to filing of the Prospectus with RoC)

Name and Address of the Underwriters	Indicative Number of Equity shares to be Underwritten	Amount Underwritten (Rupees in million)
Axis Bank Limited 111, Maker Towers, F' Cuffe Parade, Colaba, Mumbai – 400 005 Tel: +91-22-67071425 Fax: +91-22-2216 2467 E-mail: axbmbd@axisbank.com	[●]	[●]
Batlivala & Karani Securities India Private Limited Bajaj Bhawan 1 st Floor, Opp CR2, Nariman Point, Mumbai-400 021 Tel: +91 22 4092 4238 Fax: +91 22 2283 9729/30 E-mail: john.band@bksec.com	[●]	[●]
Total	7,874,570	[●]

The abovementioned amount is indicative and this would be finalized after determination of the Issue Price and actual allocation of the Equity Shares. The above Underwriting Agreement is dated [●].

Our Board of Directors (based on a certificate given by the Underwriters), will ascertain the resources of the above mentioned Underwriters to form the opinion that the same are sufficient to enable them to discharge their respective underwriting obligations in full. The Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchange(s). The above Underwriting Agreement will be presented for acceptance to the Board of Directors and our Company will issue letters of acceptance to the Underwriters.

Allocation among underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the CBRLM shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount as specified in the Underwriting Agreement. Allotment to QIBs is proportionate as per the terms of the Red Herring Prospectus.

CAPITAL STRUCTURE

(Rs. in million, except share data)

Number of Equity Shares	Aggregate Nominal Value	Aggregate Value at Issue Price
A) AUTHORIZED SHARE CAPITAL		
35,000,000 Equity Shares of Rs. 10 each	350.00	-
B) ISSUED, SUBSCRIBED AND PAID-UP CAPITAL PRIOR TO THE ISSUE		
20,248,890 Equity Shares of Rs. 10 each	202.49	-
C) ISSUE IN TERMS OF THE RED HERRING PROSPECTUS		
Issue of		
7,874,570 Equity Shares of Rs. 10 each	78.75	[•]
Of which:		
(i) 140,000 Equity Shares of Rs. 10/- each are reserved for Eligible Employees	1.40	[•]
(ii) 7,734,570 Equity Shares of Rs. 10/- each as Net Issue	77.35	[•]
D) ISSUED, SUBSCRIBED AND PAID-UP CAPITAL POST ISSUE		
28,123,460 Equity Shares of Rs. 10 each outstanding after the Issue	281.23	[•]
E) SECURITIES PREMIUM ACCOUNT		
Before the Issue	NIL	
After the Issue*	[•]	[•]

* This amount will be determined after the book building process

Details of increase in Authorised Capital

Sr. No.	Particulars of Increase	Date of Meeting	AGM/EGM
1.	Rs. 50,000,000	Incorporation	-
2.	From Rs. 50,000,000 to Rs. 100,000,000	May 11, 1998	EGM
3.	From Rs. 100,000,000 to Rs. 350,000,000	January 7, 2006	EGM

Notes to capital structure:

1. Equity Share Capital build up of our Company

Date of Allotment / Fully paid up	Number of Equity Shares	Cumulative No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment of consideration	Nature of Allotment	Cumulative Equity Share Capital (Rs. in million)
July 11, 1995	735	735	10	10	Cash	Subscription to Memorandum of Association	0.00735
March 31, 1997	95,565	96,300	10	10	Cash	Issue of shares to our Promoters and Promoter Group individuals.	0.963
April 1, 1997*	3,183,000	3,279,300	10	10	Other than cash	Acquisition of assets and liabilities at their book values of M/s K Narasimha Reddy & Co. The shares were issued to the partners (Promoters and Others) in proportion to their capital balance in the firm at the time of acquisition.	32.793
April 1, 1997	1,280,530	4,559,830	10	10	Other than cash	Shares issued to workers in lieu of amount payable to them	45.5983
March 31, 1998	138,200	4,698,030	10	10	Cash	Further Allotment to persons other than those forming part of our Promoter and Promoter Group	46.9803
June 5, 1998	1,945,000	6,643,030	10	10	Cash	Further Allotment to promoters, promoter group and other shareholders	66.4303
March 31, 1999	106,600	6,749,630	10	10	Cash	Further Allotment to persons other than those forming part of our Promoter and Promoter Group	67.4963
March 20, 2006**	13,499,260	20,248,890	10	NIL	Other than Cash	Bonus in the ratio 2:1	202.4889

* Allotment of shares on acquisition of the assets and liabilities of M/s K Narasimha Reddy & Co. For further details of the same kindly refer to section titled "Our History And Other Corporate Matter" beginning on page 99 of the Red Herring Prospectus.

** Bonus Issue of 13,499,260 shares in the ratio of 2 shares for every 1 share of the Company out of capitalisation of general reserves.

We have not issued any bonus shares out of revaluation reserves or reserves without accrual of cash resources as per Clause 4.6.1 (ii) of the SEBI Guidelines.

2. Promoters Contribution and Lock-in:

A. Set forth below are the details of the build up of the Promoters' shareholding, Promoters' contribution and lock – in post Issue

Name	Date of Allotment/ Transfer & Date when made fully paid- up	Consideration (Cash, Bonus, consideration other than cash)	No. of Equity Shares	Face Value (Rs.)	Issue Price/ Transfer Price (Rs.)	% of Post Issue Paid-up Capital
Mr. K.Narasimha Reddy	July 11, 1995	Cash	105	10	10	0.00
	March 31, 1997	Cash	49,895	10	10	0.18
	April 1, 1997	Other than Cash	1,112,462	10	10	3.96
	June 5, 1998	Cash	215,500	10	10	0.77
	December 22, 2001	Transfer	53,650	10	6	
			24,200	10	7	
			23,260	10	6.5	
			4,200	10	7.5	
			9,500	10	5	
			5,000	10	5.75	
			8,520	10	8	
			5,000	10	5.5	
			1,33,330			
	January 30, 2002	Transfer	125610	10	6	
			5000	10	6.5	
			10,000	10	7.5	
			93,500	10	7	
			24,700	10	8	
			35,156	10	5	
			17,200	10	5.5	
	311,166				1.11	
	February 5, 2002	Transfer	103,500	10	7	
			79,490	10	6	
			32450	10	8	
			10,288	10	5	
			225,728			0.80
	June 5, 2002	Transfer	50,000	10	10	0.18
August 5, 2003	Transfer	83950	10	8		
		68010	10	9		
		45330	10	7		
		11050	10	6		
		208,340	10		0.74	
September 5, 2003	Transfer	14126	10	9		
		101954	10	8		
		125990	10	7		
		52200	10	6		
		183,500	10	6.5		
477,770	10		1.70			
August 31, 2005	Transfer	37,500	10	8	0.13	
August 31, 2005	Transfer	(30,000)	10	8	(0.11)	
December 26, 2005	Transfer	349,445	10	8	1.24	
March 20, 2006**	Other than Cash	6,282,482	10	NIL	22.34	
Sub total (A)			9,423,723			33.51
Mr. K.Jalandhar Reddy	July 11, 1995	Cash	105	10	10	0.00
	March 31, 1997	Cash	23,895	10	10	0.08
	April 1, 1997 *	Other than cash	748,123	10	10	2.66

Name	Date of Allotment/ Transfer & Date when made fully paid- up	Consideration (Cash, Bonus, consideration other than cash)	No. of Equity Shares	Face Value (Rs.)	Issue Price/ Transfer Price (Rs.)	% of Post Issue Paid-up Capital
	March 31, 1998	Cash	134,500	10	10	0.48
	December 22, 2001	Transfer	18,500	10	5	
			7500	10	5.5	
			41,240	10	6	
			4580	10	6.5	
			18,000	10	7	
			4500	10	8	
			94,320			0.34
	January 30, 2002	Transfer	6416	10	5	
			80,790	10	6	
			18,600	10	6.5	
			41630	10	7	
			22,830	10	7.5	
			20,960	10	8	
			3000	10	8.5	
	194,226			0.69		
	February 5, 2002	Transfer	11,650	10	5	
			24930	10	6	
			2850	10	6.5	
			23030	10	7	
			13790	10	8	
	76,250			0.27		
	December 26, 2005	Transfer	385,397	10	8	1.37
March 20, 2006**	Other than Cash	3,313,632	10	NIL	11.78	
Sub total (B)			4,970,448			17.67
Mr. J.V Panindra Reddy	July 11, 1995	Cash	105	10	10	0.00
	August 31, 2005	Transfer	460,100	10	8	1.64
	December 26, 2005	Transfer	150,500	10	8	0.54
	March 20, 2006**	Other than Cash	1,221,410	10	NIL	4.34
Sub total (C)			1,832,115			6.51
Mr. M. Rajesh Reddy	August 31, 2005	Transfer	439,700	10	8	1.56
	December 26, 2005	Transfer	171,005	10	8	0.61
	March 20, 2006**	Other than Cash	1,221,410	10	NIL	4.34
Sub total (D)			1,832,115			6.51
Total (A+B+C+D)			18,058,401			64.21

* Allotment of shares pursuant to acquiring at their book values the assets and liabilities of partnership business of M/s K.Narasimha Reddy & Co.

** Bonus Issue of 13,499,260 shares in the ratio of 2 shares for every 1 share of the Company out of capitalisation of free reserves.

As per clause 4.1.1 of the SEBI Guidelines, the below mentioned Equity Shares, held by the Promoters shall be locked in on Last In First Out basis (i.e. Equity Shares which have been issued last shall be locked-in first) for a period of 3 years from the date of Allotment:

Sr. No.	Name	Date of Allotment/ Transfer & Date when made fully paid- up	Consideration (Cash, Bonus, Kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue Price/ Transfer Price (Rs.)	% of Post Issue Paid-up Capital
1	Mr. K.Narasimha Reddy	20-Mar-06	Bonus	3,273,783	10	-	11.64
2	Mr. K. Jalandhar Reddy	20-Mar-06	Bonus	1,621,661	10	-	5.76
3	Mr. J.V Panindra Reddy	20-Mar-06	Bonus	575,550	10	-	2.05
4	Mr. M. Rajesh Reddy	20-Mar-06	Bonus	575,550	10	-	2.05
Total				6,046,544			21.50

Note: The lock-in period shall commence from the date of Allotment of Equity Shares in the Issue. Specific written consents have been obtained from the persons whose shares form part of Promoters' contribution to lock-in their shares for a period of three years to ensure minimum Promoter's contribution to the extent of 20% of the post-Issue paid-up capital of our Company.

The Promoters' have agreed to lock in 6,046,544 Equity Shares for a period of three years. All the Equity Shares which have been locked in are not ineligible for computation of Promoters' contribution under clause 4.6 of the SEBI Guidelines.

Other than the shares locked-in as Promoter Contribution as stated in the table above, the entire pre-Issue capital of our Company shall be locked in for a period of 1 year from the date of Allotment of Equity Shares in the Issue.

3. The Promoter may pledge the locked-in-Equity Shares only with banks or financial institutions as collateral security for loans granted by such banks /financial institutions, provided the pledge of Equity Shares is one of the terms for the sanction of loans, provided that locked-in Equity Shares may be pledged only in relation to loans from such banks/financial institutions for the purpose of financing one or more of the objects of the Issue.
4. In terms of clause 4.16(a) of the SEBI Guidelines, the Equity Shares held by persons other than Promoters may be transferred to any other person holding shares prior to the Issue, subject to continuation of lock-in with transferees for the remaining period and compliance with the SEBI Takeover Regulations, as applicable. The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, in terms of clause 4.16(b) of the SEBI Guidelines the Equity Shares held by Promoters, which are locked in, may be transferred to and among Promoters/Promoter Group or to a new promoter(s) or persons in control of our Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI Takeovers Regulations, as applicable.
5. An over-subscription to the extent of 10% of Issue can be retained for the purpose of rounding off to the nearer multiple of 1, while finalizing the Basis of Allotment. Consequently, the actual Allotment may go up by a maximum of 10% of the Issue, as a result of which, the post-Issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by the Promoters and subject to lock- in shall be suitably increased; so as to ensure that 20% of the Post Issue paid-up capital is locked in.

6. Presently the Equity Shares, which are subjected to lock-in, are held in physical mode and shall carry the inscription “non-transferable” and the non transferability details shall be informed to the depository. The details of lock-in shall also be provided to the stock exchanges where the shares are to be listed before the listing of the Equity Shares.
7. Our Company, our Promoters, our Directors , the BRLM or the CBRLM have not entered into any buy back or standby for the purchase of Equity Share from any person.
8. (a) Top ten shareholders ten days prior to and as on the date of filing of Red Herring Prospectus with RoC:

Sr. No.	Name of Shareholder	Number of Equity Shares held	Percentage (%)
1.	K. Narasimha Reddy	9,423,723	46.54
2.	K. Jalandhar Reddy	4,970,448	24.55
3.	J.V Panindra Reddy	1,832,115	9.05
4.	M. Rajesh Reddy	1,832,115	9.05
5.	K. Yashoda	2,025,489	10.00
6.	V. Krishna Reddy	30,000	0.15
7.	K.Ranga Reddy	30,000	0.15
8.	Kotra Vijender Reddy	30,000	0.15
9.	Pappu Devander Reddy	30,000	0.15
10.	Pappu Surender Reddy	30,000	0.15
Total		20,233,890	99.93

Note: 1) The paid up capital of our Company was 20,248,890 Equity Shares
2) Our Company has 11 shareholders on the aforesaid date.

- (b) Top ten shareholders as on two years prior to filing of Red Herring Prospectus with RoC:

Sr. No.	Name of Shareholder	Number of Equity Shares held	Percentage
1.	K. Narasimha Reddy	2,791,796	41.36
2.	K. Jalandhar Reddy	1271419	18.84
3.	K Yasoda	675,163	10.00
4.	J.V Panindra Reddy	460205	6.82
5.	M Rajesh Reddy	439700	6.51
6.	K .Ranga Reddy	391797	5.80
7.	V Krishna Reddy	326945	4.84
8.	K. Venkat Reddy	55000	0.81
9.	P. Amuratha Reddy	55000	0.81
10.	K Suguna	45000	0.67
Total		6,512,025	96.46

Note: 1) The paid up capital of our Company was 6,749,630 Equity Shares
2) Our Company had 18 shareholders on the aforesaid date.

9. Shareholding Pattern of our Company

Sr. No.	Particulars	Pre – Issue		Post-Issue	
		No. of Equity Shares @ Rs. 10/- Each	% Holding	No. of Shares @ Rs. 10/- Each	% Holding
(a)	Promoters				
	K. Narasimha Reddy	9,423,723	46.54	9,423,723	33.51
	K. Jalandhar Reddy	4,970,448	24.55	4,970,448	17.67
	J.V Panindra Reddy	1,832,115	9.05	1,832,115	6.51
	M. Rajesh Reddy	1,832,115	9.05	1,832,115	6.51
	Sub-total (a)	18,058,401	89.19	18,058,401	64.21
(b)	Promoter Group (other than Promoters)				
	K. Yashoda	2,025,489	10.00	2,025,489	7.20
	V. Krishna Reddy	30,000	0.15	30,000	0.11
	Sub-total (b)	2,055,489	10.15	2,055,489	7.31
	Total (I) = [Sub total (a)+(b)]	20,113,890	99.33	20,113,890	71.52
(c)	Others*				
	K.Ranga Reddy	30,000	0.15	30,000	0.11
	Kotra Vijender Reddy	30,000	0.15	30,000	0.11
	Pappu Devander Reddy	30,000	0.15	30,000	0.11
	Pappu Narendar Reddy	15,000	0.07	15,000	0.04
	Pappu Surender Reddy	30,000	0.15	30,000	0.11
	Total (II)	135,000	0.67	135,000	0.48
(d)	Employees	NIL	NIL	[•]	[•]
(e)	Public	NIL	NIL	[•]	[•]
	Total (I+II+d+e)	20,248,890	100.00	28,123,460	100.00

* The shareholders mentioned under the category “Others” are not relatives as defined under section 6 of the Companies Act., 1956.

10. The Promoters/ Promoter group/ Directors have not purchased and or sold/financed any securities of our Company in the past 6 months.
11. Our Company has not revalued our assets since inception.
12. Our Promoters, and shareholders forming part of our Promoter Group and Relatives and others will not participate in this Issue
13. Our Company has not raised any bridge loan against the proceeds of the Issue.
14. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of Allotment.
15. In case of over subscription in all the categories, not more than 50% of the Net Issue will be available for allocation on proportionate basis to QIBs, which includes reservation aggregating to 5% of the QIB Portion for Mutual Funds, not less than 15% of the Net Issue to public will be available for allocation on proportionate basis to Non-Institutional Investors and not less than 35% of the Net Issue will be available for allocation on proportionate basis to Retail Investors. Under subscription, if any, in any portion would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM and CBRLM.

16. Only Eligible Employees as defined in the section titled definitions and abbreviations beginning on page ii of the Draft Red herring Prospectus would be eligible to apply in this issue under the employee reservation portion. Bid by Eligible Employees can also be made in the net issue to the public portion and the same shall not be treated as multiple bids. In case of under subscription in the case of the employee reservation portion, the same would be allowed to be met with spill over inter-se from any other categories, at the sole discretion of our Company in consultation with the BRLM, CBRLM and the Designated Stock Exchange. In case of under-subscription in the net issue spill-over to the extent of under-subscription shall be permitted from the employee reservation portion at the discretion of our Company in consultation with the BRLM, CBRLM and the Designated Stock Exchange. Such inter-se spill over, if any would be effected in accordance with applicable laws, rules, regulations and guidelines.
17. The Equity Shares are fully paid up and there are no partly paid up Equity Shares as on date.
18. Our Company has not issued any Equity Shares for consideration other than cash except for:
 - (a) Allotment of 3,183,000 shares pursuant to acquisition of assets and liabilities of partnership firm namely M/s K. Narasimha Reddy & Co with effect from April 1, 1997.
 - (b) Bonus issue of 13,499,260 shares on March 20, 2006.
19. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any Equity Shares to our employees under ESOS/ESPS scheme from the proposed Issue.
20. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise. However, if we go in for acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
21. As on date of filing of the Red Herring Prospectus there are no outstanding Warrants, options or rights to convert debentures loans or other financial instrument into our Equity Shares. The shares locked-in by our Promoters are not pledged to any party.
22. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, right issue or in any other manner during the period commencing from the submission of the Red Herring Prospectus with RoC until the Equity Shares to be issued pursuant to this Issue have been listed.
23. There shall be only one denomination of Equity Shares of our Company unless otherwise permitted by law. Our Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time
24. A bidder cannot make a Bid for more than the number of Equity Shares offered to the public through this Issue, subject to maximum limit of investment prescribed under relevant laws applicable to each category of investor.
25. There are eleven (11) shareholders as on the date of filing the Red Herring Prospectus.
26. In respect of various agreements entered into by our Company with the lenders and sanction letters issued by our lenders to us, we are bound by certain restrictive covenants regarding capital structure and other restrictive covenants. As per the loan agreements and sanction letters, we require written consent from the lenders, for amongst others, effecting any adverse changes in our Company's capital structure, formulating any scheme of amalgamation or merger or reconstruction, to implement any scheme of expansion or diversification or capital expenditure make any changes in its constitutional documents, or change its management, or promoters or shareholders declaring dividend for any year except out of profits relating to that year after meeting all the financial commitments to the bank and making all due and necessary provisions, making any drastic changes in its management setup, approaching capital market for mobilizing

additional resources either in the form of debts or equity, selling or disposing off or creating security or encumbrances on the assets charged to the banks in favour of any other bank or financial institution, company, firm, Enlarge the scope of the other manufacturing/ trading activities, if any, undertaken at the time of the application and notified to the Bank as such, use all or any part of the facility for investment(s) into capital market, oriented mutual fund schemes including, without limitation, equity/ real estate mutual funds Withdraw or allow to be withdrawn any monies brought in by the promoters and directors or relatives and friends of the promoters or directors of the Borrower invest any funds by way of deposits, or loans or in share capital of any other concern (including subsidiaries) so long as any monies due to the Bank. Pursuant to the aforesaid covenants we have obtained the prior written approvals from the lenders for the Issue.

OBJECTS OF THE ISSUE

We intend to deploy the net proceeds from the Issue of Rs. [●] million after meeting Issue expenses of Rs. [●] million for the following:

1. Further Equity investment in BOT projects,
2. Contribution towards the unsecured loan portion in the BOT Project (namely AP-07),
3. Purchase of capital equipment, and
4. For meeting working capital requirement.

The main objects and objects incidental or ancillary to the main objects as set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns, construction delays or defects and changes in the management's views of the desirability of current plans, among others.

Requirement of Funds and Schedule of Implementation

The objects and the estimated cost of the objects as envisaged by our management and the proposed deployment of funds over the two fiscals are as follows:

(Rs. in million)				
Sr. No.	Particulars	FY2007-08	FY2008-09	Total
1.	Investment in Capital equipment	214.87	-	214.87
2.	Investment in BOT projects:			
	a) Further Equity investment in Patel – KNR Infrastructures Pvt. Ltd.	303.50	-	303.50
	b) Further Equity investment in Patel – KNR Heavy Infrastructures Pvt. Ltd.	119.96	-	119.96
	c) Contribution towards Unsecured loan in Patel – KNR Heavy Infrastructures Pvt. Ltd.	160.00	200.00	360.00
3.	Augmenting working capital requirements	252.08	-	252.08
4.	Issue Expenses*	[●]	[●]	[●]
	Total	[●]	[●]	[●]

*Will be incorporated at the stage of filing of the Prospectus.

In the event of a shortfall in raising the requisite capital from the proceeds of the Present Issue, towards meeting the objects of the Issue, the extent of the shortfall will be met by internal accruals and/or from fresh debt. In case of any surplus of monies received in relation to the Present Issue, we may use such surplus towards further expansion and general corporate purposes including repayment of debt, if any.

Means of Finance

The entire fund requirement towards the aforesaid objects of the issue is proposed to be funded through the net proceeds from the issue. In the event of a shortfall in raising the requisite capital from the proceeds of the issue towards meeting the objects of the issue, the extent of the shortfall will be met by internal accruals and/or from fresh debt. We further undertake to make firm arrangements for atleast 75% of means of finance other than the net proceeds of the Issue before filing of Red Herring Prospectus with ROC. As per the last audited restated consolidated financial statements, as on September 30, 2007 our free reserves stand at Rs. 496.73 millions.

As per the restated consolidated audited statements for the half year ended September 30, 2007, our operating cash inflow net of direct taxes paid stands at Rs. 477.09 million.

Details of Use of Proceeds

1. Investment in Capital Equipment

We need to invest in capital equipment on a regular basis. We intend to use Rs. 214.87 million from the net proceeds of the Issue for purchase of capital equipment to meet the requirements of our various projects.

The estimated capital expenditure is Rs. 214.87 million for the purchase of capital equipment and is based on our order book as of March 31, 2007 and future requirements as estimated by our management. The details of the equipment that we intend to purchase and their estimated cost, including the estimated costs of associated spares, attachments and other accessories, are specified in the following capital expenditure plan:

Sr. No.	Particulars	Quantity	Amount In Rs. Million	Model	Supplier Name	Date of Quotation
1	Rock Breaker	2	1.75	F-22 LN	Titan Engineers Ltd.	07-Nov-07
2	WB Mining tippers	45	49.81	Taurus 2516MT	Ashok Leyland Limited	16-Dec-07
3	Vibratory Soil Compactor	5	8.68	SD-110	Volvo Construction Equipment	08-Dec-07
4	Asphalt soil compactor	2	4.04	DD-90	Volvo Construction Equipment	08-Dec-07
5	Tyre Roller	1	2.63	PT-240 RH	Volvo Construction Equipment	08-Dec-07
6	Air Compressor	2	1.70	IR HP-450	Ingersoll Rand India Ltd.	08-Dec-07
7	Stationary wet mix plant	1	3.10	Apollo WM200 25T	Apollo Earthmovers Limited	10-Dec-07
8	Crawler Drill	2	3.85	CM-341	Atlas Copco (India) Ltd.	12-Dec-07
9	Kerb laying machine	5	22.38	Curb Fox-5000	Messinger Incorporated	05-Dec-07
10	Novua Tippers	5	15.46	LPK2530	Tata Motors Limited	05-Dec-07
11	Tata Tippers	5	6.79	LPK2516	Tata Motors Limited	10-Dec-07
12	Diesel Generator Set	2	4.90	500KVA	Jackson & company	05-Dec-07
13	Diesel Generator Set	1	0.62	125KVA	Jackson & company	05-Dec-07
14	Motor Grader	4	20.90	Caterpillar 120H	Gmmco Limited	05-Dec-07
15	Hydraulic Excavator	1	3.95	Caterpillar 320DL	Gmmco Limited	05-Dec-07
16	Hydraulic Excavator	1	6.78	Caterpillar 330DL	Gmmco Limited	05-Dec-07
17	Wheel Loader	2	11.65	Caterpillar 950H	Gmmco Limited	05-Dec-07
18	Asphalt Compactor	1	0.90	Caterpillar CB224E	Gmmco Limited	05-Dec-07
19	Vibratory Soil Compactor	2	4.14	Caterpillar CS533E	Gmmco Limited	05-Dec-07
20	Front End Loader	2	4.95	Hindustan 2021	Gmmco Limited	05-Dec-07
21	Asphalt Paver	2	19.92	Cat AP755	Gmmco Limited	05-Dec-07
Total			198.90			

Sr. No.	Particulars	Quantity	Amount In Rs. Million	Model	Supplier Name	Date of Quotation
	Provision for taxes, installation, transportation and any other contingencies		16.01			
	Grand Total		214.87			

The schedule related to placement of orders and procurement of the above mentioned equipment and machinery is as under:

Placement of orders : January 2008 to February 2008
Procurement of Equipments : February 2008 to March 2008

2. *Investments in BOT projects*

- a) The joint venture Patel – KNR (JV) has received a letter of acceptance dated April 27, 2006 from the NHAI informing that the said joint venture has been declared as the successful bidder for the construction, operation and maintenance of “Km.463.6 to Km.539.0” on NH-7 in the State of Karnataka under North-South Corridor (NHDP Phase II) on BOT (Annuity) basis (Project KNT-01). The cost of the Project is estimated at Rs. 4428.70 million by the special purpose vehicle (SPV) and the same has to be financed by debt and equity, wherein the Joint Venture partners would contribute equity component. As per the terms and conditions of the Letter of Acceptance, the SPV was incorporated for the purpose of domiciling the project. Our Company’s equity contribution to the SPV is about Rs. 451.50 million, out of which Rs. 148.0 million has already been contributed as on date. The balance amount of Rs. 303.50 million will be met through the proceeds of this Issue. The financial closure for this SPV has been achieved. The construction for the said project is underway and the scheduled date of completion is March 26, 2009.
- b) The joint venture Patel – KNR (JV) has received a letter of acceptance dated March 30, 2007 from the NHAI informing that the said joint venture has been declared as the successful bidder for the construction, operation and maintenance of “Km.230.0 to Km.278.0” of Nagpur – Hyderabad Section on NH-7 in the State of Andhra Pradesh under North – South Corridor (NHDP Phase II) on BOT (Annuity) basis (Project AP-07). As per the terms and conditions of the Letter of Acceptance, a special purpose vehicle SPV was incorporated for the purpose of domiciling the project. The total revised value of the Project is estimated at Rs. 6000.00 million by the SPV and the same will be financed by external debt and Joint Venture partners’ contribution in the ratio of 80:20, wherein the Joint Venture partners’ contribution will be in the ratio of 60:40 [Patel Engineering - 60% and the issuer company- 40%] to be made through a combination of equity (25%) & unsecured loans (75%).

Vide a Shareholders Funding Agreement dated November 12, 2007 between our Company and Patel Engineering Infrastructures Private Limited (since entire shareholding in the SPV has been transferred by Patel Engineering Limited to Patel Engineering Infrastructures Private Limited on October 1, 2007) our Company’s equity contribution to the SPV is agreed at Rs. 120.00 million of which Rs. 0.04 million has already been contributed by our Company as on date. The unsecured loan contribution of our Company has been agreed at Rs. 360.00 million. The amount of Rs. 479.96 million (Rs. 119.96 million and Rs. 360.00 being our respective contributions towards the equity and unsecured loan in the SPV) will be met through the proceeds of this Issue.

The concession agreement was entered into between the SPV and NHAI on September 5, 2007 and accordingly the financial closure for this SPV is to be achieved on or before March 2, 2008. The scheduled date of completion of construction of this project is by March 1, 2010.

For more details on the Special Purpose Vehicles and Shareholders Funding Agreement, please refer to the respective section titled ‘Our Business’ and ‘Our History and other Corporate Matters’ beginning on page no. 74 and 99 of the Red Herring Prospectus.

3. *Augmenting Working Capital requirements*

We have been presently sanctioned working capital limits of Rs. 3250 million by our bankers consisting of fund-based limits of Rs. 500 million and non fund-based limits of Rs. 2,750 million.

We need additional working capital in accordance with the expanding operations of our business; we have estimated our working capital requirements for the financial year 2007-08, as under:

(Rs. in million)

Particulars	2006-07	2007-08
<i>Current Assets</i>		
Inventories	49.31	634.43
Sundry Debtors	375.72	747.45
Cash & Bank Balances	123.85	155.25
Other Current Assets	395.33	481.00
Loans & Advances	404.04	669.27
Total (A)	1348.25	2687.40
<i>Current Liabilities</i>		
Sundry Creditors	705.48	1042.00
Advance against Sales	0.00	0.00
Creditor for Expenses	0.00	0.00
Security deposits	0.00	0.00
Provisions	132.06	190.45
Total (B)	837.55	1232.45
<i>Net Working Capital (A)-(B)</i>	510.70	1454.95
<i>Sources Of Working Capital</i>		
Internal Sources (Retained Profit) / Open	510.70	1202.87
Cash Credit arrangements from Banks		
Public Issue Proceeds	0.00	252.08

4. *Issue expenses*

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately Rs. [●] million. The estimated Issue expenses are as follows:

Activity	Expense (Rs. in million) *	% of total Issue expenses*
Lead management fees and underwriting commissions	[●]	[●]
Advertising and Marketing expenses	[●]	[●]
Printing, stationery including transportation of the same	[●]	[●]
Others (Registrar's fee, Legal fees, listing fees, Issue Grading expenses etc)	[●]	[●]
Total estimated Issue expenses	[●]	[●]

* Will be incorporated after finalisation of Issue Price

Appraisal

The fund requirement and the funding plans are as per our management estimates, and have not been appraised by any bank/financial institution.

Interim use of proceeds of the Issue

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest / dividend bearing short-term / long term liquid instruments including deposits with banks for the necessary duration and no investments will be made in equity markets. Such investments would be in accordance with the investment policies as approved by our Board of Directors from time to time.

No part of the Issue proceeds will be paid by us as consideration to our Promoter, Directors, key management personnel, associate or Promoter Group Companies.

Monitoring of utilization of funds

Our Board of Directors will monitor the utilization of the proceeds of the Issue. We will disclose to the Audit Committee the uses/applications of funds under major heads of expenditure on a quarterly basis as part of our quarterly declaration of financial results. We will disclose the utilization of the proceeds of the Issue under a separate head in our audited financial statements for Fiscal 2008 and Fiscal 2009 clearly specifying the purpose for which such proceeds have been utilized. We will also, in our audited financial statements for Fiscal 2008 and 2009, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized and also indicating investments, if any, of such unutilized proceeds of the Issue.

Deployment of funds as on December 15, 2007

The Company has incurred the following expenditure on the proposed projects until December 15, 2007. The same has been certified by M/s Sukumar Babu & Co., Chartered Accountants vide their certificate dated December 24, 2007.

(Rs. in million)

Sr. No.	Purpose	Amount Deployed		
		Internal Accruals*	Other Sources**	Total Amounts
1.	Equity contribution in M/s Patel-KNR Infrastructure Private Limited; BOT-Project KNT-01	78.00	70.00	148.00
2.	Equity contribution in M/s Patel-KNR Heavy Infrastructure Private Limited; BOT-Project AP-07	0.04	-	0.04
3.	Issue Expenses	6.34	-	6.34
	Total	84.38	70.00	154.38

*- Internal Accruals are defined as receipts from operations and profits earned on such receipts.

** - Other sources consist of mobilization advance received from clients

BASIC TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Red Herring Prospectus and other terms and conditions as may be incorporated in the Prospectus, Bid-cum-Application Form, allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchange, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Principal Terms and Conditions of the Issue

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

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank *pari passu* in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment. See the section titled “Main Provisions of Articles of Association of our Company” beginning on page 276 of the Red Herring Prospectus for a description of the Articles of Association.

Face Value and Issue Price

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

Rights of the Equity Shareholders

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

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

For further details on the main provisions of our Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer section titled “Main Provisions of Articles of Association of our Company” beginning on page 276 of the Red Herring Prospectus.

Market Lot and Trading Lot

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

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

Allocation and Allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share to the successful Bidders subject to a minimum Allotment of 35 Equity Shares. For details of Allocation and Allotment, see “Terms of the Issue” beginning on page 244 of the Red Herring Prospectus.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the BRLM and the CBRLM on the basis of assessment of market demand and on the basis of following qualitative and quantitative factors for the Equity Shares offered by way of book building process. The face value of equity share is Rs. 10 per share and the issue price per shares is 17 times the face value at the lower end of the Price Band and 18 times the face value at the higher end of the Price Band.

Investors should read the following summary with the section titled Risk Factors and financial statements beginning from page number x to 140 and the details about the Company and its consolidated financial statements included in the Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these risks and you may lose all or part of your investments.

QUALITATIVE FACTORS

- We are an infrastructure project development company providing engineering, procurement and construction services across various fast growing sectors namely roads & highways, irrigation and urban water infrastructure management.
- Our project execution strength primarily is in road transportation engineering projects namely construction and maintenance of roads, highways, flyovers and bridges wherever integral to the projects undertaken.
- Our strong project management skills help us in timely and successful completion of projects.
- We have over a period of time gained expertise in construction of roads on EPC basis and further diversified into other infrastructure segments like irrigation, water supply and urban water infrastructure management.
- On a consolidated basis our Operating Income, EBIDTA and PAT have grown at a CAGR of 58.38%, 111.88% and 108.22% over FY05 to FY07.
- As on November 30, 2007, we have 25 projects on hand across various states in India covering Uttar Pradesh, Madhya Pradesh, Assam, Andhra Pradesh, Karnataka, and Tamil Nadu.
- The estimated unexecuted order book position as at November 30, 2007 was Rs. 17,338.25 million, which is approximately 5.4 times the operational income of FY 2006-07 on a consolidated basis.
- Good clientele base, comprising of governmental agencies like the NHAI, and public works department under the State Governments of Andhra Pradesh, Madhya Pradesh, Karnataka, Tamil Nadu and Uttar Pradesh which we believe have the ability to adequately fund the projects.
- Qualified and experienced employees led by a proven management team

QUANTITATIVE FACTORS

Earning per Equity Share (EPS) of face value of Rs.10

Year	EPS (Rs.)	Weight
For Fiscal 2005	2.03	1
For Fiscal 2006	3.99	2
For Fiscal 2007	10.14	3
Weighted Average	6.74	

The weighted average EPS for Equity Share considered with face value of Rs. 10 is Rs. 6.74

2. Price/Earning Ratio (P/E)* in relation to Issue Price of Rs. [●]

- a. Based on Fiscal 2007 EPS of Rs. 10.14 - [●] x
- b. Based on weighted average EPS of Rs. 6.74 - [●] x

3. Return on Net worth (RONW)

Year	RONW (%)	Weight
Fiscal 2005	12.27	1
Fiscal 2006	20.52	2
Fiscal 2007	35.79	3
Weighted Average	26.78	

4. The weighted average return on net worth has been computed on the basis of the restated profits and losses of the respective years.

5. Minimum return on total net worth after the Issue required to maintain pre-Issue EPS is [●] %

6. Net Asset Value (NAV) per share, post-Issue and comparison with the Issue Price

- a. As at March 31, 2007 : Rs. 28.35
- b. Issue Price* : Rs. [●]
- c. NAV after the issue* : Rs. [●]

* would be compared after discovery of the Issue Price through Book Building

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

7. Comparison with Industry Peers (The above data pertains to fiscal 2007)

Company	FV (Rs)	EPS (Rs.)	NAV (Rs)	RoNW	P/E
KNR Constructions Limited	10	10.01	28.35	35.79%	[●]
MSK Projects India Limited	10	6.00	110.50	8.10%	17.70
Madhucon Projects Limited	2	11.20	121.40	9.70 %	31.50
Sadbhav Engineering Limited	10	20.60	190.9	19.40 %	40.80
Patel Engineering Limited	1	18.30	117.80	24.50 %	39.00

(Source: Capital Market Vol XXII./21, December 17-30, 2007)

8. The face value of Equity Shares of KNR Constructions Limited is Rs. 10 and the Issue Price is [●], i.e., [●] times of the face value.

STATEMENT OF TAX BENEFITS

To,
The Board of Directors,
KNR CONSTRUCTIONS LIMITED,
6-3-635, IIIrd Floor, Akashganga,
Khairatabad,
Hyderabad – 500 004.

Statement of possible benefits available to KNR Constructions Limited and its shareholders

1. BENEFITS AVAILABLE TO THE COMPANY

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

1.1 Dividend income

Dividend income, if any, received by the Company from its investment in shares of another Domestic Company will be tax-exempt under section 10(34) read with section 115O of the Act. Dividend income received on units of a Mutual Funds specified under section 10(23D) of the Act will be tax-exempt under section 10(35) of the Act.

1.2 Share of Profit in Joint Ventures

The share of profit of the company in the total income of its joint ventures being partnership firms assessed as such is exempted from tax u/s 10(2A) of the Act.

1.3 Capital gains

Capital assets are to be categorised into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units or Zero coupon bonds) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company or any other listed securities or units of UTI and Mutual Fund units or Zero coupon bonds are considered as long term capital assets if these are held for a period exceeding 12 months. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, for resident shareholders it offers a benefit by permitting substitution of cost of acquisition/ improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index, as prescribed from time to time.

Under section 112 of the Act, long-term gains are subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). Long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under section 10(23D) which are subject to Securities Transaction Tax are exempt from tax under section 10(38) of the Act. However, in case where Securities Transaction Tax is not levied such tax could be limited to 10 percent (plus applicable surcharge and education cess) without indexation benefit, at the option of the shareholder.

Under section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under section 10(23D) on recognised stock exchange are subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), provided the transfer is chargeable to Securities Transaction Tax levied.

1.4 Exemption of capital gains from income tax

As per the provisions of section 54EC of the Act and subject to conditions specified therein, long-term capital gains are not chargeable to tax to the extent they are invested in certain "long term specified assets" within six months from the date of transfer. However, the Finance Bill 2007 has proposed a ceiling of Rs. 50 Lakhs for investment in 'long term specified asset' made during any financial year. If the Company transfers or converts the "long term specified assets" into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable to tax in such year. The "long term

specified assets” specified for this section are bonds, redeemable after three years, issued by the National Highway Authority of India (NHAI), and the Rural Electrification Corporation Ltd. (REC).

1.5 Minimum Alternate Tax ('MAT') Credit

According to section 115JB of the Act, MAT is applicable to a company if the tax payable by a company on its total income, as computed under the normal provisions is less than 10 percent of its book profits. In computing book profits for MAT purposes, certain positive and negative adjustments must be made to the net profits of the Company. As per section 115JAA of the Act, a company is eligible to claim credit for any taxes paid under section 115JB or section 115JA of the Act against tax liabilities incurred in subsequent years.

MAT credit eligible for carry forward to subsequent years is the difference between MAT paid and the tax computed as per the normal provisions of the Act for a financial year. Such MAT credit is allowed to be carried forward for set off up to 5 years succeeding the year in which the MAT credit is allowed. However for MAT paid on or after financial year 2005-06, MAT credit is allowed to be carried forward for set off up to 7 years subsequent years.

2. BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS

2.1 Dividend income

Dividend income, if any, received by the Company from its investment in shares of another Domestic Company will be tax-exempt under section 10(34) read with section 115O of the Act. Dividend income received on units of a Mutual Funds specified under section 10(23D) of the Act will be tax-exempt under section 10(35) of the Act.

2.2 Capital gains

Capital assets are to be categorised into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units or Zero coupon bonds) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company or any other listed securities or units of UTI and Mutual Fund units or Zero coupon bonds are considered as long term capital assets if these are held for a period exceeding 12 months. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, for resident shareholders it offers a benefit by permitting substitution of cost of acquisition/ improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index, as prescribed from time to time.

Under section 112 of the Act, long-term gains are subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). Long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under section 10(23D) which are subject to Securities Transaction Tax are exempt from tax under section 10(38) of the Act. However, in case where Securities Transaction Tax is not levied such tax could be limited to 10 percent (plus applicable surcharge and education cess) without indexation benefit, at the option of the shareholder.

Under section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under section 10(23D) on recognised stock exchange are subject to tax at the rate of 10 per cent (plus applicable surcharge and education cess), provided the transfer is chargeable to Securities Transaction Tax levied.

2.3 Exemption of capital gains from income tax

As per the provisions of section 54EC of the Act and subject to conditions specified therein, long-term capital gains are not chargeable to tax to the extent they are invested in certain “long term specified assets” within six months from the date of transfer. However, the Finance Bill 2007 has proposed ceiling of Rs 50 Lakhs for investment in ‘long term specified asset’ made during any financial year. If the Company transfers or converts the “long term specified assets” into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable to tax in such year. The “long term

specified assets” specified for this section are bonds, redeemable after three years, issued by the National Highway Authority of India (NHAI), and the Rural Electrification Corporation Ltd. (REC).

Further, as per the provisions of section 54F of the Act and subject to conditions specified therein, any taxable long term capital gains (other than on residential house but including those on shares) arising to an individual or Hindu Undivided Family are exempt from capital gains tax if the net sales consideration is utilised, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three year from the date of transfer, provided that the individual should not own more than one residential house, other than the new asset, on the date of the transfer of original asset.

If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

2.4 Rebate in respect of securities transaction tax

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

3. BENEFITS AVAILABLE TO NON-RESIDENT SHAREHOLDERS

3.1 Dividend income

Dividend income, if any, received by the Company from its investment in shares of another Domestic Company will be tax-exempt under section 10(34) read with section 115O of the Act. Dividend income received on units of a Mutual Funds specified under section 10(23D) of the Act will be tax-exempt under section 10(35) of the Act.

3.2 Capital gains

Capital assets are to be categorised into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units or Zero coupon bonds) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company or any other listed securities or units of UTI and Mutual Fund units or Zero coupon bonds are considered as long term capital assets if these are held for a period exceeding 12 months. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains.

Under section 112 of the Act, long-term gains are subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). Long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under section 10(23D) which are subject to Securities Transaction Tax are exempt from tax under section 10(38) of the Act. However, in case where Securities Transaction Tax is not levied such tax could be limited to 10 percent (plus applicable surcharge and education cess) without indexation benefit, at the option of the shareholder.

Under section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under section 10(23D) on recognised stock exchange are subject to tax at the rate of 10 per cent (plus applicable surcharge and education cess), provided the transfer is chargeable to Securities Transaction Tax levied.

3.3 Exemption of capital gains from income tax

As per the provisions of section 54EC of the Act and subject to conditions specified therein, long-term capital gains are not chargeable to tax to the extent they are invested in certain “long term specified assets” within six

months from the date of transfer. However, the Finance Bill 2007 has proposed ceiling of Rs 50 Lakhs for investment in 'long term specified asset' made during any financial year. If the Company transfers or converts the "long term specified assets" into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable to tax in such year. The "long term specified assets" specified for this section are bonds, redeemable after three years, issued by the National Highway Authority of India (NHAI), and the Rural Electrification Corporation Ltd. (REC).

3.4 Tax Treaty Benefits

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

4. BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS

4.1 Dividend income

Dividend income, if any, received by the Company from its investment in shares of another Domestic Company will be tax-exempt under section 10(34) read with section 115O of the Act. Dividend income received on units of a Mutual Funds specified under section 10(23D) of the Act will be tax-exempt under section 10(35) of the Act.

4.2 Capital gains

Under section 115I of the Act, a Non-resident Indian (NRI) as defined therein has the option to be governed by the normal provisions of the Act as outlined in paragraph 1.1.2 of "Benefits available to the Company" and paragraph 2.1.3 of "Benefits available to the resident shareholders" or the provisions of Chapter XII-A of the Act through appropriate declaration in the return of income. The said Chapter *inter alia* entitles NRI to the benefits stated hereunder in respect of income from shares of an Indian company acquired, purchased or subscribed in convertible foreign exchange.

As per the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, taxable long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess).

As per the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long-term capital asset being shares in an Indian Company would not be chargeable to tax. To avail this benefit the entire net consideration received on such transfer needs to be invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. The specified asset or savings certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or savings certificates are transferred.

As per the provisions of section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if:

- their only source of income is income from investments or long term capital gains earned on transfer of such investments or both; and
- the tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

As per section 115H of the Act, when a NRI becomes a resident in India, the provisions of Chapter XII-A can continue to apply in relation to investment made when he was a NRI. Towards this, the NRI needs to furnish a declaration in writing to the Assessing Officer along with his return of income.

4.3 Tax Treaty Benefits

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the beneficial provisions of an applicable tax treaty.

5. SPECIAL BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIs')

5.1 Dividend income

Dividend income, if any, received by the Company from its investment in shares of another Domestic Company will be tax-exempt under section 10(34) read with section 115O of the Act. Dividend income received on units of a Mutual Funds specified under section 10(23D) of the Act will be tax-exempt under section 10(35) of the Act.

5.2 Capital gains

As per the provisions of Section 115AD of the Act, FIIs are taxed on the capital gains income at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10.00
Short term capital gains	30.00
Short term capital gains (section 111A of the Act)	10.00

The above tax rates would need to be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to a FII. Long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under section 10(23D) on the recognised stock exchange are exempt from tax under section 10(38) of the Act on being subject to Securities Transaction Tax. Short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)) on the recognised stock exchange to Corporate FIIs are subject to tax at the rate of 10 percent (plus applicable surcharge and education cess) on being subject to Securities Transaction Tax levied.

5.3 Tax Treaty Benefits

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the beneficial provisions of an applicable tax treaty.

6. BENEFITS AVAILABLE TO MUTUAL FUNDS

6.1 Dividend income

As outlined in item 1.1.1 of paragraph 1.1 above. As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions.

7. BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES / FUNDS

7.1 Dividend income

Dividend income, if any, received by the Company from its investment in shares of another Domestic Company will be tax-exempt under section 10(34) read with section 115O of the Act. Dividend income received on units of a Mutual Funds specified under section 10(23D) of the Act will be tax-exempt under section 10(35) of the Act. Further, as per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India would be exempt from income tax, subject to the conditions specified.

8. BENEFITS TO SHAREHOLDERS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957

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

9. BENEFITS TO SHAREHOLDERS AVAILABLE UNDER THE GIFT-TAX ACT, 1958

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

**For Sukumar Babu & Co.,
Chartered Accountants**

**C.Sukumar Babu
Partner.
Membership No: 200/24293**

**Place: Hyderabad
Date: 24-12-2007.**

SECTION IV - ABOUT US
INDUSTRY OVERVIEW

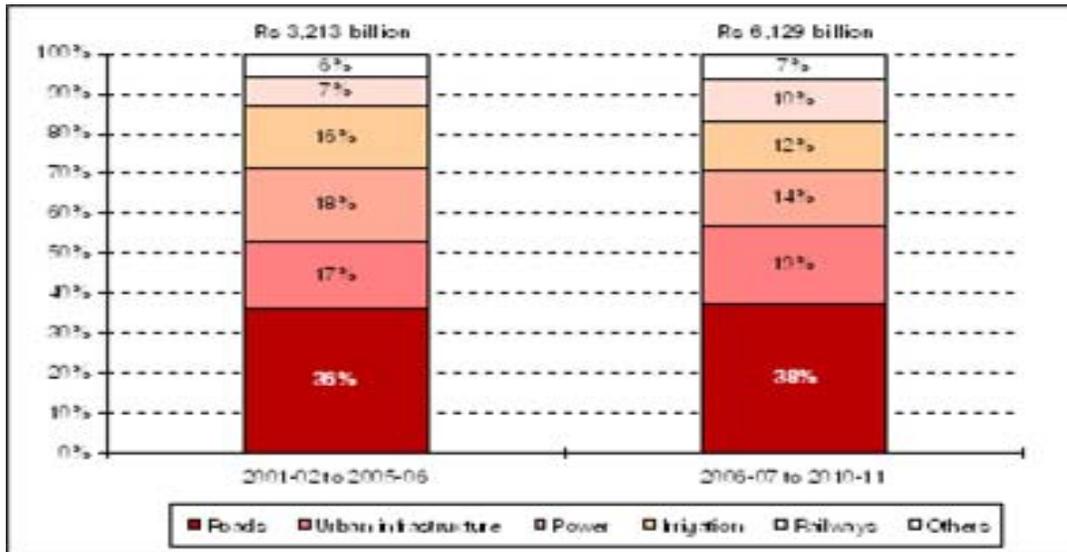
GENERAL ECONOMY AND ROLE OF INFRASTRUCTURE

(Source: Approach Paper to 11th plan)

India has witnessed an economic growth of 9.2 per cent in the period 2006–07. It is aiming for sustainable growth trajectory with a rate of approximately 10 per cent by the end of the next plan period (2007-2012). The higher growth rate expectations are based on the likely better performance from the manufacturing and service sectors and strong consumer demand. In order to achieve and sustain the anticipated growth levels, large investments in infrastructure segments are required.

As outlined in Approach Paper to 11th Plan, investment in infrastructure defined as road, rail, air and water transport, power generation, transmission and distribution telecommunication, water supply, irrigation and storage will need to increase from 4.6% to around 8% of GDP in the 11th Plan period. In other words, of the increase of 6 percentage points in average gross domestic investment rate from 29.1% to 35.1% of GDP needed to accelerate GDP growth rate from 7% to 9%, about half should be in infrastructure. This will place a heavy burden on the government finances, which will have to invest more in this area. Since government resources are scarce, an aggressive effort at promoting public private partnership in infrastructure development will be needed. A number of initiatives have been taken in the last two years of the 10th Plan by both the Central government and the state governments to promote infrastructure development through public private partnership.

Composition of Expected Infrastructure Investments:



(Source: Crisil Research, Annual Review – Construction, May 2007)

Over the next 5 years, roads are slated to be the key driver of construction investments among infrastructure sectors. Road development programmes such as the National Highway Development Programme (NHDP) and Pradhan Mantri Gram Sadak Yojana (PMGSY) together with state-level projects will provide a fillip to the construction industry.

ROADS

(Source: Crisil Research, Roads & Highways – Annual Review, September 2006.)

For a country of India’s size, an efficient road network is necessary both for national integration as well as for socio-economic development. As part of infrastructure growth it has become essential for the transport sector to

flourish efficiently and effectively to ensure better connectivity between various industrial towns, Special Economic Zones, airports, ports etc and for that a wide and well-developed network of roads is required.

The density of India's highway network — at 1 km of highway per square kilometre of land — is greater than that of the United States (0.65). It is also much greater than that of China (0.16) and Brazil (0.20). However, most highways in India are narrow and congested and have poor surface quality. This is because, historically, the financing of the road sector in India has been inadequate and focused more on the development of a secondary and tertiary network.

However, the focus on the road modernisation program in India has regained ever since the conceptualization of the Golden Quadrilateral (GQ) project. National Highways Development program (NHDP) has been promoted to develop and upgrade the long-neglected Indian national highways. Besides NHDP, the road sector in India will also witness a greater level of development activity through road programmes like Pradhan Mantri Grameen Sadak Yojana (PMGSY) and Special Accelerated Road Development program (SARDP-NE) and also on account of the increased focus of state governments on development of road sector.

The ongoing NHDP involves a total of seven phases entailing development and upgradation of around 52,960 km of roads. In this regard, Cabinet approval has been received for Phase I, Phase II and Phase IIIA, involving development and upgradation of around 18,287 km, while the remaining phases i.e. Phase III B to Phase VII, have received an in-principle approval from the government. Out of the remaining phases, Phase IIIB and V are expected to be launched in the next few years.

Existing Road Network

(Source: Crisil Research, Roads & Highways – Annual Review, September 2006.)

In the decreasing order of the volume of traffic movement, the road network in India can be divided into the following categories:

- National Highways (NH)
- State Highways (SH)
- Major District Roads
- Project Roads
- Urban Roads
- Village Roads

Road network (2005-06)

Road network	Length	Percentage of total		Coordinating agency	Connectivity to
	(km)	Length	Traffic		
National highway	65,569	2	40	MoST, BRO	Union capital, state capitals, major ports, foreign highways, strategic locations
State highway	128,000	3.9	40	State PWDs	State capitals, district centres, important towns, national highways, other states
Major district roads	470,000	14.2	20	State PWDs	
Village and other roads	2,650,000	80		MoRD	Production centres, markets, highways, railway stations etc
- Project roads				State PWDs	Projects like irrigation, power, mines, etc
- Urban roads				Municipal corporations	Intra-city networking
- Village roads				Zilla parishads	Villages, district roads, highways, railway stations, riversides etc
Total	3,313,569	100	100		

Source: NHAI

India's road and highway network of 3.3 million kms, though second largest in the world is more skewed in favour of rural roads. As can be observed from the above table, national highways and state highways together contribute only 6% of the total road network in India.

Growth in Road Network

(Source: Crisil Research, Roads & Highways – Annual Review, September 2006.)

- Between 1950-51 and 2005-06 freight traffic on Indian roads increased by 154 times – from 6 billion tonne kilometer (btkm) to 921.5 btkm – while passenger traffic increased by 178 times, from 23 bpkm to 4089 bpkm.
- The number of registered vehicles (including two-wheelers) in India has almost increased at a CAGR of about 11% from 1.39 million in 1950-51 to 54.45 million in 2005-06.
- During the same period the road network increased by 8.3 times from 0.4 million kms to 3.3 million kms.
- However the national highway network which account for nearly 40% of the freight traffic increased by only 3.3 times from 19811 kms to 65569 kms i.e. 2% of the current total road network.
- The resulting congestion on nearly 25% of the national and state highways causes commercial vehicles in India to traverse only 250-300 kms per day giving an average speed of 30 kmph as against 600 kms per day at an average speed of 60-70 kmph in the developed countries.

Renewed Focus

(Source: Crisil Research, Roads & Highways – Annual Review, September 2006.)

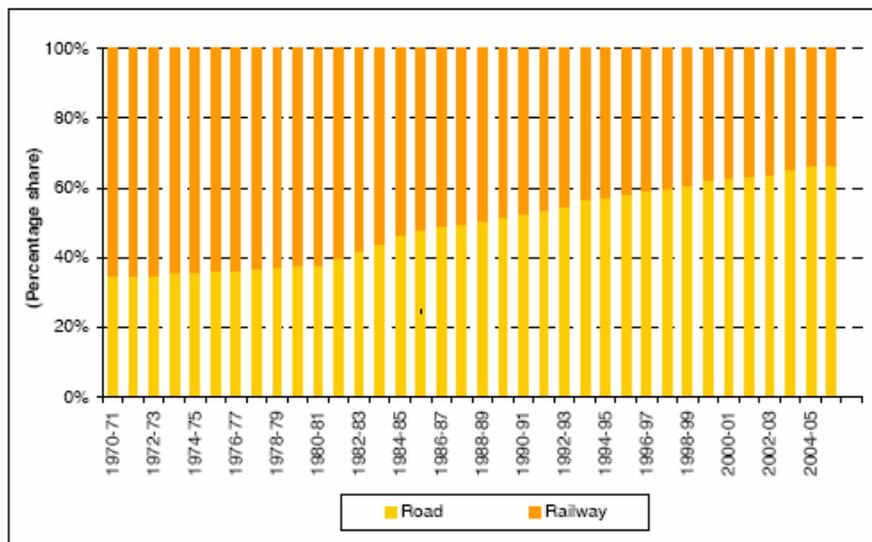
To further develop and improve the country's lagging road infrastructure, considerable thrust has been given to this sector since 1999 through ongoing National Highway Development Project being implemented by NHAI, which involves a total of seven phases entailing development and upgradation of around 52960 kms.

Key Highlights of Central Government's focus on road development are as under:

- Road development is recognized as essential to sustain India's economic growth. The government is planning to increase investments on road development for which substantial funding is met out of cess collections on fuel.
- Large component of highways is to be developed through public-private partnerships.
- Provides investment opportunities with good long-term returns in a range of projects being awarded by NHAI for implementing the NHDP.

This sector is given added importance in light of the fact that the roads have become preferred mode of transportation over railways. The below graph illustrates the growth of roadway traffic has been at the expense of railway traffic

Modal shift in goods transport



Source: CRISIL Research

National Highways Authority of India and its Programs

(Source: NHAI website)

The National Highways Authority of India (NHAI) was constituted by an act of Parliament, the National Highways Authority of India Act, 1988. It is responsible for the development, maintenance and management of National Highways entrusted to it and for matters connected or incidental thereto. NHAI is mandated to implement National Highways Development Project (NHDP), which is:

- India's largest highways project till date
- Aims to provide world-class roads with smooth traffic flow.

With a favourable policy framework in place and specific measures taken by the Government to augment finance, the road and highway sector offers attractive business and investment opportunities. These projects are being typically executed under the Build, Operate and Transfer (BOT) model where the contractor invests in building the road and maintaining it for upto 30 years and then transfers it back to the NHAI at zero cost. A BOT project may be one of the three kinds:

- **Toll based:** The contractor recovers the costs incurred in building a road by collecting toll charges from vehicles plying on this road. Hence, the contractor runs the risk of traffic volume affecting his collections. The bidding variable for these projects is the period for which contractor will collect the toll charges.
- **Annuity:** The contractor receives fixed periodic payments from NHAI on a yearly or six monthly basis, for a period upto 15 years. During this period, the contractor has to maintain the road which is subsequently transferred to the NHAI at zero cost. In this case, the toll is collected by NHAI, so the contractors' returns are independent of traffic volumes or toll rates. The bidding variable for these projects is the amount of annuity to be received by contractor.
- **Grant:** This variant is a hybrid of the toll based and annuity systems; the government pays a capital grant to make up for the difference between the BOT, operator's return expectations and toll revenue. The grant is capped at 25% of the required funds, and may be either a one time payment, or spread over up to ten

years, depending on the project. The bidding variable for such projects is the amount of the capital grants.

National Highway Development Program (NHDP)

Presently National Highways Development Project is being implemented in 4 phases I, II, IIIA & V. The present phases under Phase I, II, IIIA and V envisages developing and improving more than 25,785 km of arterial routes of NH Network to international standards. NHDP Phase I & II are likely to be completed by December 2008 whereas NHDP Phase IIIA is scheduled for completion by December 2009.

NHDP & Other NHAI Projects (Status: 31st May, 2007)								
	NHDP					Port Connectivity	Others	Total by NHAI
	GO	NS - EW Ph. I & II	NHDP Phase IIIA	NHDP Phase V	NHDP Total			
Total Length (Km.)	5,846	7,300	4000	6,500	23,646	380	962	24,988
Already 4-Laned (Km.)	5,574	1230	30	-	6,834	155	287	7,276
Under Implementation (Km.)	272	5,048	1,848	148	7,316	204	655	8,175
Contracts Under Implementation (No.)	29	146	28	2	205	7	17	229
Balance length for award (Km.)	-	860	2,122	6,352	9,334	21	20	9,375

(Source: NHAI website)

However, NHDP has now been restructured and now involves a total of seven phases, entailing the development and upgradation of more than 50,000 km of roads. So far, cabinet approval has been received only for Phase I, Phase II and Phase IIIA — involving the development and upgradation of around 18,287 km. Phase IIIB-VII have been planned completely on BOT basis or on design-build-finance-operate (DBFO) basis and have received in principal approval of Central Government.

Phases which have been awarded and are being implemented

- NHDP (Phase I & II) was launched in 1999 covering a length of nearly 14,000 km at an estimated cost of Rs. 54,000 crores (at 1999 prices) (USD 12.317 billion). Phase I primarily covered the Golden Quadrilateral project (connecting Delhi-Kolkata-Chennai-Mumbai-Delhi) while Phase II primarily covered the North-South and East-West Corridor (NSEW) project.

- NHDP (Phase III) was launched in 2005 for up gradation and four laning of 10,000 km of selected high-density corridors of National Highways at an estimated cost of Rs. 55,000 crores (at 2005 prices) (USD 12.544 billion).

⇒ NHDP (Phase IIIA) aims at connecting state capital and places of economic and tourist importance with Phase I and II covering a length of about 4,000 km and has been planned mainly on BOT basis

Phases in Conceptualization stage

The government has in-principally approved Phases III B, IV, V, VI and VII of the National Highway Development Program to be built under BOT model with Design, Build, Finance and Operate (DBFO) pattern.

- NHDP (Phase IIIB) aims at covering length of 6,063 kms and has been planned completely on BOT basis. No section of this phase has yet been awarded.
- NHDP (Phase IV): Upgradation of 20,000 km of single- and intermediate-lane national highways into two lanes and paved shoulders at an estimated cost of Rs.27,800 crores.
- NHDP (Phase V): Six-laning of 6,500 km of national highways at an estimated cost of Rs.41,210 crores.
- NHDP (Phase VI): Development of 1,000 km of expressway at an estimated cost of Rs.16,680 crores
- NHDP (Phase VII): Construction of bypasses, flyovers, railway overbridges at required locations at an estimated cost of Rs.16,680 crores.

Future Prospects

The government's emphasis on infrastructure development holds a lot of promise for the construction industry.

The roads sector is expected to be the largest contributor to infrastructure investments anticipated over the next 5 years. It is expected to contribute around 38 per cent of total infrastructure investments as against 36 per cent contributed in the previous 5 years. The order books of construction companies are therefore likely to be more influenced by this sector.

⇒ **Key Highlights:**

(Source: Crisil Research, *Construction – Annual Review, May 2007.*)

- Over the next 5 years, investments in roads sector are expected to grow by a CAGR of 15 %.
- During this period, total investment of Rs 2,306 billion is expected to be pumped in the roads sector as against Rs. 1167 billion in past 5 years (2001-02 to 2005-06).
- Out of this, around Rs 957 billion is expected to be made under Central government sponsored schemes, of which around 70 % of the investments are expected to be made under NHDP and PMGSY. (Source: Crisil Research, *Roads & Highways – Annual Review, September 2006.*)
- The average road construction activity under NHDP is expected to increase from an average of 1550 kms per year in the last 5 years to 3300 kms per year in next 5 years. (Source: Crisil Research, *Roads & Highways – Annual Review, September 2006.*)
- The private players are expected to bring in Rs 180 billion towards the equity component in respect of the NHAI BOT projects expected to be awarded in the next 5 years. (Source: Crisil Research, *Roads & Highways – Annual Review, September 2006.*)

⇒ **Major Policy Initiatives for attracting Private Investment**

(Source: NHAI website)

- Government will carry out all preparatory work including land acquisition and utility removal. Right of way (ROW) to be made available to concessionaires free from all encumbrances.
- NHAI / GOI to provide capital grant up to 40% of project cost to enhance viability on a case to case basis
- 100% tax exemption for 5 years and 30% relief for next 5 years, which may be availed of in 20 years.
- Concession period allowed up to 30 years
- Duty free import of specified modern high capacity equipment for highway construction.

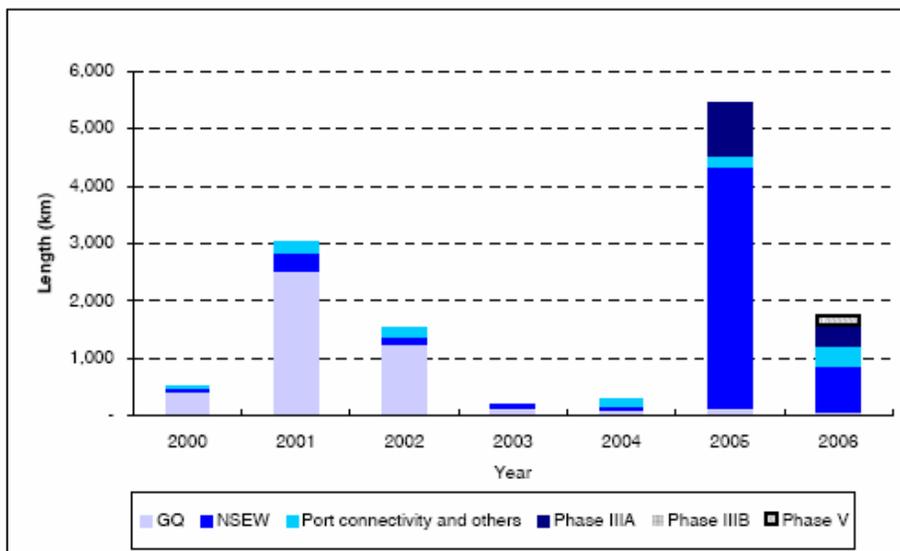
NHAI Awarding & Completion Schedule

(Source: Crisil Research, Roads & Highways – Annual Review, Feb 2007.)

In 2005 the National Highway Development Programme (NHDP) – saw a record level of awarding. Around 5,000 Km of road length was awarded in 2005 and around 78% of this total length was awarded under Phase II [North South East West (NSEW)] alone. However NHAI failed to carry the same momentum in 2006 and a total of only 1731 km were awarded.

Though going forward it is expected that such delays will not occur and that awarding of contract would be put on a fast track.

NHDP: Past and expected awarding

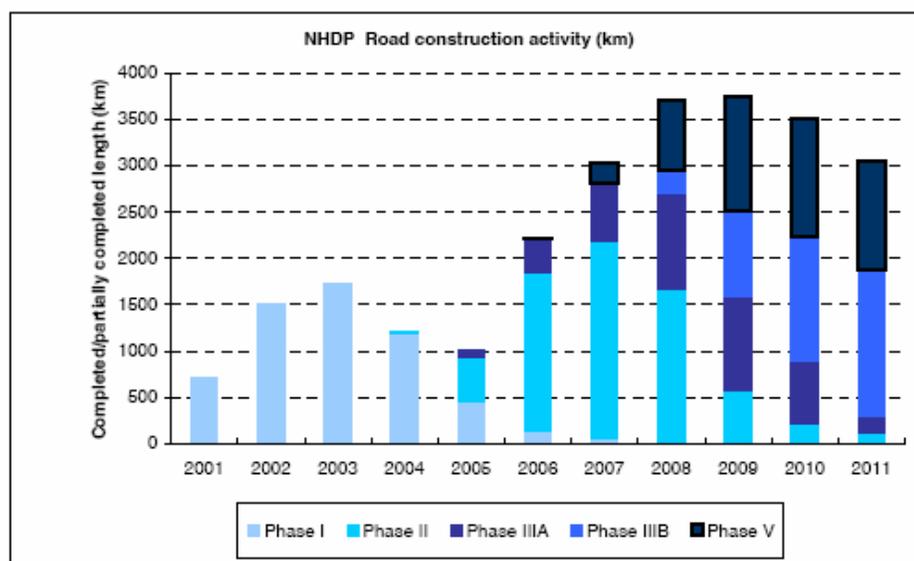


Source: NHAI and CRISIL Research

It is estimated that all the current ongoing programmes under NHDP will be substantially completed by 2011 (Graph Below)

- GQ: Substantial completion by 2006
- NSEW: Substantial completion by 2010
- Phase IIIB: completion by 2011

NHAI implementation schedule



Source: CRISIL Research

Golden Quadrilateral:

The first of the sub-programmes initiated under NHDP has already achieved substantial completion. As on December 21, 2006 around 94% of the GQ was complete.

North South East West (NSEW)

As on December 31, 2006 around 12% of the NSEW stretches were dully complete. Currently almost 74% of the total length of NSEW is under implementation.

Phase III A

Phase III A was launched in 2005. This phase has been planned completely on BOT basis. So far 22 BOT projects covering a total length of 1326 km have been awarded but a substantial amount of the length planned under this phase is left to be awarded.

Phase V

This phase entails the six laning of existent four laned roads involving a total length of 6500 km of which around 5600 km fall under the GQ

Phases IIIB, IV, VI and VII

Phase IIIB will see awarding post 2008 after the awarding of Phase IIIA is completed. Phase IIIB involves four laning of around 6000 km of roads of which 50% of the stretches are likely to be awarded on cash contract/annuity basis.

Most of the other phases are still in the conceptualization stage although in some cases certain stretches have been identified for development and Upgradation.

Irrigation

Water-related infrastructure facilities are the backbone of any civilization as water is the most crucial resource for any development planning. Clean drinking water is the most essential requirement. Water is also the most vital input for agriculture and increasingly also for industry. The Tenth Five Year Plan identified several issues that needed to be tackled in the water sector, including irrigation, flood control and command areas development, including the requirement for rural and urban sanitation. As per the 10th Five Year Plan, India has 16% of the world's population and has only 2.45% of the world's land resources and 4% of the world's fresh water resources.

Most of its fresh water needs are met through rainfall, 76% of which occurs between June and September each year on account of the southwest monsoon.

Rural Water Infrastructure

Water is a critical input for agriculture and this call for more effective utilization of existing irrigation potential, expansion of irrigation where it is possible at an economic cost and better water management in rain fed areas where assured irrigation is not possible. The Government of India has initiated the Bharat Nirman program- a four-year program (2005-06 to 2008-09) to develop India's rural infrastructure. As per the Bharat Nirman program, the target is to create 10 million hectare of irrigation potential, comprising 6 million hectare from major and medium projects, 3 million hectare for ground water development and 1 million hectare for minor irrigation projects. These targets are planned to be met largely through expeditious completion of identified ongoing major and medium irrigation projects.

Irrigation projects can be classified on the basis on the nature of civil construction activity and usage into:

- Dam projects
- Water reservoirs
- Small hydropower projects (10-20 mw capacity)
- Lift and gravity technology to create water distribution networks

Future Outlook

(Source: Crisil Research, *Construction – Annual Review, May 2007.*)

Opportunity

⇒ After roads, urban infrastructure and power sectors, irrigation is expected to be the biggest contributor to total infrastructure investments expected to materialize over the next 5 years.

To achieve the target of creation of 10 million hectare of irrigation potential as envisaged in the 10th plan, the pace of potential creation will have to increase from 1.42 million hectares per year in recent years to 2.5 million hectares per year. Out of the new potential envisaged under Bharat Nirman, about half is planned for 2007-08 and 2008-09 that is first 2 years of the 11th Plan. Assuming the same rate continues thereafter, a total of about 11 million hectares of new potential can be expected in the 11th Plan consisting of 5.5 million hectares in major & medium irrigation, 3.5 million hectares through minor irrigation and about 2.0 million hectares through ground water development. In addition, another 3-4 million hectares of land is to be restored through modernization of major, medium, and minor projects and restoration of tanks

Potential

⇒ Over the next 5 years, it is expected that total investments of Rs 1,240 billion will be made as compared to total investments of Rs 844 billion made over the previous 5 years. Investments in irrigation are likely to lead to a construction demand of Rs 744 billion over the next 5 years.

Funding

⇒ Irrigation is funded mainly by state government allocations. Investments in the major and medium irrigation sector will require large resources from the state governments supported by Central Assistance under Accelerated Irrigation Benefit Programme (AIBP). Andhra Pradesh, Gujarat, Maharashtra, Karnataka, and Uttar Pradesh are the few states to have witnessed substantial investments in the irrigation sector over the last 5 years. Over the next 5 years, around Rs 400 billion worth of irrigation projects have been envisaged in Andhra Pradesh alone, and therefore, it will be one of the key areas for the implementation of irrigation projects.

Urban Water Infrastructure

After roads sector, urban infrastructure is expected to be the second-largest contributor to infrastructure investments over the next 5 years. Urban infrastructure investments — including water supply and sanitation projects (WSS) — will get the much-needed boost from the Jawaharlal Nehru Urban Renewal Programme (JNNURM).

Water supply projects are mainly for industrial and residential entities and are therefore, city specific. The 10th Five Year Plan period draws attention to the requirement for building additional infrastructure amenities to increase the access to water supply facilities and sewage and sanitation facilities for the urban population. The Central Public Health and Environmental Engineering Organization (CPHEEO) has estimated that the urban population in the country is expected to be 363 million people by end of the year 2007. To achieve the targeted figure, the investments that need to be made during this period are given below.

Segment	Funds (US\$ billion)
Water supply	6.27
Sanitation	5.15
Solid waste management	0.52
Total	11.94

Source: Central Public Health and Environmental Engineering Organization (CPHEEO)

The following disclaimer is in respect of the information which has been obtained from CRISIL Research

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OUR BUSINESS

Any reference to 'we', 'us' or 'our' in this section would, unless the context otherwise requires, also be deemed to include the business activities of our joint ventures.

Overview

We are an infrastructure project development company providing engineering, procurement and construction services across various fast growing sectors namely roads & highways, irrigation and urban water infrastructure management. Our project execution strength primarily is in road transportation engineering projects namely construction and maintenance of roads, highways, flyovers and bridges wherever integral to the projects undertaken. Our strong project management skills help us in timely and successful completion of projects.

We were incorporated in 1995 by professionals having experience in the field of infrastructure development. In 1997, we acquired at their book values the assets and liabilities of M/s K. Narasimha Reddy & Co. ("partnership firm"), which was engaged in the business of undertaking civil and mechanical contracts work since 1979, for details please refer to the section titled "Our History and Corporate Matters" on page 99 of the Red Herring Prospectus. We have over a period of time gained expertise in construction of roads on EPC basis and further diversified into other infrastructure segments like irrigation, water supply and urban water infrastructure management.

We have in the past executed infrastructure projects independently as well as through joint ventures. Currently, most of the road projects under execution are with our joint venture partner, Patel Engineering Limited with whom we have business association for the past 7 years. As on November 30, 2007, we have 25 projects on hand across various states in India covering Uttar Pradesh, Madhya Pradesh, Assam, Andhra Pradesh, Karnataka, and Tamil Nadu. Our Company has the ability to bid, execute and implement medium and large size projects across various infrastructure segments.

The estimated unexecuted order book position as at November 30, 2007 was Rs. 17,338.25 million, which is approximately 5.4 times the operational income of fiscal 2007 on consolidated basis.

Composition of our order book as of November 30, 2007 is as follows:

Sectors	Balance Order Book as at November 30, 2007	
	Rs. in million	%
Road transportation engineering projects	15,490.28	89.34
Irrigation and Water Supply	1,456.46	8.40
Urban Water Infrastructure Management	391.51	2.26
Total	17,338.25	100.00

Our Vision

We intend to become a world-class construction company having presence across all segments of infrastructure development. We are committed to create wealth out of nation's available resources by using latest technologies and precision engineering.

Our Strengths

We believe our Company has the following competitive strengths:

1. Significant experience and strong track record in timely and successful execution of projects

Execution of infrastructure development projects requires significant amount of technical expertise and skill. Pre-qualification for bidding of such projects is often based on past experience of execution of similar projects and financial strength of the bidder.

Our Promoters have significant experience of executing various road transportation engineering projects involving construction of roads, highways, flyovers, bridges etc. We believe our experience together with our

consistent and successful track record of timely completion of projects provides us a competitive edge in winning new bids in roads and highways sector. In addition to, our proven capabilities of executing medium and large road transportation engineering projects, we have successfully forayed into execution of irrigation and water management projects. Currently, we are executing 3 irrigation projects of which one is with our joint venture partner Backbone Projects Limited [KNR-BPL (JV)] and two with our joint venture partner Sri Laxmi Engineering Co. [KNR-SLEC (JV)] with a contract value of our share including the value of work sub-contracted by KNR-BPL (JV) aggregating approximately Rs. 1,912.80 million. As on November 30, 2007 we have executed work aggregating approximately Rs. 456.34 million and balance order book aggregating approximately Rs. 1,456.46 million is under execution.

Details of some of the major projects completed by us directly or in joint ventures since 2002 are detailed herein below:

Name and nature of the project	Client	Location	Contract value in Rs. Million	Date of Completion
Four laning of NH-24 from Km.27.643 to 48.638 and construction of Hapur Bypass in Uttar Pradesh [NCC-KNR (JV)]	NHAI, New Delhi	Uttar Pradesh	1,153.61	26.09.2002
Rehabilitation and upgrading of Surat - Manor section of NH-8	Patel Engineering Limited, Mumbai	Gujarat	2,550.00	07.02.2004
Widening to 4 lanes and Rehabilitation of Existing 2-lane carriageway of Krishnagiri-Vaniyambadi section of NH-46 in the State of Tamil Nadu [Patel-KNR (JV)]	NHAI, New Delhi	Karnataka	1,714.25	31.03.2005
Widening to 4/6 lanes and strengthening of the existing 2-lane carriageway of NH-5 in the state of Andhra Pradesh from km.178.00 to 222.00 (Nellore-Kavali)	NHAI, New Delhi	Andhra Pradesh	1,612.19	31.05.2005
Major Maintenance Works under Uttar Pradesh State Road from Azamgarh to Ghazipur	Project Director, State Road Project Uttar Pradesh	Uttar Pradesh	250.92	31.03.2005

2. We believe that we have earned significant reputation and goodwill in road construction sector, as demonstrated by the repeat orders received by us on continuous basis

We have received repeat orders from NHAI on continuous basis, which we believe is on account of our commitment in maintaining high standards of quality in respect of materials used and technology employed, use of latest equipments, safe and timely completion of projects.

3. Good clientele base

Most of our clients are governmental agencies like the NHAI, and public works department under the State Governments of Andhra Pradesh, Madhya Pradesh, Karnataka, Tamil Nadu and Uttar Pradesh which we believe have the ability to adequately fund the projects. We have also been executing projects, funded by multilateral agencies like World Bank and Asian Development Bank. These multilateral agencies regularly monitor the progress of the projects and ensure not only timely completion but also timely payment to the contractors. The following table shows the composition of funded projects:

	Bal. Value (Rs. Million)	% to total
Central Government bodies	11,791.45	68.01
World Bank/Asian Development Bank etc	3,698.83	21.33
State Governments	1,847.97	10.66
Total	17,338.25	100.00

4. Qualified and experienced employees led by a proven management team

We have a team of qualified and experienced employees. Of the 718 employees working in our Company as well as in our various joint ventures as on November 30, 2007, 120 are qualified engineers. The skill sets of our employees provide us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake.

Our management team led by our Managing Director, who has over three decades of experience in the construction industry, has expertise and experience in the road construction sector. The experience gained over the years by our management team enables us in taking appropriate decisions thereby ensuring that projects are executed in an efficient manner within the contracted timelines.

5. Expertise in sourcing and maintaining supply chain for raw material

Some of the key raw material which are required for our business are bitumen, diesel, cement, steel, stone aggregates. Our ability to source these key raw materials in proximity to our operating sites enables us to control our operating costs and the project execution period. Procurement of stone aggregate from our captive quarries has also enabled an assured supply on a timely basis at reasonable prices.

6. Strong order book position

Our unexecuted order book position of Rs 17,338.25 million as on November 30, 2007 is approx 5.4 times of our operational income for FY 2007. We believe our existing order book, which is executable in about next 24 to 30 months together with contracts that may be awarded to us against our existing bids, will continue to drive our growth in coming years.

Our Business Strategy

We intend to achieve our growth objectives by adopting the following strategies:

1. Maintain performance and competitiveness of existing business to capitalize on huge investments expected to be made in infrastructure development especially in segments where we presently operate

We recognize the importance of the infrastructure development in India and the high impetus given by the Government of India in all segments of infrastructure. Considering the huge potential in our existing line of business, we intend to maintain competitiveness of our existing business and achieve growth by capitalizing on our strong project execution skills and further improving them to enhance our scale of operations to undertake large sized projects. To achieve this objective, we intend to continually focus on increasing our bidding capacity and pre-qualification abilities to enable us to bid for larger projects.

2. Focus on BOT based projects in the infrastructure sector

Central and State Governments are pursuing the BOT strategy to encourage development of the infrastructure facilities in India. Toll based BOT projects offer the possibility of higher revenues to the contractor by virtue of better than anticipated use of the asset. Our joint venture Patel-KNR (JV) has been awarded two road projects under the annuity model by NHAI. Further, going forward we also intend to simultaneously focus on

toll-based projects by leveraging our technical and financial credentials, which we believe will further improve after the proposed Issue. A stronger balance sheet should enable us to bid for more projects, including BOT projects on our own or in alliance with other construction companies.

We intend to maintain appropriate mix between Annuity and Toll based BOT projects, which we believe will help us in optimising the returns and in keeping the business risk under control by ensuring stable cash flows.

3. Focus on Irrigation and Water Supply projects

We intend to capitalize on our experience in road construction to build our expertise in executing medium and large irrigation projects, which generally offer higher operating margins due to higher engineering skills required in executing such projects. Currently, we are executing three irrigation projects.

4. Focus on urban water infrastructure management projects

As a part of our long-term strategy of having presence in all segments of Infrastructure, we have further diversified our operations by venturing into execution of urban water infrastructure management projects namely sanitation, sewage management etc. We are currently executing a project for Bangalore Mahanagara Palike with a contract value of Rs. 451.91 million.

With rapidly increasing urbanization in our Country, we believe this sector will attract huge investments in coming years. We intend to procure bigger projects in this sector by forming alliances with suitable partners on similar lines as in road and irrigation sector.

5. Focus on projects involving higher degree of engineering skills

The projects involving higher level of precision and complex engineering skills and higher mechanisation provide better operating margins. We intend to gradually increase our engineering capabilities by making continuous investments in building a dynamic organisation with competent professionals from reputed institutes and providing them a level playing field to pursue their activities creatively in line with organizational objectives.

6. Leverage our business growth by identifying and forming strategic joint venture relationships for mutual benefit through sharing of resources and business skills.

We have formed joint ventures, which enable us to meet pre-qualification criteria required to bid for larger projects, and/or local logistics support, and/or required skill sets. As on November 30, 2007 we are executing contracts with our joint venture partners' worth approximately Rs. 11,625.98 million, of which our share including the value of the work sub-contracted to our Company is approximately Rs. 8,291.65 million. Currently most of the projects under execution are with our joint-venture partner, Patel Engineering Limited with whom we are associated for the past 7 years. These projects form 32.81% of the current order book as at November 30, 2007. For details of our joint ventures please refer to section titled 'Our History and Other Corporate Matters' on page 99 of the Red Herring Prospectus.

We intend to build on our existing relationships with our joint venture partners and also create new joint venture relationships for our future projects, particularly for large value projects in our existing business segments and also for entering into new business segments.

Business Operations

We are an infrastructure project development company. Our execution strength lies in road transportation engineering projects and have further diversified into other related segments like irrigation, water supply and urban water infrastructure management.

Presently we are executing 25 contracts spread across various states in the country. Execution of all our projects is systematically planned in terms of material, manpower, machinery and finance. Our top management is actively involved and closely monitors all the projects on a regular basis thereby ensuring quick decisions and timely availability of all resources.

As a normal business practice, we undertake contracts either solely on our own or as a main contractor or subcontractor. Further depending on business needs we may outsource our work to our subcontractors. This may

be done either by sub-contracting a part or sub-contracting the entire contract. When only part of the work is subcontracted it may broadly be in the nature of civil/technical works and are generally of a low value. In case of sub-contracting the entire project, although the sub contractor is made fully responsible for execution of the project overall responsibility lies with us.

(A) Road Transportation Engineering Projects

List of the few major projects which have been awarded and currently under execution by our Company and our joint ventures are summarized as follows:

a) Lucknow - Rai Bareilly Project (Package RMC-21) worth Rs. 320.64 million

This project involves the rehabilitation road works of 65.303 km of Lucknow - Rai Bareilly Road SH36. This contract was awarded to us by the Public Works Department of the State of Uttar Pradesh and the funding for the same has been arranged from World Bank. The scheduled date of completion of the project is March 31, 2008.

b) Shahajanpur - Jalalabad Project (Package RMC-35) worth Rs. 329.65 million

This project involves the rehabilitation road works of 49.643 km of Shahajanpur - Jalalabad Road SH29. This contract was awarded to us by the Public Works Department of the State of Uttar Pradesh and the funding for the same has been arranged from World Bank. The scheduled date of completion of the project is March 31, 2008.

c) Raniganj – Raibareilly Project (Package RMC-24) worth Rs. 553.76 million

This project involves the rehabilitation road works of 57 km of Raniganj – Raibareilly Road SH – 15. This contract was awarded to us by the Public Works Department of the State of Uttar Pradesh and the funding for the same has been arranged from World Bank. The scheduled date of completion of the project is December 27, 2008.

d) Lucknow - Bangerumau Project (Package UPG/06) worth Rs. 559.41 million

This project involves the upgradation of road works of 73.229 km of Lucknow - Bangerumau Road SH-40. This contract was awarded to us by the Public Works Department of the State of Uttar Pradesh and the funding for the same has been arranged from World Bank. The scheduled date of completion of the project is December 18, 2008.

e) Fourteen Roads in East Zone, Bangalore City Project (Package KMRP-02) worth Rs. 658.95 million

This project involves the strengthening and rehabilitation of road works of 42 km comprising of fourteen roads in East Zone of Bangalore City. This contract was awarded to us by the Municipal Corporation of Bangalore City, State of Karnataka and the funding for the same has been arranged from World Bank. The scheduled date of completion of the project is March 31, 2008.

f) Morena- Sabalgarh- Shampur Project (Package 1) worth Rs. 684.66 million

This project involves the rehabilitation and strengthening of Section of 119 km of Morena- Sabalgarh Road SH – 2 and (ii) Sabalgarh – Shampur Section of SH – 23. This contract was awarded to us by Madhya Pradesh Road Development Corporation Limited, State of Madhya Pradesh and the funding for the same has been arranged from ADB. The scheduled date of completion of the project is April 24, 2008.

g) Lumbding – Lanka Project (Package AS-15) worth Rs. 1,439.68 million

This project involves the widening and strengthening of 18 km stretch of Lumbding - Lanka National Highway from single lane to 4 lane. The contract amounting to Rs. 1,439.68 million was awarded to our 50:50 joint venture Patel – KNR (JV) by NHAI of which our share is Rs. 719.84 million (being our share in the joint venture). The scheduled date of completion of the project is September 30, 2008.

h) Madurai-Kanyakumari Project (Package NS-39) worth Rs. 2,825.80 million

This project involves the two laning to four laning and strengthening of 43 km stretch of Madurai-Kanyakumari NH-7 section. The contract amounting to Rs. 2,825.80 million was awarded to our 50:50 joint venture Patel – KNR (JV) by NHAI, which was further sub-contracted to the tune of approx. Rs. 2,721.63 million (revised value) to our Company by the said joint venture. The scheduled date of completion is April 12, 2008.

i) Nagaon- Dharamtul Project (Package AS-18) worth Rs. 2,387.25 million

This project involves the widening and strengthening of Nagaon- Dharamtul National Highway from 2 lane to 4 lane. The contract amounting to Rs. 2,387.25 million was awarded to our 50:50 joint venture Patel – KNR (JV) by NHAI of which our share is Rs. 1,193.63 million (being our share in the joint venture). The scheduled date of completion is May 15, 2008.

j) Madurai-Kanyakumari Project (Package NS – 43) worth Rs. 2,243.58 million

This project involves the widening and strengthening of 42 kms stretch of Madurai Kanyakumari NH-7 section from 2 lane to 4 lane. The contract amounting to Rs. 2,243.58 million was awarded to our 50:50 joint venture Patel – KNR (JV) by NHAI of which our share is Rs. 1,121.79 million (being our share in the joint venture). The scheduled date of completion is April 9, 2008.

k) BOT projects

In order to further diversify our operations and generate better margins, we have forayed into road projects to be executed on BOT basis through an alliance with our joint venture partner Patel Engineering Limited. Our joint venture Patel-KNR (JV) has been awarded 2 (two) annuity based road projects, details of which are as under:

1. Project KNT-1 in the State of Karnataka (Package No. NS-2/BOT/KNT-1)

This project has been awarded by NHAI to our joint venture Patel-KNR (JV) and involves the following:

- a) Design, Construction, development, finance operation and maintenance of km 463.6 km (AP/Karnataka border) to km 524.0 (Avathi Village) and
- b) Improvement, Operation and Maintenance of km 524 (Avathi Village) to km 527 (Nandi Hills Crossing) and km 535 (Devanhalli Village) to km 539 (Meenakunte Village) on NH-7 in the State of Karnataka under North-South Corridor (NHDP Phase II) on BOT (Annuity) Basis.

As a part of the Letter of Acceptance granted by NHAI, a Concession Agreement is required to be entered into with the Concessionaire, which shall be a Special Purpose Vehicle (SPV) to be formed for executing the project. Accordingly, the Concession Agreement has been executed by NHAI with our SPV, M/s Patel KNR Infrastructures Private Limited. Our Company has a 40% shareholding in the said SPV, while the balance 60% is held by M/s Patel Engineering Limited. The financial closure for this SPV has been achieved. Estimated value of the contract is Rs. 4,428.70 million, of which EPC contract aggregating Rs. 3,500 million has been sub-contracted by the SPV to our Company. The construction for the said project is underway and the scheduled date of completion is March 26, 2009.

Further as a part of the Concession Agreement post completion of the construction and maintenance of the project, the SPV shall be eligible to receive a semi-annuity amount of Rs.329.40 million in 36 equal instalments.

2. Project AP-7 in the State of Andhra Pradesh (Package No. NS2/BOT/AP-7)

This project has been awarded by NHAI to our joint venture Patel-KNR (JV) and involves the Design, Construction, development, finance, operation and maintenance of Islam Nagar (km 230.00) to Nagpur-Hyderabad section on NH-7 in the State of Andhra Pradesh, under North –South Corridor (NHDP Phase II) on BOT (Annuity) Basis. The revised estimated value of the contract is Rs. 6,000.00 million.

We have formed a SPV by the name M/s Patel KNR Heavy Infrastructures Private Limited, wherein our shareholding is 40%, while the balance 60% is held by M/s Patel Engineering Infrastructures Private Limited since October 1, 2007. The Concession Agreement for the project has been entered into and financial closure is expected to be achieved shortly. The revised value of the project is estimated at Rs. 6,000.00 million, of which contract aggregating Rs. 4,660.00 million has been sub-contracted by PEL (EPC Contractor) to our Company. The scheduled date of completion of construction of this project is March 1, 2010.

Post completion of the construction of the project, the SPV shall be eligible to receive a semi-annuity amount of Rs.443.70 million in 36 equal instalments.

(B) Irrigation and Water Management Projects

Irrigation projects have been given impetus by various states in India and predominantly by the State Governments of Andhra Pradesh, Gujarat, Maharashtra and Rajasthan. With the growing opportunity in developing agricultural infrastructure, we have entered into execution of irrigation and water supply projects, primarily in the State of Andhra Pradesh. By adopting this strategy, we intend to replicate our expertise in road transportation engineering projects in this sector also.

We are currently executing 3 (three) irrigation projects with our joint venture partners M/s Sri Laxmi Engineering Company [KNR-SLEC (JV)] and M/s Backbone Projects Limited [KNR-BPL (JV)] with a contract value of our share including the work sub-contracted by KNR-BPL (JV) aggregating approximately Rs.1,912.80 million. As on November 30, 2007 we have executed work aggregating approximately Rs. 456.34 million, with balance order book aggregating approximately Rs. 1,456.46 million is pending to be executed.

List of the projects which are currently under execution are summarized as follows:

a) Shankara Samudram Balancing Reservoir in the State of Andhra Pradesh (Package 27)

This project involves the investigation, design, estimation of left main canal, distributory system including construction of CM&CD works from Shankara Samudram Balancing Reservoir, Mahaboobnagar District to feed 49,000 acres of irrigable land. The contract amounting to Rs. 1,494.00 million was awarded to our 49:51 joint venture KNR-BPL (JV) by the Irrigation and CAD Department, Government of Andhra Pradesh which was further fully sub-contracted by the said joint venture to our Company. The scheduled date of completion is October 4, 2008.

b) Reservoir Across Mathadivagu in the State of Andhra Pradesh (Package 9)

This project is on an EPC basis and involves the following:

- a) Design, estimation and construction of reservoir across Mathadivagu, Adilabad District, in the State of Andhra Pradesh;
- b) Construction of earthen dam, spillway to dispose off 1968 cumecs (69500 cusecs) including fabrication, supply and erection of gates, gate operation equipment, all accessories, painting to gates and electrification etc; and
- c) Construction of head regulator for letting out water into left canal, excavation of left irrigation channel with lining, distributory system and field channels to irrigate an ayacut of 8500 acres, I.D. Khariff including its maintenance.

The contract amounting to Rs. 378.00 million was awarded to our 60:40 joint venture KNR-SLEC (JV) by the Irrigation and CAD Department, Government of Andhra Pradesh of which our share is Rs. 226.80 million (being our share in the joint venture). The scheduled date of completion is December 11, 2007. We have made applications to the concerned employer requesting for extension of time, however communication from the said employer is awaited.

c) Budpur Balancing Reservoir in the State of Andhra Pradesh (Package 20)

This project is on an EPC basis and involves the following:

- a) Investigation, design, estimation and execution of Budpur balancing reservoir, Mahaboobnagar District, State of Andhra Pradesh;
- b) Construction of earthen dam, spill way; and
- c) Construction of head regulators to let water into Left & Right main canal.

The contract amounting to Rs. 369.80 million was awarded to our 60:40 joint venture KNR-SLEC (JV) by the Irrigation and CAD Department, Government of Andhra Pradesh of which our share is Rs. 221.88 million (being our share in the joint venture). The extended date of completion is March 31, 2008.

(C) Urban Water Infrastructure Management

We are currently executing an urban water infrastructure management project aggregating to Rs. 451.91 million in the State of Karnataka, out of which work to be completed is around Rs. 391.51 million

a) Challaghatta Main Valley Project (Package CVD II)

This project involves the remodelling of primary and secondary storm drains, bridges/culverts and related works in Challaghatta Main Valley Bangalore City. This project was awarded to our Company by the Bangalore

Mahanagara Palike the value of this contract is Rs. 391.51 million. The scheduled date of completion for the project is July 24, 2007. We have made applications to the concerned employer requesting for extension of time, however communication from the said employer is awaited.

Quarrying operations

One of the primary raw materials required for all road constructions projects is stone aggregate. Stone aggregate is crushed from boulders, which is procured either by blasting mountains, or extracted from the surface layers of sheet rock. Our requirement for stone aggregate is met out of boulders crushed through our own crushers at various sites.

Once a construction project is awarded to us, we identify the nearest source to obtain boulders. After identifying the source, we purchase land on an outright basis or take it on lease from Government/private parties to extract the boulders. The process of identifying a source also involves testing of samples from the source and getting it approved from the client. We also carry out various tests to check suitability of the stone aggregate such as impact value, flakiness, water absorption, etc. Once the material has passed all requisite tests, planning is done for arriving at the extraction process, which is done with the help of excavators and dumpers in case of surface layer sheet rock and drilling/blasting in case the source is from mountains.

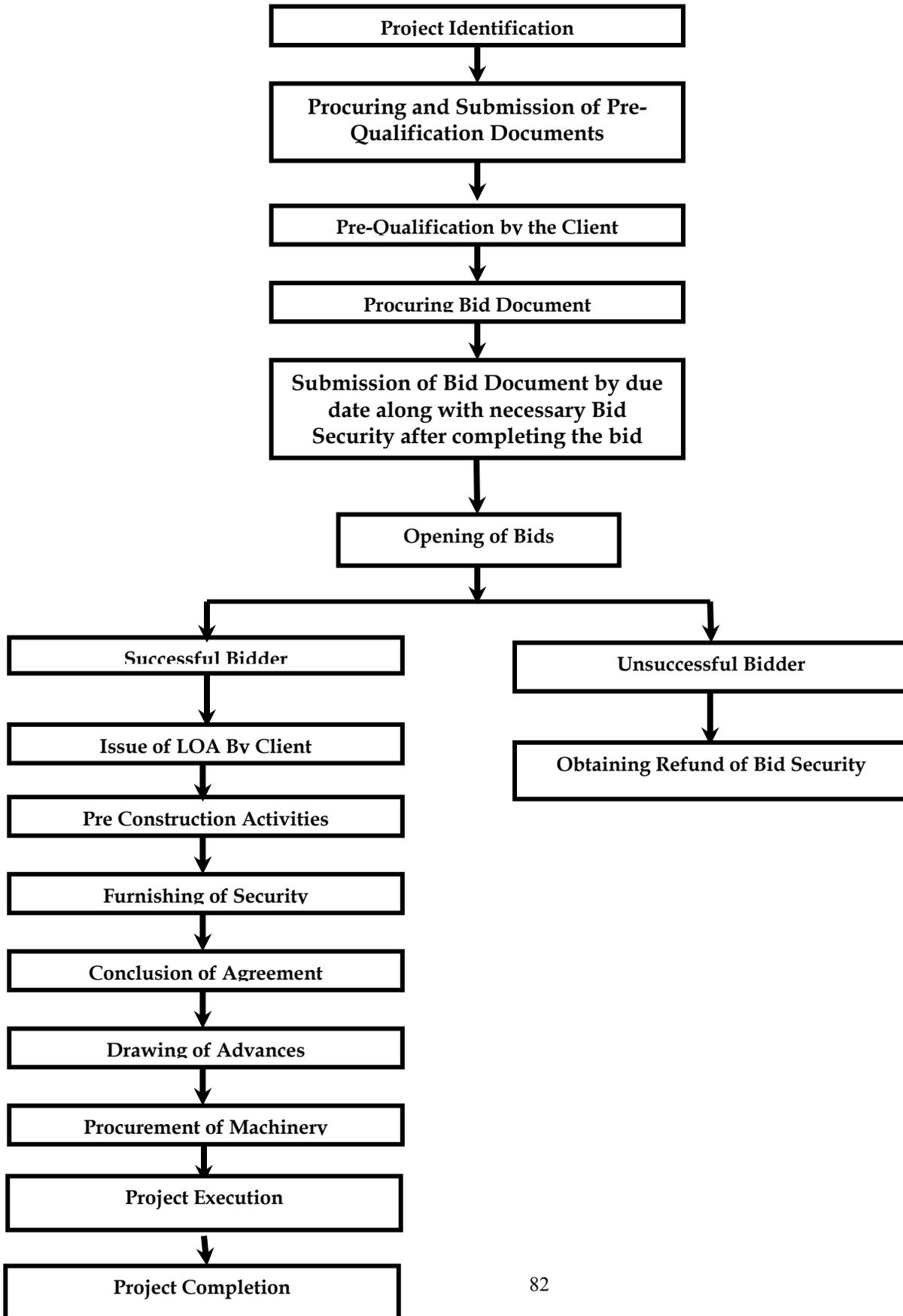
Joint Ventures

Keeping in mind the business consideration and operational convenience we may enter into joint ventures while bidding for certain projects. We enter into joint ventures with third parties to combine technical & financial resources to enable us to successfully bid for larger projects. We, along with our joint venture partners, tender our bids for projects in the name of the joint venture for which the agreements entered into are either project specific or general in nature. Project specific joint venture agreements typically terminate in the event the joint venture is not awarded the project, or in the event the joint venture does not obtain permission to tender for the project or on cancellation of the project, whereas general joint venture agreements terminate after a pre-determined time. Additionally, project specific joint venture agreements remain valid until the project is completed and automatically terminate once all work in relation to execution of the project is complete.

The joint venture agreements set forth the terms and conditions governing the relationship between our Company and our joint venture partner(s). The joint venture agreement provides that the parties have joint and several responsibilities for the execution of the contract, once awarded. The financial responsibility and participation of each party with respect to finances, planning, construction equipment, key personnel and execution of works is typically in the ratio prescribed in the agreement. The joint venture operates under the instructions of a management committee.

Till date, we have generally bid for projects jointly with Patel Engineering Limited to enable us to obtain and execute larger projects that require resources beyond those which may be available, such as finance, equipments, manpower or local content resources. For details of our existing joint ventures please refer to the section titled 'Our History and Other Corporate Matters' on page 99 of the Red Herring Prospectus.

Process Project Cycle



The various stages involved in project management are detailed below: -

PHASE I

Awarding the contract

- Expression of interest- called for by the project owner
- Request for Qualification (RFQ) or Pre-qualification
- Invitation to tender / request for proposal / (RFP)
- Obtain Document- purchase of tender document
- Site Visit and Pre-Bid Queries
- Post -qualification / technical Documentation and Financial Bid
- Submission of the tender along with Earnest Money Deposit (“EMD”)
- Award of the contract to the lowest bidder and issue of LOI
- Signing of the contract along with submission of performance securities and refund of EMD

PHASE II

Execution of the project

- Prepare the Project Cost and Analysis for execution, detailed execution plan, detailed resource plan and expenditure plan
- Kick-off meetings.
- Mobilization of resources
- Purchase of materials required in the project
- Execution of the project as per execution plan
- Raising monthly (as per tender condition) Interim Payment Certificates

Project Closure

- Implement all project completion activities to the satisfaction of the client.
- Raising of final bill
- Taking substantial completion certificate
- Taking handing over certificate
- Implementing Defect Liability /O&M period, if there is any
- Receive the final retention money after Defect Liability Period

Business Origination

Our contracts expose us to significant construction and cash flow risks. To mitigate these risks, we have developed a risk management system that includes screening the project during the bidding stage. This involves an analysis of the quality of the client, the contract value, nature of competition and efficient project management. Our business revolves around the following basic parameters namely pre-qualification criteria and bidding strategy which are explained below:

Pre-qualification parameters

The client normally sets out pre-qualifying criteria for each project, which generally includes:

- **Technical Capability:** The bidder should have experience in executing projects of similar nature and possess sufficient technology, manpower and machinery (either owned or hired),
- **Financial Strength:** This generally includes criteria such as minimum annual turnover, net worth as well as ability to raise working capital facilities. In case the company does not meet the pre-qualification criteria to take up the project independently and the project allows association of more than one company to participate and bid for the project, then companies can form Joint Ventures and bid for the project. Joint Venture participation allows individual partners to pool in their resources for pre-qualifying to bid for large projects. These Joint Ventures are project specific JVs/ MOUs. Joint Ventures of this type exist till the completion of the project, if awarded and ceases to exist in case the project is not awarded.

Bidding Process and Awarding of contract

Invitation for bids

The client invites pre-qualifications from bidders. The bidder analyses the scope of the project considering factors like the risks involved, location, technology and machinery, manpower and such other requirements as may be necessary for executing the project. A detailed study of the technical and financial aspects of the project is conducted.

Submission of bids

The business development department of the bidder prepares the pre-qualification bids. If the bidder pre-qualifies independently or through joint venture/MOU they bid for the contract by submitting a technical bid and financial bid. In some cases the pre-qualification and financial bids are submitted simultaneously. The bidder is also required to furnish a bid security along with the bid application.

Awarding of contract

Generally, the contract is awarded to the lowest bidder and the client issues the Letter of Acceptance (LOA). On receipt of award and signing the contract, the client returns the bid security taken from the contractor. The contractor has to provide a performance guarantee from a bank for the project, which is usually five per cent of the contract value.

Commencement of work

On commencement of work the client releases the mobilization advance against furnishing mobilization advance guarantee as per the agreement. Further, the Government/Agency releases the machinery advance as per the agreement against furnishing machinery advance guarantee as well as deploying machineries of equivalent or more value at the project site. The said machinery cannot be shifted from the project site without the prior approval of the client during the tenure of the project. These advances are usually interest free, given by the client to the contractor.

Execution & Completion of Project

The payment to the contractor for work completed depends on the certification of the work by a consultant appointed by the principal client. At the time of payment, the client retains a percentage of the bill amount as retention money as agreed in the terms of the agreement. The client releases the retention money against a bank guarantee based on the terms specified in the agreement. Generally the tender document specifies penalties for delay in completion and incentives for early completion of the project by/to the contractor.

Return/Invocation of guarantees

Each agreement stipulates a period after handing over the project to the client as a Defect Liability Period. It is agreed between both the parties, that the contractor shall rectify any defect during this period at his cost. In case the contractor fails to do so, the client can invoke the performance guarantee/the bank guarantee for retention money towards these costs. In the event of no defects/liabilities the performance guarantee/ bank guarantee for retention money is returned to the contractor at the end of the Defects Liability Period.

Type of Contracts

We typically enter into following types of engineering contracts in our operational segments. Engineering, Procurement and Construction Contracts (EPC) and Item-rate or Percentage Contracts. In addition we also have some BOT (Annuity) based contracts.

(A) EPC Contracts

The typical scope of work includes overseeing all the stages of project implementation, including the engineering design, procurement of materials, construction of the super structure and post construction maintenance.

We have gradually upgraded ourselves from executing pure item rate/fixed rate contracts to EPC based contracts. In EPC contracts, we provide detailed engineering services, if required by the client, for the projects that we undertake. Typically, for design-build projects, the client supplies conceptual information pertaining to the project and spells out the project requirements and specification. We are required to prepare

detailed architectural and/or structural designs based on the conceptual requirements of the client and also conform to various statutory and other requirements.

For those particular segments in which we do not have in-house design capabilities, we outsource design services from experienced consultants who specialize in the particular segment. Prior to bidding for the project, our tendering department and senior management review the preliminary design prepared by these consultants. Over the years, we have, through a combination of experience and technical ability developed the expertise in assessing the preliminary pre-tender designs prepared by our consultants, vis-à-vis requirements of the client. After our initial review of the preliminary designs, we discuss with our consultants to prepare the final design for the project. Once the project is awarded to us, our consultants prepare detailed designs pursuant to the clients' requirements.

Presently, we are executing 3 projects worth Rs.3948.68 million (Rs. 448.68 million being our share in the joint ventures and Rs. 3,500 million being the value of the work sub-contracted to us by the SPV) on EPC basis.

(B) Item-rate contracts or percentage rate Contracts

The bidding for these projects is on the price per unit of each of the Bill of Quantity (BOQ) items. Therefore, any variation in the quantity of actual BOQ items as against the amount tendered will be compensated to us at the rates, which we have bid at the tender stage. As a result, the actual contract amount payable by the client will be altered as the order is executed. In a percentage rate contract, the bidder has to bid a price per unit for each of the BOQ items as a certain percentage more or less than the base price quoted by the concerned department.

Most EPC/Item/Percent rate contracts have cost escalation clauses built in, whereby any variation in the prices of key raw materials namely, stone aggregate, steel, cement, bitumen and diesel are reimbursed to us by the client.

(C) BOT projects

Build, Operate and Transfer (BOT) is increasingly preferred method for executing projects. Here, the asset to be developed is conceded to the contractor, who builds the superstructure on the asset and operates it for the period of the concession, following which the asset is transferred back to the owner. In India, this method is, however, increasingly relevant in road development. BOT projects especially in the road sector can generate revenues to the contractor in following two forms:

- a) Annuity based: The concessionaire pays a regular annual/bi-annual payment to the contractor. Therefore, the entire risk of the operation is on the owner. However, the operator/contractor does not share any profit in case of increase in traffic revenue collections by the owner.
- b) Toll based: The contractor takes the risk by collecting tolls from the vehicles which use the road constructed by it. The contractor therefore has an incentive to increase its revenues when more traffic uses the roads constructed by it.

Presently, we have 2 BOT road projects on annuity basis on hand. BOT projects are usually undertaken through special purpose vehicles, which may have the involvement of a joint venture partner. Debt is separately raised in the special purpose vehicle on the strength of the future cash flows of the project or using the collateral of the existing assets of the parent. The main reason for incorporating a special purpose vehicle is to ring fence the risk and return of these BOT projects, which generally have long periods of performance.

Selection of BOT (Annuity) projects

BOT (Annuity) based projects are based on *assured-return, low-risk* model. In such projects the contractor is assured of a regular annual/bi-annual payment from the concessionaire. The future cash flows from the project are based on the traffic density study, which is undertaken by the awarding party i.e. NHAI or other governmental bodies. The awarding of these projects to successful bidders are however based on their past

execution performance and their financial bid capabilities. Our selection of any BOT (Annuity) project is based on the following criteria:

- Our ability to complete the job in time.
- Cost is estimated for the project at the current level, which can best be an estimate since Detailed Project Reports (DPRs) are not available at this point of time.
- The Project is then put through a financial engineering model and only projects which offer us the desired rate of return on our investment are chosen for bidding.
- Above all the current balance sheet, qualification factor and the current order book are the major factors, which are also considered before selecting any BOT (Annuity) Project.

The key processes involved in BOT (Annuity/Toll based) projects after completion of bidding are given below:

- a) Issue of Letter of Acceptance by awarding party.
- b) Acceptance of the same by the bidders which has to be given within a specified time.
- c) Incorporation of a Special Purpose Vehicle (SPV) for executing the project, which shall be the Concessionaire.
- d) Issue of Performance Security by the Concessionaire within specified time from the date of acceptance.
- e) Entering into Concession Agreement within specified time of the date of acceptance.
- f) Appointment of an independent consultant as per the procedure laid down in the Concession Agreement within specified period from the date of entering into the agreement.
- g) Financial closure to be achieved within specified time from the date of signing of the Concession Agreement.

Advances, Retention Money and Bank Guarantees

Contractee Advance

On allotment of the contract, we are provided with certain advances like mobilization advance, which ranges up to 10% of the project cost. This is intended to enable the contractor to mobilize resources such as labour, material and equipment intended to be deployed for the project. The advances are paid to the contractor in instalments, depending upon the utilization of advances already disbursed. The advances may be interest free or interest bearing with, the interest rate ranging up to 10%. For fiscal 2007 and half year ended September 30, 2007 contractee advances received by our Company were Rs. 656.32 million and Rs. 606.44 million respectively. The advances are recovered by the client from interim payments at fixed percentage or as agreed upon by the contractor.

Retention money

The clients often retain up to 10% of interim payments out of the each interim bill raised by us to ensure that the work performed during the period is not in variance to the client's specifications. The payment is released only after the client has verified that the work has been implemented as on the terms of the contract. The contractor gives a bank guarantee to the client for the release of retention money in case the retention money is sought to be released in advance.

Bank Guarantees

We are required to provide bank guarantees for various purposes.

- **Earnest Money Deposit BG**

We have to give an Earnest Money Deposit (EMD), also called "Tender EMD", along with the submission of tender if required.

- **Performance Guarantee BG**

These are provided after the contract is awarded to us at the time of or prior to signing of the contract for an amount of up to 10% of the project cost.

- **Contractee Advance BG**

We take contractee advances to mobilize initial equipment and manpower for the execution of the project. Since the advance is given by the client before the project has reached a billable stage, we provide a bank guarantee for securing the advance given by the client.

- **Retention Money BG**

The client deducts and retains some percentage of the amount billed. It settles this retention money after completion of defect liability period. In some cases the client may release the amount retained towards the retention money subject to the same being substituted by an equivalent amount of bank guarantee being issued in favour of the client.

Balance Order Book as on November 30, 2007

Our Order Book by Type of Contract

A breakdown of our current order book as at November 30, 2007 according to contract type is as follows:

	Balance value (Rs. in million)	% share
EPC Contract	2,956.13	17.05
Item/fixed rate Contract	13,990.61	80.69
Percent Rate Contract	391.51	2.26
Total	17,338.25	100.00

Geographical Composition of our Order Book

The geographical spread of our order book as at November 30, 2007 is shown in the table below-

Region	Order Book (Rs. in million)	% share of order book
South	12,729.40	73.42
East and North East	1,786.44	10.30
North	2,822.41	16.28
Total	17,338.25	100.00

Details of our Order Book as at November 30, 2007

The following tables sets out certain information with regard to our order book as on November 30, 2007:

Project Name	Scheduled / Estimated date of Completion	Balance Value of Work in Rs. million	%age of Total
TRANSPORTATION ENGINEERING PROJECTS			
<i>Projects awarded to our Company</i>			
Bachhrawan – Fatehpur - Package RMC 10	31.07.2007*	23.88	0.14%
Package KMRP-01 seven roads in Bangalore City, Strengthening and Rehabilitation works	31.05.2007*	74.16	0.43%
Bulandshahar - Package RMC 26 Rehabilitation Road works	31.07.2007*	53.62	0.31%
Muzaffarnagar - Saharanpur - Package RMC 2	25.12.2007*	36.56	0.21%

Project Name	Scheduled / Estimated date of Completion	Balance Value of Work in Rs. million	%age of Total
Mysore – Mananthawadi - Package No: M32A, Improvement of Road	31.01.2008	131.46	0.76%
Package KMRP-03 six roads in West Zone Strengthening and Rehabilitation works	31.03.2008	177.93	1.03%
Lucknow - Rai Bareily - Package RMC 21 Rehabilitation Road works	31.03.2008	174.28	1.01%
Shahajanpur - Jalalabad - Package RMC 35 Rehabilitation Road works	31.03.2008	160.63	0.93%
Raniganj - Rai Bareily - Package RMC 24 Rehabilitation of Road works	27.12.2008	553.76	3.19%
Lucknow - Bangerumau Package UPG 6 Upgradation of Road works	18.12.2008	479.82	2.77%
Package KMRP -02 Fourteen Roads in East Zone, Strengthening and Rehabilitation works	31.03.2008	468.98	2.71%
Morena - Sabalgarh - Package 1 Rehabilitation and Strengthening	24.04.2008	393.16	2.27%
Lumbding - Lanka - Package AS 15 Widening and strengthening	30.09.2008	719.84	4.15%
<i>Projects awarded to our JV and depicting our share in the JV</i>			
Madurai-Kanyakumari Package NS 43 Four laning and strengthening of Existing 2 [Patel-KNR(JV)]	09.04.2008	782.67	4.51%
Nagaon- Dharamtul - Package AS 18 Widening and strengthening of Existing National Highway from 2 lane to 4 lane [Patel-KNR(JV)]	15.05.2008	1042.71	6.01%
<i>Projects awarded to our JV/JV Partner or SPV and further sub-contracted to our Company</i>			
Bijapur- Lokapur Road SH-65 - Package U7B, Upgradation of Road	31.07.2007*	2.91	0.02%
Madurai-Kanyakumari Package NS 39 Four laning and strengthening of Existing 2 lanes of NH-7	12.04.2008	1683.93	9.71%
AP/Karnataka Border - Package No. KNT- 1- BOT (Annuity) EPC Contract for the BOT Project	27.03.2009	2825.25	16.29%

Project Name	Scheduled / Estimated date of Completion	Balance Value of Work in Rs. million	%age of Total
Islam Nagar – Kadthal - Package AP-07- BOT (Annuity) Fixed rate of contract for the BOT project awarded by PEL (JV Partner & EPC Contractor for the BOT)	01.03.2010	4660.00	26.88%
Shyampur - Goras & Morena - Porsa- Package No. 6 Construction of civil works under MPSRSP-11	26.10.2009	967.67	5.58%
Construction of Road Over Bridge including approaches, on Madurai Kanyakumari section at Tirunelveli in the State of Tamil Nadu	02.02.2009	77.06	0.44%
Sub–Total For Transportation Engineering Projects		15,490.28	89.35%
IRRIGATION & WATER SUPPLY PROJECTS			
<i>Projects awarded to our JV and depicting our share in the JV</i>			
Mathadivagu Reservoir - Package 9 Investigation, Design, Estimation and construction of reservoir across Mathadivagu [KNR-SLEC (JV)]	30.09.2007*	88.22	0.50%
Budpur balancing reservoir - Package 20 Investigation, design, estimation and execution of Budpur balancing reservoir [KNR-SLEC (JV)]	30.09.2007*	42.65	0.25%
<i>Projects awarded to our JV and further sub-contracted to our Company</i>			
Shankarasamudaram Bal Reservoir - Package 27, Investigation design estimation of let main canal distributors system, including Construction [KNR BPL (JV)]	04.10.2008	1,325.59	7.65%
Sub - Total For Irrigation & Water Supply Projects		1,456.46	8.40%
URBAN WATER INFRASTRUCTURE MANAGEMENT PROJECT			
<i>Project awarded to our Company</i>			
Bangalore Mahanagara Palike, Challaghatta main valley - Package CVD - II Remodelling of Primary and Secondary Storm Drains, Bridges / Culverts and its appurtenance works	31.07.2007*	391.51	2.26%
Sub -Total Urban Water Infrastructure Management Project		391.51	2.25%
Total		17,338.25	100.00%

*-In respect of the these projects our Company have made applications to the concerned employer requesting for extension of time, however communication from the said employer is awaited.

A. Our Equipments

We own a fleet of latest heavy construction equipments, which can be mobilized within a short of span time at the project site. Our practice is to dispose of equipment after its productive life is over. All our equipments are kept in good condition to maximize their productive life.

List of major equipments that our Company owns as on September 30, 2007:

Sr. No.	Equipment Name	Manufacturer & Model	Quantity
1.	<u>Plants:</u>		
	Asphalt Drum Mix Plant with accessories	Solidmec, Apollo, Speco &Asiatech	13
	Wet Mix Plant	Apollo	7
	DM-50 Hot Mix Plant	Gujarat Apollo	1
	Batching & Mixing Plant	Pentacle, Macons &Millers	5
2.	<u>Crushers/Feeders</u>		
	Four Bin Feeder for Wet mix plant	Atlas	2
	Jaw Crusher with accessories/Metso Minerals Crusher/Nawa Crusher	Deepson, Puzzalona, Nordberg, Nawa, Metso &SCS Agencies Pvt.Limited	15
3.	<u>Tippers</u>		
	Tippers	Tata, Volvo, Ashok Leyland &AMW	235
4.	<u>Cranes</u>		
	Hydraulic Mobile Crane	Escorts	1
5.	<u>Excavators</u>		
	Excavator	Hitachi, Komatsu, Tata, Caterpillar, Escorts, Telco, JCB, Kobelco, & GMMCO	73
6.	<u>Compactors</u>		
	Vibratory Soil Compactors	IR, Caterpillar, VOLVO & Writgen	34
7.	<u>Rollers and Vibrators</u>		
	Tandem Vibrating Roller	Maxmech, IR	4
	Pneumatic Tyre Roller RTR 220	IR	1
	Vibratory Screed Machine - VS-6	Ram	2
	Porta Drill Machine - DM 100-D		
	Concrete Vibrator - USA make	Stow	2
8.	<u>Pavers</u>		
	Paver Electronic 780W	IR	1
	Paver Finisher -BB 656	Bitelli	1
	Hydrostatic Sensor Paver	Apollo,Unipaver,Mekaster,Writgen	21
9.	<u>Compressors/Drillers</u>		
	P-400 Portable Compressor	IR	1
	Crawler Drill Machine ODEL LM-100 with HP-450 Compressor	IR	6
	Crawler Driller CM341/BRH/12'/L	Atlas	4
	Air Compressors	Shwetha	2
10.	<u>Cement Concrete Mixer</u>		
	Cement Concrete Mixer	Ilyas Engg. Co., Schwing Stetter, Sri Amar Const.	9
11	Dozers	Gmmco, L&T Ltd.,	3
12	Generators	Jackson & Co., GS Power System, Genset and Swaraj	10

Sr. No.	Equipment Name	Manufacturer & Model	Quantity
13	Loaders	Gmmco, JCB , HML, Komtasu, L&T and Volvo	1
14	Tankers	Alwin, Suntech	7
15	Weigh Bridges	Essae, Venus, Avey and Tullaman	1
16	Graders	Cat, Gmmco and Till	4

The total written down value of plant and machinery owned by us as on September 30, 2007 was Rs. 976.96 million (on a standalone basis).

B. Competition

We operate in a competitive environment, which depends on a host of factors such as:

- Type of project,
- Contract value and potential margins,
- Complexity and location of the project; and
- Reputation of the client.

We mainly compete with domestic players in the road construction and irrigation segments that we operate in. While service quality, technical capability, performance record and experience, health and safety records and availability of skilled personnel are key factors in client decisions, price often is the deciding factor when it comes to awarding contracts.

Utilities

Raw Materials

The requirements of raw materials like cement, steel, diesel, stone aggregate and bitumen is project specific and is determined by the total orders received for projects. This requirement is processed through negotiations with the suppliers keeping in view the logistics of location of project and timing of supply. The procurement of raw materials is centralized at the purchase department, which is based on the delivery schedule of each project. A proper inventory system is maintained to ensure the availability of material as and when required and all the materials purchased are tested before its usage. Our Company has a set of suppliers for cement, steel, diesel and bitumen with whom we enter into long-term contracts, thus ensuring continuous supply and at competitive prices. The tender documents for all contracts awarded to our Company include contingencies for price escalation of raw materials. In the event of price escalation we would be compensated for the difference in cost after escalation as per the conditions of the tender document. In case of small requirements we procure raw material from local suppliers. Land near the construction site is procured on outright sale/lease basis from Government or private parties for extraction boulders, which are crushed at the plants installed at/near the project.

Water

Water requirement is largely project specific and is procured locally by way of boring wells at the site and/or other water resources available near the site.

Electricity

Power is required at site for running various machinery and equipment and also for lighting. Generally power requirements are met at site through normal distribution channel like State Electricity Board or is generated through DG sets owned by us having different capacities ranging up to 600 KVA.

Environmental Clearance

Infrastructure projects are subject to various environmental clearances. Any delay in the clearance can stall the project for a long time thereby causing losses. The responsibility for obtaining the environment related licenses is usually specified in the tender documents/contracts entered into by us and is thus case specific.

Capacity and Capacity Utilisation

The nature of our business is project specific and not of a manufacturing concern with specified installed capacity, therefore, the installed and utilization capacity cannot be determined.

Performance Guarantees

Our Company is required to issue performance guarantees varying from 5% to 10% of the contract value at the time of commencement of the contract, pursuant to the award of the contract. These performance guarantees are typically valid up to defect liability period, which begins on completion of the contract.

Our Intellectual Property

We have filed a trademark application (Application No. 1560562 & 1560563) on May 16, 2007 with the Trademarks Registry, Chennai, for registration of our trade name 'KNRC' and our corporate logo in class 37 under the Trademarks Act, 1999. The application is currently pending. We have been using our logo since July 11, 1995.

Human Resources and Employee Training

Our Company as of November 30, 2007, had 718 employees working directly in our Company as well as with our various joint ventures. Out of these total number of employees, 418 are technical staff members while the rest comprises of unskilled and support staff members. Additionally, depending on the size of the project we also employ contract labourers.

The details of employees on the rolls of our Company as on November 30, 2007 are given below:

Category	No. of Employees
Technical and skilled personnel	
Engineers	120
Machine Operators	108
Supervisory	136
Mechanics, Electricians etc	54
[Sub total (a)]	418
Unskilled Personnel [Sub total (b)]	196
Support Functions	
Accounts	33
Administration	22
Purchase	11
Human Resources	5
Others	33
[Sub total (c)]	104
Total (a+b+c)	718

Recruitment of personnel in different categories is carried out by the human resources department of our Company. We also provide training to our employees at various project sites. Our emoluments for our staff are performance based. Employees are evaluated on a yearly basis for their performance on specified parameters.

Employee Benefits

We provide employees with benefits as prescribed by law, such as provident fund, and employee state insurance. We also maintain insurance policies for most of our employees and workers in the form of workmen's compensation insurance, and group personnel accident insurance.

Insurance

Our operations are subject to hazards inherent in providing engineering and construction services, such as risk of equipment failure, land mine blasts and other work accidents, fire, earthquake, flood and other force majeure events, acts of terrorism and explosions including hazards that may cause injury and loss of life, destruction of property and equipment and environmental damage.

Most of our insurance policies are as per our contracts for execution of various projects. Such project contracts inter alia specifically require us to insure all our projects for risks relating to works, including contract works, whether permanent or temporary, together with materials and plants located therein, contractor's equipment, and physical loss or damage to persons involved in the execution of the projects.

As on November 30, 2007 we including our JV's and SPV's have the following insurance policies in place:

1. Contractor's all risk insurance including third party liability and workmen compensation insurance;
2. Standard fire and special perils insurance;
3. Contractor Plant & Machinery insurance;
4. Personal Accident Insurance; and
5. Motor Vehicle Insurance.

Our Properties

The following table sets forth the location and other details of our freehold property

Sr. No.	Description of Property and its Area	Purpose
1.	MCH. No.: 6-3-635, Akash Ganga Complex, Khairatabad, Hyderabad admeasuring 3400 sq. ft.	Registered Office
2.	3 rd Floor, 12 th Square Building, Road No. 12, Banjara Hills, Hyderabad admeasuring 2833.38 sq. ft.	Corporate Office
3.	Apartment 201, Brigade Heritage, Bangalore admeasuring 2075 sq. ft.	Guest House
4.	Plot No. 23, Block-C, Green Wood city, Village: Khahal & Jharsa, Gurgaon admeasuring 420 sq. mtrs.	Guest House
5.	Plot no: 70/C , Nalagandla, Serilinganpally Mandal, Ranga Reddy District, Hyderabad admeasuring 432.00 Sq.mtrs	Guest House

Apart from the properties listed above following are the details of our freehold land:

Sr. No.	Description of Property and its Area
State of Andhra Pradesh	
1.	Plot No. 70/C in Category-H.I.G. bearing S Nos. 302 to 310, 320 to 322, 324 to 361, 363 to 365, 384, 385, 387 to 391 & 399 situated in Nalagandla Village, Serilinganpally Mandal, Ranga Reddy District admeasuring 4320 Sq. Mtrs.
2.	Land and Buildings bearing S Nos. 12A to 12E in Bandlaguda Village situated in Medak District admeasuring 8 acres and 17 guntas.
3.	Land bearing S No. 179 in Jalpally village, Saroornagar Rev. Mandal, Ranga Reddy District admeasuring 3 acres and 34 guntas.
4.	Land bearing S No. 179 in Jalpally village, Saroornagar Rev. Mandal, Ranga Reddy District admeasuring 5 acres
5.	Land bearing S Nos. 182 and 183 in Jalpally village, Saroornagar Rev. Mandal, Ranga Reddy District admeasuring 2 acres and 14 guntas
6.	Land bearing S No. 17 in Jalpally village, Saroornagar Rev. Mandal, Ranga Reddy District admeasuring 30 guntas
7.	Land bearing S No. 6 and 7 in Mangalpally village, Ibrahimpatnam Mandal, Ranga Reddy District admeasuring 1 acre and 24 guntas
8.	Land bearing S No. 5 in Mangalpally village, Ibrahimpatnam Mandal, Ranga Reddy District admeasuring 2 acres.
9.	Land bearing S No. 17/60 and 17/EE in Mangalpally village, Ibrahimpatnam Mandal, Ranga Reddy District admeasuring 2 acres and 27 guntas
10.	Land bearing S No. 4/AA in Mangalpally village, Ibrahimpatnam Mandal, Ranga Reddy District admeasuring 2 acres and 12 guntas
11.	Land bearing S No. 3 in Hiamamguda Village, Maheshwaram Mandal, Ranga Reddy District admeasuring 1

Sr. No.	Description of Property and its Area
	acre and 21 guntas.
12.	Land bearing S No. 249 in Srinagar village, Maheshwaram Mandal, Ranga Reddy District admeasuring 5 acres and 39 guntas
13.	Land bearing S No. 47, 47/2, 47/8/2, 47/7/2, 47/15, 48, 49, and 50 in Bandamregad village, Neridigonda Mandal, Adilabad District admeasuring 59 acres and 08 guntas
State of Karnataka	
14.	Land bearing S No. 24/2 and 24/3 in Guttahalli Village, Kasaba Hobli, Devanhalli Taluk admeasuring 2 acres
15.	Land bearing S No. 134 in Guttahalli Village, Kasaba Hobli, Devanhalli Taluk admeasuring 20 guntas
16.	Land bearing S No. 134 and 134/1B in Guttahalli Village, Kasaba Hobli, Devanhalli Taluk admeasuring 3 acres
17.	Land bearing S No. 24/1 and 25/1 in Guttahalli Village, Kasaba Hobli, Devanhalli Taluk admeasuring 2 acres
18.	Land bearing S No. 183 in Bughanvalli Village, admeasuring 3 acres and 10 guntas
19.	Land bearing S.No. 204 in Arur Village, Hubli Mandal, Chikballapur Taluk admeasuring 2 acres and 14 guntas
State of Tamil Nadu	
20.	Land bearing S No.1402/2A2 and 1407/1A1B at No. 50 in Madhavaram Village, Ambattur Taluka, Thiruvallure District admeasuring to 56 cents i.e.; approx 22.40 guntas

Purchase of property

There is no property which our Company has purchased or acquired or proposes to purchase or acquire, which is to be paid for wholly, or in part, from the net proceeds of the present Issue.

REGULATIONS AND POLICIES

National Highways Act, 1956

Under the National Highways Act, 1956, the Central Government is vested with the power to declare a highway as a national highway and also to acquire land for this purpose. The Central Government is responsible for the development and maintenance of national highways. The Central Government may by notification, declare its intention to acquire any land when it is satisfied, that for a public purpose the building, maintenance, management or operation of a national highway, on such land, should be undertaken. The National Highways Act, 1956 prescribes the procedure for the same. The National Highways (Collection of Fees by any Person for the use of Section of National Highways/ Permanent Bridge/ Temporary Bridge on National Highways) Rules, 1997 provides that the Central Government may enter into agreements with persons for development and maintenance of the whole or part of a national highway/permanent bridge/ temporary bridge on a national highway. Such person may invest his own funds for development or maintenance and is in turn allowed to collect and retain fees, from users of the new facilities so created, at agreed rates for an agreed period of time. The rates of fees and the period of collection are decided by the Central Government and various factors are taken into account to decide the same. Once the period of collection of fees by the person is completed, all rights pertaining to such facility created would be deemed to have been taken over by the Central Government.

National Highways Authority of India Act, 1988

The NHAI Act provides for the constitution of an authority for the development, maintenance and management of national highways. Pursuant to the NHAI Act, the National Highways Authority of India ("NHAI"), an autonomous body, was set up in the year 1995. The NHAI has the power to enter into and perform any contract necessary for the discharge of its functions under the NHAI Act. In an effort to provide for additional financing of its projects, the NHAI has taken measures to attract both foreign and domestic private investments, by offering to enter into BOT contracts for construction and maintenance of national highways for a period not exceeding 30 years. The bidding for the projects takes place in two stages as per the process provided below:

1. In the pre-qualification stage, NHAI selects certain bidders on the basis of technical and financial expertise, prior experience in implementing similar projects and previous track record; and
2. In the second stage, NHAI invites commercial bids from the pre-qualified bidders on the basis of which the right to develop the project is awarded. Where projects are funded by multilateral funding agencies such as the World Bank or the Asian Development Bank, the selection process takes place in consultation and concurrence with the funding organisation. Wide publicity is given to NHAI tenders so as to attract attention of leading contractors and consultants. Notice inviting tenders is posted on the web site of the NHAI and published in leading newspapers. Private sector participation in the road sector is encouraged by the government by undertaking the following initiatives:
 1. The government ensures that all preparatory work including land acquisition and utility removal is completed before awarding of the project;
 2. Land is made available free from all encumbrances;
 3. NHAI / government may provide a grant up to 40% of project cost to enhance viability on a case to case basis;
 4. The government also provides tax breaks in the form of 100% tax exemptions for a period of 5 (five) years from the start of operations of the project and 30% relief for next 5 (five) years thereafter. This tax concession is normally available for a period of 20 years from the date of sanction of the project; and
 5. Duty free import of specified modern high capacity equipment for highway construction.

FDI Policy

As per the FDI Policy 2006, the FDI in companies engaged in construction activities falls under the automatic route and is permitted up to 100%. Such investment is however subject to the conditions as laid down in Press No.2 (2005 Series), the summary of which has been mentioned above. However, FDI made by NRIs is not subject to these conditions.

Environmental and Labor Regulations

Depending upon the nature of the projects undertaken by the Company, applicable environmental and labor laws and regulations include the following:

Labour and environmental legislations

Our Company's primary business is that of a construction contractor, providing various construction and infrastructure services all over India. Some of the projects undertaken by us are as contractors to the owners/clients while in some projects we are deemed as the principal employer for that project. As we are involved in hiring of labour for construction purposes a range of labour legislations are applicable and require approvals under these legislations. Also the construction process involves environmental regulations to ensure the emissions and discharge of wastes from the construction sites are controlled and also to ensure that construction is not undertaken in restricted areas. The following is an indicative list of the enactments governing us:

(i) Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act.

Our Company is deemed as the principal employer as per some contracts while in some contracts it is a contractor. Therefore in contracts where our Company is deemed the principal employer it is the obligation of our Company to obtain the necessary registrations.

This legislation has been enacted with a purpose to regulate the employment and conditions of service of building and other construction workers and as an effort to improve the conditions of the labourers by providing for their safety, health and welfare measures. Any establishment which employs or had employed on any day of the preceding 12 months, ten or more building workers in any building or other construction work shall be governed by this legislation. Also the building and other construction work in this context would mean the construction, alteration, repairs, maintenance or demolition of or in relation to, buildings, streets, roads, drainage, generation, transmission and distribution of power, electric lines etc.

The registration of such an establishment with the Assistant Labour Commissioners appointed for the purpose by the Central Government is mandatory within a period of sixty days of the commencement and a certificate of registration is issued confirming the same. The employer has to give a notice of commencement of building or other work to the inspector having the jurisdiction. Contravention of this legislation has been made punishable with fine and imprisonment.

It is also the duty of the principal employer to provide such safety measures and facilities as prescribed by the Building and other Construction Workers (Regulation of Employment and Conditions of Service) Central Rules, 1998.

(ii) Building and other Construction Workers Welfare Cess Rules, 1998.

The cess levied under these rules is to be paid by the employer within thirty days of completion of the construction project on the cost of construction incurred by the employer. This cess is levied with an intention of creating resources for the development of the building and other construction workers.

(iii) Contract labour (Regulation and Abolition) Act, 1970.

This legislation applies to every establishment in which twenty or more workmen are employed or were employed in the past twelve months as contract labour and to every contractor employing or having employed in the past twelve months twenty or more workmen.

With the aim of regulating the employment of contract labour in certain establishments and to abolish it in certain circumstances the Government has appointed an authority to ensure adherence to the provisions of this Act. Registration of an establishment has been made mandatory by this Act in the prescribed manner by the employer through an application to the registering authority. The employer and each contractor in relation to each employer are also required to obtain a license from the licensing officers appointed by the Government for the purpose to undertake or execute any work through contract labour. The license may impose conditions as to work, fixation of wages and other essential amenities in respect of contract labour.

The legislation provides for the welfare of the workers by imposing obligations on the employer to provide for canteens, rest rooms, washing facilities etc. Contravention of provisions of this act has been made punishable with imprisonment or with fine.

(iv) Employees Provident Funds and [Miscellaneous Provisions] Act, 1952

This Act provides for the institution of compulsory Provident Fund and Deposit-Linked Insurance Fund, for the benefit of the employees in factories and other establishments. It is applicable to any establishment employing twenty or more persons. The contribution to be paid by the employer to the employees provident fund is a specified percentage of the remuneration (as defined) for the time being payable to each of the employees and the employees contribution shall be equal to the contribution payable by the employer in respect of him.

(v) Employees State Insurance Act, 1948

This legislation has been enacted to provide benefits to employees in case of sickness, maternity, employment injury and for certain other matters incidental thereto. Every establishment has to be registered within the specified time and in the specified manner. All the employees in the establishment to which this act applies shall be insured.

The contribution payable in respect of the employee shall constitute of the contribution made by the employer and also of the employee at the rate decided by the Central Government and payable to the Employees State Insurance Corporation. The principal employer has to pay in respect of every employee, whether directly employed by him or by or through an immediate employer, both the employer's contribution and the employees' contribution.

(vi) Inter-State Migrant Workmen (Regulation of Employment And Conditions of Service) Act, 1979

This Act has been enacted with an aim to regulate the employment of inter-state migrant workmen and to provide for their conditions of service. It is applicable to every establishment employing five or more inter-state migrant workmen or having employed in the past twelve months and to every contractor who employs or who employed five or more inter-state migrant workmen in the past twelve months.

Every Principal Employer of the establishment employing inter-state migrant workmen has to make an application for the registration of the establishment in the prescribed manner and time. Also a contractor employing inter-state migrant workmen has to obtain a license for the same from the licensing officer appointed for the purpose by the Central or the state Government. The license is valid only for a specified period and requires to be renewed at its expiry.

The Act levies some duties on the principal employer and the contractor. The contractor is to provide for adequate wages, medical facilities and other benefits while it is the responsibility of the principal employer to provide for the displacement allowance and journey allowance to the workmen.

(vii) Minimum Wages Act, 1948

Any person who employs, whether directly or indirectly or through another person or whether on behalf of himself or any other person, one or more employees in any scheduled employment in respect of which minimum wages have been fixed comes under the purview of this Act. The Government with the objective to prevent exploitation of labour and to provide sustenance and maintenance of the worker and his family fixes these minimum wages Inspectors have been appointed to ensure adherence to the provisions of this Act.

(viii) Payment of Bonus Act, 1965

This legislation has been enacted with the objective of distribution of profits earned by the establishment among the workmen. This Act is applicable to every establishment in which twenty or more persons are employed on any day during an accounting year. An employer is bound to pay every employee a minimum bonus of 8.33% of the salary or wage earned by the employee.

(ix) Payment of Gratuity Act, 1972

This legislation is applicable to any establishment in which ten or more employees are employed or were employed on any day in the preceding twelve months. An employee to be eligible for payment of gratuity should be in uninterrupted service, as per conditions laid down in the Act. Gratuity shall be payable to an employee on

the termination of his employment after the completion of five years of continuous service on superannuating or retirement or resignation and in case of death of an employee it is payable to the nominee of the employee.

(x) Payment of Wages Act, 1936

It applies to persons employed in any establishment either directly or indirectly or through a sub-contractor. Every employee has a right to receive remuneration for the services provided by him. The objective behind this legislation was to ensure that the wages payable to employees are disbursed by the employers within the prescribed time limit and no deductions other than that authorized by law.

(xi) Industrial Employment (Standing Orders) Act, 1946

With a view to define conditions of work in any establishment, rules and regulations laid down by this legislation provide for adoption of “standing orders” which regulate, inter alia, conditions of service of workmen. This act applies to every industrial establishment where hundred or more workmen are employed on any day in the past twelve months. The employer has to submit to the certifying officer the draft of the standing orders which is then sent to the trade union in case of any or to the workmen for approval. Only on the approval of the draft by the workmen the certifying officer certifies it and a register of the same has to be maintained.

(xii) Workmen’s Compensation Act, 1923

This legislation was enacted to provide protection from hardship faced by workmen due to accidents, death or occupational diseases and to provide assistance to the family members of the workmen.

An employer is made liable to pay compensation for the personal injury caused to a workman by accident, death etc. arising out of and in the course of his employment except in certain cases. A contractor for construction of building is also made liable for the personal injuries of his workmen. The amount of compensation has been stated in the Act depending inter alia on the nature and extent of the injury.

(xiii) Industrial Dispute Act, 1947

This legislation has been enacted with a view to investigate and settle disputes between the employer and the workmen. It is applicable to any industry wherein systematic activity is being carried on by cooperation between an employer and his workmen whether they are employed directly or through any agency, including a contractor. Works Committee, Boards of Conciliation, Courts of Inquiry, Labour Courts, National Tribunals are the various authorities appointed under this act for the settlement of disputes and the parties can even refer the dispute to arbitration.

(xiv) Environment (Protection) Act, 1986

The Central Government has been vested with powers to lay down standards for the quality of environment in its various aspects, standards for emission or discharge of environmental pollutants from various sources and to restrict areas in which operations or processes cannot be carried out or shall be carried out subject to certain safeguards. The Central Government also has the power to appoint an authority to inspect the premises of an establishment to ensure implementation of environment protection measures.

In case of offences by companies, the person who was in charge at the time of the commission of the offence shall be deemed to be guilty

OUR HISTORY AND OTHER CORPORATE MATTERS

Our History

Our Company was incorporated on July 11, 1995 in the name and style of KNR Constructions Limited under the Companies Act, 1956 with the Registrar of Companies, Andhra Pradesh and received certificate of commencement of business on August 9, 1995. The registered office of our Company is situated at 6-3-635, Akash Ganga, 3rd Floor, Khairatabad, Hyderabad.

Changes in registered office address

At the time of incorporation our registered office was situated at Plot No. D-26, Madhuranagar, Hyderabad. However w.e.f. May 21, 1998, we shifted our registered office to Plot No. 609, Aditya Enclave, Nilgiri Block, Ameerpet, Hyderabad and thereafter to our present registered office at 6-3-635, Akash Ganga, 3rd Floor, Khairatabad, Hyderabad w.e.f. August 25, 2000.

Acquisition of assets and liabilities of partnership business of M/s K Narasimha Reddy & Co.

Our Company had acquired, at their book values the assets and liabilities of partnership business of M/s K Narasimha Reddy & Co. ("the firm") for a total consideration of Rs.31.86 million w.e.f. April 1, 1997. At the time of acquisition, the firm was engaged in the business of undertaking civil and mechanical contracts work. The firm was constituted in the year 1979 and was re-constituted on several occasions. At the time of acquisition following persons were the partners in the firm:

(Rs. in million)

Name of the partner	Profit / (Loss) sharing ratio	Capital Account Balance as on March 31, 1997	Current account Balance as on March 31, 1997	Total Capital as on March 31, 1997
Mr. K Narasimha Reddy	30%	6.98	4.15	11.13
Mr. K Jalandhar Reddy	25%	5.46	2.03	7.49
Mr. K Ranga Reddy	10%	2.45	1.42	3.87
Mrs. K Yasoda	25%	5.40	0.85	6.25
Mr. V Krishna Reddy	10%	2.38	0.74	3.12
Total		22.67	9.19	31.86

Details of Assets and Liabilities acquired are as follows:

(Rs. in million)

Sr. No.	Particulars	Amounts
I.	<u>ASSETS:</u>	
	Fixed Assets	28.79
	Investments	1.00
	Current Assets (including work in progress)	40.89
	Loans and Advances	21.37
	Total Assets (I).....	92.05
II.	<u>LIABILITIES:</u>	
	Secured Loans	9.35
	Unsecured Loans	15.78
	Advances	9.71
	Current Liabilities	19.49
	Provisions	5.85
	Total Liabilities (II).....	60.18
	NET ASSETS (I – II)	31.86

Sr. No.	Particulars	Amounts
III.	PURCHASE CONSIDERATION:	
	(a) 3,183,000 Equity Shares of Rs. 10/- each of KNR Constructions Limited	31.83
	(b) Cash	0.03
	Total Purchase Consideration (III).....	31.86

Details of Purchase Consideration paid to the partners of M/s K Narasimha Reddy & Co. is as follows:

Name of the partner	Purchase Consideration [#]			
	Equity Shares of KNR Constructions Limited*		Cash (Rs. Mn)	Total (Rs. Mn)
	No. of Equity Shares	Amount (Rs. Mn)		
Mr. K Narasimha Reddy	1,112,462	11.12	0.01	11.13
Mr. K Jalandhar Reddy	748123	7.48	0.01	7.49
Mr. K Ranga Reddy	386692	3.87	Negligible	3.87
Mrs. K Yasoda	624263	6.24	0.01	6.25
Mr. V Krishna Reddy	311460	3.12	Negligible	3.12
Total	3,183,000	31.83	0.03	31.86

[#] In the ratio of total capital balances of partners as on March 31, 1997.

* Allotted vide resolution of our board of directors dated April 1, 1997.

Major Events

Year	Major Events
1995	Incorporation of our Company as "KNR Constructions Limited" on July 11, 1995 under the Companies Act, 1956
1997	Acquisition of assets and liabilities of partnership firm M/s K Narasimha Reddy & Co.
2000	Formation of joint venture with Patel Engineering Limited
2002	Achieved a consolidated turnover of over Rs. 1,000 million.
2004	Achieved a consolidated turnover of over Rs. 2,000 million.
	Successful completion of project worth Rs. 2,550 million namely rehabilitation and upgrading of Surat - Manor section of NH-8
2005	Diversified into Irrigation and Water Supply projects and secured the first irrigation project worth Rs.1,494 million with our joint venture partner Backbone Projects Limited
2006	Secured the first BOT project with our joint venture partner Patel Engineering Limited in the State of Karnataka worth approximately Rs. 4,420 million.
	Diversified into urban water infrastructure management by securing contract from Bangalore Mahanagara Palike worth approximately Rs. 452 million.
2007	Achieved a consolidated turnover of over Rs. 3,000 million.
	Secured the second BOT project worth approximately Rs. 5,180 million with our joint venture partner Patel Engineering Limited in the State of Andhra Pradesh

Main Objects of our Company

1. To purchase, acquire, amalgamate, take on lease or otherwise take over as a going concern, the undertaking now being carried on in partnership, under the name and style of K. Narasimha Reddy & Co. (Engineers & Contractors) along with all pending works, stock in trade, rights, assets, receivables, bank limits, interest, goodwill, licenses, and privileges and all contracts, registrations, import licenses, fixed assets, Plants, Machinery equipment together with all the liabilities due to all banks and other amounts due to trade creditors, depositors, bills payable and to carry on the said business being carried on the said firm.
2. to construct, erect, build, improve, develop, repair, remodel, demolish, grade, curve, pave, macadamize, cement and maintain buildings, structures, houses, apartments, townships, multi storied complexes, landscapes, hospitals, schools, places of worship, highways, roads, paths, streets, side ways, sea port, air port, bridges, flyovers, subways alleys, pavements, and to do other similar constructions, levelling or paving work and to build, construct and repair railways, waterways, electrical works, tunnels, canals, wharves, ports, docks, water-works, drainage works, light houses, power houses, and floor and to do all kinds of excavating, dredging and digging of work, to make all kinds of iron, wood, glass, machinery and earth construction, to design, devise, decorate, plant, model and to furnish labour and all kinds of material to supervise construction or other work, to act as valuers, appraisers, referees and assessors to investigate into the conditions of buildings and other structures off all kinds and to supply efficient and honest arbitrators amongst its personnel. To carry on the business of contractors and agents, anywhere in the world.
3. To mine, quarry, grind, and excavate, and take from pits, sand, gravel, stone, gypsum or other building, or paving materials, to own, acquire or take on lease areas of land mining bases, licenses or rights in or over land, to wash and screen the sand gravel and to deal in the same or dispose it off in any manner whatsoever.
4. To purchase, acquire, take on lease or in exchange or in any other lawful manner any area. Land, buildings, structures and to turn the same into account. develop the same and dispose of or maintain the same and to build townships, markets, or other buildings or conveniences thereon and to equip the same or, any part thereof with all or any amenities or conveniences, drainage facility, electric, telegraphic, telephone, television installations and deal with the same in any manner whatsoever.
5. To enter into any arrangement, agreement, contract, sub contract, lease, sublease with Central or any State Government, Department and undertakings, Municipality, local authority, Corporation, Cooperative Society, Company, firm, partnership, person or persons, individual or individuals in furtherance of any objects of the Company, to establish branches, depots, work spots, site offices for purpose of carrying out the objects of the Company, and to act as, consulting engineers, contract engineers, civil engineers architects. Designers, decorators, founders, painters, engravers, masons and structural engineers.

Changes in Memorandum of Association of our Company

Date of Shareholders Approval	Changes in Memorandum of Association
May 11, 1998	The Authorised Share capital of the Company was increased from Rs. 50,000,000/- to Rs. 100,000,000/- divided into 10,000,000 of Rs. 10/- each
January 7, 2006	The Share Capital of the Company was increased from Rs. 100,000,000/- to Rs. 350,000,000/- divided into 35,000,000 equity shares of Rs. 10/- each

Subsidiaries

We do not have any subsidiaries as on date of filing of the Red Herring Prospectus.

Shareholders Agreements

There are no shareholders agreements involving our Company to which either our Promoters or our Company is a party as on the date of the Red Herring Prospectus.

Other Agreements

Salient features of the Shareholders Funding Agreement dated November 12, 2007 in respect of the SPV namely Patel KNR Heavy Infrastructures Private Limited entered into between Patel Engineering Infrastructures Private Limited (PEIL) and our Company (KNR), both present shareholders of the said SPV.

1. The equity participation of the SPV is as follows:
PEIL: 60%
KNR: 40%
2. The total cost to carry out the Project (for which the PAV was incorporated) awarded by NHAI is arrived at Rs. 6,00,00,00,000 (Six hundred crores only). The funding of the project (construction cost) is decided as under:

Equity	Rs.30 crores
Unsecured Loan from PEIL and KNR (Promoter Companies)	Rs.90 crores
Bank Borrowings	Rs.480 crores
Total	Rs.600 crores

3. One of the contract terms (with NHAI) requires PEIL and KNR to hold minimum shareholding during the contract period which arrangement is hereinafter recorded.
4. The parties agree to bring in the Equity participation of Rs. 30,00,00,000 (thirty crores only) in the SPV in the ratio of the respective shares i.e. PEIL-60% and KNR-40%
5. The parties agree to fund the project by way of extending unsecured loans to the extent of Rs. 90,00,00,000 (ninety crores only) during the construction periods in their respective share i.e. PEIL-60% and KNR-40%
6. The parties further agree to infuse the aforesaid sum from time to time for uninterrupted construction of the project and to meet the margin requirement for the release of Bank Loan as and when required.
7. Each of the parties will make sufficient provisions for investment (either in the form of equity of Loan) in the PSV either from their own sources and/or bank borrowings etc.
8. The parties agree to maintain their aggregate holding in the issued and paid up equity share capital of the PSV for not less than –
 - a. 51% (fifty one percent) during the construction period and for 3 (three) years following COD and
 - b. 26% (twenty six percent) during the balance remaining Operation Period.
9. Also PEIL hereby commit to hold a minimum equity stake equal to 51% of the aggregate shareholding of the SPV in the Issued and Paid up equity share capital of the SPV at all times during the Concession Period.
10. KNR and/or other consortium members, if any holding shares in SPV hereby commit to hold minimum equity stake equal to 10% of the aggregate shareholding of consortium the issued and paid up capital of Share Capital of SPV at all times during the concession period.

Strategic Alliances or Financial Arrangements

We do not have any strategic or financial arrangements as on the date of the Red Herring Prospectus.

Our Joint Ventures

In our industry, it is a common practice among players to form joint ventures to bid for one or more projects, for various reasons including satisfaction of pre-qualification requirements pooling joint resources or expertise or sharing risks, especially in the higher value contracts. We have also entered into joint venture agreements to further our business prospects. The joint venture agreement sets forth the terms and conditions governing the relationship between our Company and our joint venture partner(s). The joint venture operates under the instructions of a management committee comprising of representatives from both the joint venture partners.

Presently, a majority of our joint venture agreements have been entered into with Patel Engineering Limited. A brief summary of all our existing joint venture agreements is given below:

1) Joint Venture Agreement with Patel Engineering Limited for Lokapur-Bijapur Road Project in Karnataka

Our Company has entered into a 50:50 joint venture agreement with Patel Engineering Limited on May 10, 2004 for the purpose of executing work related to "Upgradation of Road from Krishna Bridge (at P.W.D. Km.48.00) to Lokapur on Bijapur - Lokapur Road (S.H.65) (Chainage from 48.10 to 103.73 km) in Bagalkot district under Package U7B" called by the Project Implementation Unit, Karnataka State Highways Improvement Project (KSHIP), Government of Karnataka under the name and style of Patel-KNR (JV). This joint venture has been awarded the aforesaid contract worth Rs. 676.16 million. Our Company is the lead partner of the joint venture. The joint venture operates under the instructions of a management committee, which comprises of representatives nominated by our Company and Patel Engineering Limited.

Further the said joint venture has vide an agreement dated January 27, 2006 sub-contracted the unexecuted contract work aggregating Rs.650.00 million to our Company. The said agreement is effective from April 1, 2005 and the joint venture shall pay to our Company a net amount after deducting 3% (three percent) towards mark-up from gross bills raised on it. The scheduled date of completion of this project is July 31, 2007. We have made an application to the concerned department seeking extension of time, however any communication from the said department is awaited.

2) Joint Venture Agreement with Patel Engineering Limited for Nagaon-Dharmatul section in Assam

Our Company has entered into a 50:50 joint venture agreement with Patel Engineering Limited on February 26, 2005 for the purpose of submitting bid for the work of "Widening and strengthening of existing National Highway from 2 lane to 4 lane from km.262.70 to k.m.255.00 of Nagaon to Dharmatul section of NH-37 and 4 Lanning of Nagaon Bypass from Km.280.57 (NH-37) Crossing NH-36 Near Km.5.00 and upto Km.262.70 of NH-37 in Assam on East West Corridor Under Phase-II Programme of NHDP-Contract Package No. EW-II (AS-18)" called by National Highways Authority of India (NHAI) under the name and style of Patel-KNR (JV). This joint venture has been awarded the aforesaid contract worth Rs. 238.72 million. Patel Engineering Limited is the lead partner of the joint venture. The joint venture operates under the instructions of a management committee, which comprises of representatives nominated by our Company and Patel Engineering Limited. The scheduled date of completion of this project is May 15, 2008.

3) Joint Venture Agreement with Patel Engineering Limited for Lumding-Lanka section i/c Lanka Bypass Project in Assam

Our Company has entered into a 50:50 joint venture agreement with Patel Engineering Limited on August 27, 2005 for the purpose of submitting bid for the work of "Widening and strengthening of existing National Highway from single lane to 4 lane from km.40.00 to k.m.22.00 of Lumding to Lanka section i/c Lanka Bypass NH-54 in Assam on East West Corridor Under Phase-II Programme of NHDP-Contract Package No. EW-II (AS-15)" called by National Highways Authority of India (NHAI) under the name and style of Patel-KNR (JV). The said joint venture has been awarded the aforesaid contract worth Rs. 1439.68 million. Patel Engineering Limited is the lead partner of the joint venture. The joint venture operates under the instructions of a management committee, which comprises of representatives nominated by our Company and Patel Engineering Limited. The scheduled date of completion of this project is September 30, 2008.

4) Joint Venture Agreement with Patel Engineering Limited for Madurai-Kanyakumari Road Project [Package-43 (TN)] in Tamil Nadu

Our Company has entered into a 50:50 joint venture agreement with Patel Engineering Limited on March 11, 2005 for the purpose of submitting bid for the work of "Four laning and strengthening of existing 2 lanes of NH-7

section from Madurai to Kanyakumari-Project Ch: 160.000 (km.169.260 of Madurai-Kanyakumari Section of NH-7) to Ch: 211.140 (km.203.000) of Madurai-Kanyakumari section of NH-7-Contract Package No. NS-43/TN” called by National Highways Authority of India (NHAI) under the name and style of Patel-KNR (JV). The said joint venture has been awarded the aforesaid contract worth Rs. 2243.58 million. Our Company is the lead partner of the joint venture. The joint venture operates under the instructions of a management committee, which comprises of representatives nominated by our Company and Patel Engineering Limited. The scheduled date of completion of this project is April 9, 2008.

5) *Joint Venture Agreement with Patel Engineering Limited for Lokapur-Bijapur Road Project [Package-39(TN)] in Tamil Nadu*

Our Company has entered into a 54:46 joint venture agreement with Patel Engineering Limited (wherein our share in the joint venture is 54%) on March 11, 2005 for the purpose of submitting bid for the work of “Four laning and strengthening of existing 2 lanes of NH-7 section from Madurai to Kanyakumari-Project Ch: 0.000 (km.426.661 Bangalore-Salem-Madurai Section of NH-7) to Ch: 48.817 (km.42.000) of Madurai-Kanyakumari Section of NH-7-Contract Package No. NS-39/TN” called by National Highways Authority of India (NHAI) under the name and style of Patel-KNR (JV). The said joint venture has been awarded the aforesaid contract worth Rs. 2825.84 million. Our Company is the lead partner of the joint venture. The joint venture operates under the instructions of a management committee, which comprises of representatives nominated by our Company and Patel Engineering Limited. This joint venture agreement was amended on March 20, 2006, whereby both the parties have agreed to revise their share in the joint venture from 54:46 to 50:50, all other terms unchanged.

Further the said joint venture has vide an agreement dated March 24, 2007 sub-contracted the unexecuted contract work aggregating Rs.2808.20 million to our Company. The said agreement is effective from April 1, 2006 and the joint venture shall pay to our Company a net amount after deducting 5% (five percent) towards mark-up from gross bills raised on it. The scheduled date of completion of this project is April 12, 2008.

6) *Joint Venture Agreement with Patel Engineering Limited for Project KNT-1 on BOT (Annuity) Basis in the State of Karnataka*

Our Company has entered into a joint venture agreement with Patel Engineering Limited on February 14, 2006 for the purpose of forming a consortium for tendering bid for “Design, Construction, Development, Finance, Operation and Maintenance of Km 463.6 (AP/Karnataka border) to Km 524.0 (Avathi Village) and (ii) Improvement, Operation and Maintenance of Km 524 (Avathi Village) to Km 527 (Nandi Hills Crossing) and Km 535 (Devanhalli Village) to Km 539 (Meenukunte Village) on NH-7 in the State of Karnataka under North-South Corridor (NHDP Phase II) on BOT (Annuity) Basis - Package No. NS2/BOT/KNT-1” called by National Highways Authority of India (NHAI) under the name and style of Patel-KNR (JV). The said joint venture has been awarded the aforesaid contract.

Further as a part of the Letter of Acceptance granted by NHAI, a Concession Agreement is required to be entered into with the Concessionaire, which shall be a Special Purpose Vehicle (SPV) to be formed for executing the project. Accordingly, the Concession Agreement has been executed by NHAI with our SPV, Patel KNR Infrastructures Private Limited. Our Company has a 40% shareholding in the said SPV, while the balance 60% is held by Patel Engineering Limited. The financial closure for this SPV has been achieved. The estimated value of the contract is Rs. 4,428.70 million, of which EPC contract aggregating Rs. 3,500 million has been sub-contracted by the SPV to our Company. The construction for the said project is underway and the scheduled date of completion is March 26, 2009.

7) *Joint Venture Agreement with Patel Engineering Limited for Project AP-7 on BOT (Annuity) Basis in the State of Andhra Pradesh*

Our Company has entered into a joint venture agreement with Patel Engineering Limited on February 14, 2006 for the purpose of forming a consortium for tendering bid for “Design, Construction, Development, Finance, Operation and Maintenance of Km 230/000 (Islam Nagar) to Km 278/000 (Kadtal) on NH-7 in the state of Andhra Pradesh under North – South Corridor (NHDP Phase II) on BOT (Annuity) Basis - Package No. NS2/BOT/AP-7” called by National Highways Authority of India (NHAI) under the name and style of Patel-KNR (JV). This joint venture has been awarded the aforesaid contract. The revised estimated value of the contract is Rs. 6,000.00 million.

Further as a part of the Letter of Acceptance granted by NHAI, a Concession Agreement is required to be entered into with the Concessionaire, which shall be a Special Purpose Vehicle (SPV) to be formed for executing the project. We have already formed a SPV by the name Patel KNR Heavy Infrastructures Private Limited, wherein our shareholding is 40%, while the balance 60% is held by Patel Engineering Limited. The concession agreement was entered into between the SPV and NHAI on September 5, 2007 and accordingly the financial closure for this SPV is to be achieved on or before March 5, 2008. The scheduled date of completion of construction of this project is by March 1, 2010.

8) *Joint Venture Agreement with Backbone Projects Limited for Shankara Samudram Balancing Reservoir Irrigation Project in Andhra Pradesh*

Our Company has entered into a 51:49 joint venture agreement with Backbone Projects Limited (wherein our share in the joint venture is 49%) on April 18, 2005 for the purpose of submitting bid for the work of "Investigation, Design, Estimation and Excavation of let main canal, Distributors system including construction of CM & CD works from Shankara Samudram Balancing Reservoir, Kanaipally (Vg) Kothkota (M) Mahaboobnagar District to feed 49,000 Acres-Package-27" called by Irrigation and C.A.D. Department, Government of Andhra Pradesh under the name and style of KNR-BPL (JV). This joint venture has been awarded the aforesaid contract worth Rs. 1494.00 million. Backbone Projects Limited is the lead partner of the joint venture. The joint venture shall operate under the instructions of a management committee, which comprises of representatives nominated by our Company and Backbone Projects Limited.

Further Backbone Projects Limited has vide an agreement dated September 24, 2005 agreed to sub-contract the execution work of their share (i.e.; 51% of the total contract work) to our Company. The scheduled date of completion of this project is October 4, 2008.

9) *Joint Venture Agreement with Srilaxmi Engineering Company for irrigation projects in Andhra Pradesh*

Our Company has entered into a 60:40 joint venture agreement with Srilaxmi Engineering Company (wherein our share in the joint venture is 60%) on December 8, 2004 for the purpose to apply for "Pre-qualification to tender for Water Resources Development Projects for medium sized packages under tender Notice No. 5, dated 25.11.2004 to the Engineer-in-chief (irrigation), Irrigation & CAD Department, Errummanzil, Hyderabad" under the name and style of KNR-SLEC (JV).

Pursuant to the above agreement our said joint venture has been awarded two irrigation projects by the Irrigation Department of State of Andhra Pradesh aggregating Rs. 747.80 million. The scheduled date of completion for both these project is September 30, 2007. We have made an application to the concerned department seeking extension of time, however any communication from the said department is awaited.

OUR MANAGEMENT

BOARD OF DIRECTORS

Our Company is currently managed by a Board of Directors comprising of 8 (eight) Directors. As per our Articles of Association, our Board shall consist of not less than 3 (three) Directors and not more than 12 (twelve) Directors. The day to day affairs of the Company is looked after by our Managing Director, Mr. K Narasimha Reddy and our Executive Directors namely Mr. K Jalandhar Reddy, Mr. J V Panindra Reddy & Mr. M Rajesh Reddy under the overall supervision and control of our Board of Directors.

Details of Board of Directors

Our Board consists of 8 (eight) Directors of which 4 (four) are independent Directors. Our Chairman is a non-executive and Independent Director.

Name, Fathers name Designation, Address, Occupation, Nationality, DIN & Age	Qualification	Date of Appointment* and Term	Other Directorships
<p>Name: Mr. B.V Rama Rao</p> <p>Fathers Name: Mr. B. Govinda Rao</p> <p>Designation: Non-Executive & Independent Chairman</p> <p>Add: Flat No. 101, Fernhills Apts, 6-3-890/1, Rajbhavan Road, Somajiguda, Hyderabad-500 082</p> <p>Occupation: Service</p> <p>Nationality: Indian</p> <p>DIN: 00972552</p> <p>Age: 68 years</p>	<ul style="list-style-type: none"> • Masters in Economics from Osmania University, • Master's in Public Administration (Kennedy School of Government, Harvard, USA) • Overseas Fellow Member of the Economic Development Institute, conferred by the World Bank. 	<p>December 26, 2005</p> <p>Term: Liable to retire by rotation</p>	NIL
<p>Name: Mr. K. Narasimha Reddy</p> <p>Fathers Name: Late Mr. Venkat Reddy</p> <p>Designation: Managing Director</p> <p>Address: 8-2-293/W/84, Plot No: 84, Women's Co-operative Society, Road No.7, Jubilee Hills, Hyderabad</p> <p>Occupation: Business</p> <p>Nationality: Indian</p> <p>DIN: 00382412</p>	B.A. from Kakatiya University, Andhra Pradesh	<p>Appointed as a director w.e.f. July 11, 1995 and Re-appointed as Managing Director for a period of five (5) years w.e.f April 1, 2006</p>	<ul style="list-style-type: none"> • Vishnu Publicity Solutions Limited • Patel KNR Heavy Infrastructures Private Limited • Patel KNR Infrastructures Private Limited

Name, Fathers name Designation, Address, Occupation, Nationality, DIN & Age	Qualification	Date of Appointment* and Term	Other Directorships
Age: 60 years		Term: Not liable to retire by rotation	
<p>Name: Mr. J.V Panindra Reddy</p> <p>Fathers Name: Mr. J.D Dasarath Reddy</p> <p>Designation: Executive Director</p> <p>Address: Flat No. 102, Sai Aashirwad Apartments, Vijaya Hills, A.C Guards Hyderabad-500 004, Andhra Pradesh</p> <p>Occupation: Business</p> <p>Nationality: Indian</p> <p>DIN: 00601982</p> <p>Age: 41 years</p>	B.E. (Civil) from Regional Engineering College, Warrangal.	<p>Appointed as an Executive Director w.e.f. June 4, 1999 and re-appointed as Executive Director for a period of five (5) years w.e.f. September 16, 2004</p> <p>Term: Liable to retire by rotation</p>	<ul style="list-style-type: none"> • KNR Infrastructure Projects Private Limited • Trapezoid Software Solutions Private Limited • Vishnu Publicity Solutions Limited
<p>Name: Mr. K. Jalandhar Reddy</p> <p>Fathers Name: Mr. K. Narasimha Reddy.</p> <p>Designation: Executive Director</p> <p>Address: Plot No. 84, Women's Co-operative Society, Road No. 7, Jubilee Hills, Hyderabad 500033</p> <p>Occupation: Business</p> <p>Nationality: Indian</p> <p>DIN: 00434911</p> <p>Age: 36 years</p>	B.E. (Computer), Bangalore University	<p>As a director w.e.f. July 11, 1995 and Re-appointed as Executive Director for a period of five (5) years w.e.f April 1, 2006</p> <p>Term: Liable to retire by rotation</p>	<ul style="list-style-type: none"> • KNR Infrastructure Projects Private Limited • Trapezoid Software Solutions Private Limited • Vishnu Publicity Solutions Limited
<p>Name: Mr. M. Rajesh Reddy</p> <p>Fathers Name: Mr. M. Satyanarayan Reddy</p>	B.E. (Electronics) form Kuvempu University, Karnataka.	<p>Appointed as a director w.e.f. March 21, 2005 and appointed as Executive</p>	<ul style="list-style-type: none"> • Trapezoid Software Solutions Private Limited • Vishnu Publicity Solutions Limited

Name, Fathers name Designation, Address, Occupation, Nationality, DIN & Age	Qualification	Date of Appointment* and Term	Other Directorships
Designation: Executive Director Address: 16-2-61-A/12, Akber Bagh, Malkapet, Hyderabad 5000336, Andhra Pradesh Occupation: Business Nationality: Indian DIN-00425439 Age: 35 years		Director for a period of five (5) years w.e.f May 1, 2006. Term: Liable to retire by rotation	
Name: Mr. L.B Reddy Fathers Name: L.V Reddy Designation: Independent Director Address: 310 Emerald Apartments, Punjagutta, Hyderabad, Occupation: Practicing Chartered Accountant Nationality: Indian DIN: 00956445 Age: 65 years	<ul style="list-style-type: none"> • B.Com from Sri Venkateswara University, Tirupathi, • Fellow Member of the Institute of Chartered Accountants of India • Diploma in Information System Audit from ICAI 	December 26, 2005 Term: Liable to retire by rotation	New Era Insurance Broking Services Limited.
Name: Mr. D Ramaiah Fathers Name: Mr. Achaiah Designation: Independent Director Address: H. No. 8-2-293/82/C/75 Plot No. 75, Women's Co-operative Housing Society, Krishna Nagar, Krishna Nagar, Jubilee Hills, Hyderabad Occupation: Retired Nationality: Indian	Masters in Arts from Osmania University	December 26, 2005	NIL

Name, Fathers name Designation, Address, Occupation, Nationality, DIN & Age	Qualification	Date of Appointment* and Term	Other Directorships
DIN: 00972835 Age: 71 years		Term: Liable to retire by rotation	
Name: Mr. J.S.R Chandra Mouli Fathers Name: Mr. Veeranna Designation: Independent Director Address: No. 72, Umanagar, Begumpet, Hyderabad-16 Occupation: Retired Nationality: Indian DIN: 00962507 Age: 73 years	B.E. (Civil), Mysore University	December 26, 2005 Term: Liable to retire by rotation	NIL

* - In case of Mr. J. V. Panindra Reddy and Mr. M. Rajesh Reddy, the date of appointment refers to the last date of appointment of the concerned Director(s) in our Company. Both these Directors have joined our Board earlier, and had resigned and then had subsequently rejoined. The date of appointment refers to the re-joining date.

For detailed profile of our Promoter Directors, Mr. K. Narasimha Reddy, Mr. K. Jalandhar Reddy, Mr. J.V. Panindra Reddy and Mr. M. Rajesh Reddy, please refer section titled “Our Promoters” beginning on page 123 of the Red Herring Prospectus.

Brief profile of the Directors of our Company other than our Promoter Directors:

Mr. B.V Rama Rao, aged 68 years, is the Non-Executive and Independent Chairman of our Company. He holds a Masters Degree in Economics from Osmania University, Master’s in Public Administration from Kennedy School of Government, Harvard, USA and was also conferred the title of Overseas Fellow Member of the Economic Development Institute, by the World Bank. Mr. Rao joined the Indian Administrative Services in 1973 and has over 34 years of experience in areas such as development, administration and industrial management. During his stint with the Indian Administrative Services, Mr. Rao has served in various positions including as Chief Secretary to the Government of Andhra Pradesh and as Chairman and Managing Director, Nizam Sugars Limited until his retirement in 1997. Mr. Rao currently serves as Dean of ICFAI School of Public Policy and also as a Vice-Chancellor of The Institute of Chartered Financial Analysts of India University, Sikkim.

Mr. Rao joined the board of directors of our Company with effect from December 26, 2005.

Mr. D. Ramaiah, aged 71 years is an Independent Director of our Company. He holds a Master Degree in Arts from Osmania University. Mr. Ramaiah has over 45 years of experience in areas such as planning, administrative and revenue related matters. Mr. Ramaiah started his career in 1965 as an assistant lecturer in P.R College; Kakinada. In the year 1987 he joined the Indian Administrative Services and has been associated in various capacities with different government departments, including as Deputy Secretary-General Administration Department, Secretary to Excise Commissioner, Deputy Secretary- Irrigation and Command Area Development

Department, Deputy Secretary- General Administration Department & Director of Protocol of Government of Andhra Pradesh, Secretary to the Pay Anomalies Commission, OSD (Protocol), Ex-Officio Joint Secretary (Protocol) and Director of Protocol, and as Member of Commissionerate of Inquiries, G.A.D., General Manager – A.P Scheduled Castes' Co-op Finance Corporation, Deputy Director of Anti- Corruption Bureau.

Mr. Ramaiah joined the board of directors of our Company with effect from December 26, 2005.

Mr. L.B Reddy, aged 65 years, is an Independent Director of our Company. Mr. Reddy is a Fellow Member of The Institute of Chartered Accountants of India and is a senior partner in M/s L B Reddy & Co., a Chartered Accountancy firm. Mr. Reddy started his career with Syndicate Bank and has worked in various capacities within the Bank before retiring as General Manager. He has over 30 years of experience in areas such as planning, accounts, inspection, computer policy and development. He was also on deputation from Syndicate Bank with Rayalaseema Grameena Bank as Chairman for six years.

Mr. Reddy joined the board of directors of our Company with effect from December 26, 2005.

Mr. J.S.R Chandra Mouli, aged 73 years, is an Independent Director of our Company. He holds a Bachelor's Degree in Civil Engineering from Mysore University. He started his career as an Assistant Engineer (Roads & Building Division), Public Works Department, Government of Andhra Pradesh. He has over 50 years of experience in various positions including as Executive Engineer and Senior Engineer in various government departments before retiring as Chief Engineer in the 1992.

Mr. Mouli joined the board of directors of our Company with effect from December 26, 2005.

BORROWING POWERS OF BOARD OF DIRECTORS

The borrowing powers of our Board of Directors is as per our Articles of Association which allows them to borrow any amount not exceeding the aggregate of the paid up equity capital of our Company plus free reserves except with the consent of our Company in general meeting.

The Articles of Association of our Company authorises the board to borrow the extract of which is as follows:

“Subject to the provisions of Sections 58A, 292 and 370 of the Act and these Articles, the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purposes of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No debts incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.”

Our Shareholders have in the AGM held on July 7, 2007 passed a resolution enhancing the borrowing powers of our Board to Rs. 5000 million. The extract of the Resolution is as follows:

“RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors under section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of money(s) from time to time notwithstanding that the money(s) to be borrowed, together with money(s) already borrowed by the Company (apart from temporary loans obtained from the companies bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided that the total amount so borrowed shall not exceed Rs. 500 crores (Rupees Five Hundred Crores only)”

COMPENSATION AND BENEFITS TO OUR WHOLE TIME DIRECTORS

Mr. K. Narasimha Reddy, Managing Director

Mr. K. Narasimha Reddy was initially appointed as Managing Director with effect from March 4, 1996. Mr. K. Narasimha Reddy, has been re-appointed as our Managing Director pursuant to the provisions of the Companies Act for a period of five (5) years with effect from April 1, 2006 in pursuance of a resolution of our Board dated December 25, 2005 and resolution of our shareholders at the EGM held on January 7, 2006 approving the terms of for his re-appointment.

The significant terms of employment of our Managing Director are as follows:

Particulars	Remuneration
Salary	Rs. 2,00,000 per month
Perquisites	<p>Housing-Furnished/ Unfurnished residential accommodation</p> <p>Medical Re-imbusement: Actual expenses incurred by Mr. K. Narasimha Reddy and his family shall be reimbursed</p> <p>Leave Travel Concession: For Mr. Reddy and his family once in a year in accordance with the rules of the company</p> <p>Club Fees: This includes admission and life membership fee of clubs</p> <p>Personal Accident Insurance: Premium shall not exceed Rs. 10,000 per annum</p> <p>Provident Fund And Superannuation Fund: Company's contribution towards provident fund and superannuation fund</p> <p>Contribution to Provident Fund And Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961</p> <p>Encashment of leave not availed of: Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites</p> <p>Gratuity: Gratuity payable should not exceed half- a month's salary for each completed year of service</p> <p>Provision of car for use on company's business and telephone at residence will not be considered as perquisites</p> <p>For the purpose of the foregoing, perquisites shall be valued as per Income Tax Rules, 1962. In the absence of any such rule, perquisites shall be evaluated at actual cost.</p> <p>The Whole Time Director shall not be entitled to any sitting fees for attending the meetings of the Board or of any Committee thereof.</p>

Mr. K. Jalandhar Reddy, Executive Director

Mr. K. Jalandhar Reddy was initially appointed as an Executive Director of our Company on April 1, 1997. Mr. Reddy has been re-appointed as our Executive Director for a period of five (5) years with effect from April 1, 2006 by resolution of our Board on December 26, 2005 and shareholder's resolution at the EGM held on January 7, 2006.

The significant terms of employment of Mr. K. Jalandhar Reddy, our Executive Director are as follows:

Particulars	Remuneration
Salary	Rs. 1,50,000 per month
Perquisites	<p>Housing-Furnished/ Unfurnished residential accommodation</p> <p>Medical Re-imburement: Actual expenses incurred by Mr. K. Jalandhar Reddy and his family shall be reimbursed</p> <p>Leave Travel Concession: For Mr. Reddy and his family once in a year in accordance with the rules of the company</p> <p>Club Fees: This includes admission and life membership fee of clubs</p> <p>Personal Accident Insurance: Premium shall not exceed Rs. 10,000 per annum</p> <p>Provident Fund And Superannuation Fund: Company's contribution towards provident fund and superannuation fund</p> <p>Contribution to Provident Fund And Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961</p> <p>Encashment of leave not availed of: Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites</p> <p>Gratuity: Gratuity payable should not exceed half- a month's salary for each completed year of service</p> <p>Provision of car for use on company's business and telephone at residence will not be considered as perquisites</p> <p>For the purpose of the foregoing, perquisites shall be valued as per Income Tax Rules, 1962. In the absence of any such rule, perquisites shall be evaluated at actual cost.</p> <p>The Whole Time Director shall not be entitled to any sitting fees for attending the meetings of the Board or of any Committee thereof</p>

Mr. J.V. Panindra Reddy, Executive Director

Mr. J. V. Panindra Reddy was appointed as an Executive Director of our Company on June 4, 1999. Mr. Reddy has been re-appointed as our Executive Director for a period of five (5) years with effect from September 16, 2004 by resolution of our Board held on September 16, 2004 and shareholder's resolution at the EGM held on October 20, 2004.

Further his remuneration was increased with effect from December 1, 2005 vide shareholder's resolution dated January 1, 2006.

The significant terms of employment of Mr. J. V. Panindra Reddy, our Executive Director are as follows:

Particulars	Remuneration
Salary	Rs. 1,50,000 per month
Perquisites	<p>Housing-Furnished/ Unfurnished residential accommodation</p> <p>Medical Re-imburement: Actual expenses incurred by Mr. J.V Panindra</p>

Particulars	Remuneration
	<p>Reddy and his family shall be reimbursed</p> <p>Leave Travel Concession: For Mr. Reddy and his family once in a year in accordance with the rules of the company</p> <p>Club Fees: This includes admission and life membership fee of clubs</p> <p>Personal Accident Insurance: Premium shall not exceed Rs. 10,000 per annum</p> <p>Provident Fund And Superannuation Fund: Company's contribution towards provident fund and superannuation fund</p> <p>Contribution to Provident Fund And Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961</p> <p>Encashment of leave not availed of: Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites</p> <p>Gratuity: Gratuity payable should not exceed half- a month's salary for each completed year of service</p> <p>Provision of car for use on company's business and telephone at residence will not be considered as perquisites For the purpose of the foregoing, perquisites shall be valued as per Income Tax Rules, 1962. In the absence of any such rule, perquisites shall be evaluated at actual cost.</p> <p>The Whole Time Director shall not be entitled to any sitting fees for attending the meetings of the Board or of any Committee thereof</p>

Mr. M. Rajesh Reddy, Executive Director.

Mr. M. Rajesh Reddy was appointed as a director on March 21, 2005 and was appointed to the post of Executive Director with effect from May 1, 2006 for a period of five (5) years vide resolution of our Board in their meeting held on June 30, 2006 and shareholder's resolution at the AGM held on September 29, 2006.

The significant terms of employment of Mr. M. Rajesh Reddy, our Executive Director, are as follows:

Particulars	Remuneration
Salary	Rs 1,50,000 per month
Perquisites	<p>Housing-Furnished/ Unfurnished residential accommodation</p> <p>Medical Re-imburement: Actual expenses incurred by Mr. M. Rajesh Reddy and his family shall be reimbursed</p> <p>Leave Travel Concession: For Mr. Reddy and his family once in a year in accordance with the rules of the company</p> <p>Club Fees: This includes admission and life membership fee of clubs</p> <p>Personal Accident Insurance: Premium shall not exceed Rs. 10,000 per annum</p>

Particulars	Remuneration
	<p>Provident Fund And Superannuation Fund: Company's contribution towards provident fund and superannuation fund</p> <p>Contribution to Provident Fund And Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961</p> <p>Encashment of leave not availed of: Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites</p> <p>Gratuity: Gratuity payable should not exceed half- a month's salary for each completed year of service</p> <p>Provision of car for use on company's business and telephone at residence will not be considered as perquisites For the purpose of the foregoing, perquisites shall be valued as per Income Tax Rules, 1962. In the absence of any such rule, perquisites shall be evaluated at actual cost.</p> <p>The Whole Time Director shall not be entitled to any sitting fees for attending the meetings of the Board or of any Committee thereof</p>

DETAILS OF SITTING FEES TO THE INDEPENDENT DIRECTORS

We do not pay any remuneration to our independent Directors. However, they are entitled to sitting fees of Rs. 10,000/- per Board meeting and Rs. 7,500/- per Committee meeting.

SHAREHOLDING OF DIRECTORS

Name of the Director	No of Equity Shares held as on date	% of Holding in our Company
Mr. K. Narasimha Reddy	9,423,723	46.54
Mr. K. Jalandhar Reddy	4,970,448	24.55
Mr. J.V Panindra Reddy	1,832,115	9.05
Mr. M. Rajesh Reddy	1,832,115	9.05
Mr. B.V Rama Rao	NIL	-
Mr. L.B Reddy	NIL	-
Mr. D Ramaiah	NIL	-
Mr. JS R Chandra Mouli	NIL	-
Total	18,058,401	89.19

Relationships among Directors

None of our Directors are related to each other, except for our whole-time Directors who are also our Promoters. For details of the relationships, please refer section titled "Our Promoters and their Background" beginning on page 123 of the Red Herring Prospectus.

Corporate Governance

The requirements of the Listing Agreement in respect of Corporate Governance will be applicable to our Company immediately upon applying for in-principle approval for listing of our Equity Shares on the Stock Exchanges.

We shall comply with corporate governance requirements as may be applicable to us from time to time. Accordingly, our Company has already taken the steps to comply with the SEBI Guidelines on Corporate Governance. The Corporate Governance framework is based on an effective independent Board and constitution of the Board Committees, majority of them comprising of independent directors.

Composition of the Board

We have a broad-based Board of Directors, constituted in compliance with the Companies Act and the Listing Agreements to be entered into with the Stock Exchanges.

Presently our Board consists of eight (8) Directors, of which four (4) are Whole-time Directors, and the other four (4) including the Chairman of our Board are Non-Executive and Independent Directors. Thus 50% of our Board comprises of independent Directors.

The details are given as follows:

Sr. No.	Name of Director	Designation and Nature of Directorship
1	Mr. B. V. Rama Rao	Chairman (Non-Executive and Independent)
2	Mr. K Narasimha Reddy	Managing Director (Executive and Non-Independent)
3	Mr. K Jalandhar Reddy	Executive Director (Executive and Non-Independent)
4	Mr. J.V. Panindra Reddy	Executive Director (Executive and Non-Independent)
5	Mr. M. Rajesh Reddy	Executive Director (Executive and Non-Independent)
6	Mr. D Ramaiah	Director (Non-Executive and Independent)
7	Mr. L B Reddy	Director (Non-Executive and Independent)
8	Mr. J S R Chandra Mouli	Director (Non-Executive and Independent)

Committees of our Board

We have constituted the following committees of our Board in compliance with corporate governance requirements:

Audit Committee

The Audit Committee was formed on March 12, 2001 and last re-constituted on December 26, 2005. The Audit Committee comprises of the following members:

Name	Designation and Nature of Directorship
Mr. L.B. Reddy	Chairman – Non-Executive and Independent Director
Mr. B.V. Rama Rao	Member – Non-Executive and Independent Director
Mr. K. Jalandhar Reddy	Member – Executive and Non-Independent Director

Terms of reference of the Committee are as follows:

- Review the un-audited quarterly results, half yearly and annual accounts of the company
- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment of any other services
- Reviewing with the management, the annual financial statements before submission to the Board focusing primarily on:
 - (i) Any changes in accounting policies and practices
 - (ii) Major accounting entries based on exercise of judgement by management
 - (iii) Qualifications in draft audit reports
 - (iv) Significant adjustments arising out of the audit
 - (v) The going concern assumption

- (vi) Compliance with accounting standards
- Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relative etc.; that may have potential conflict with the interests of the company at large
- Reviewing with management, external and internal auditor's, the adequacy of internal control systems
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- Discussion with internal auditors any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected of fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board
- Discussion with external auditors before the audit commences, on the nature and scope of audit as well as have post- audit discussion to ascertain any areas of concern
- Reviewing the company's financial and risk management policies
- To look into and review the reasons for substantial defaults, if any, in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

The Chairman of the Audit Committee shall be present at the Annual General Meeting of the Company to provide any clarification on queries from shareholders.

Remuneration Committee

The Remuneration Committee was formed on December 5, 2003 and last re-constituted on September 12, 2007. The Remuneration Committee comprises of the following members:

Name	Designation
Mr. D. Ramaiah	Chairman- Non-Executive and Independent Director
Mr. L.B. Reddy	Member - Non-Executive and Independent Director
Mr. B.V. Rama Rao	Member - Non-Executive and Independent Director

The terms of reference of the Remuneration Committee are as follows:

- The Remuneration Committee recommends to the board the compensation terms of the executive directors
- Framing and implementing on behalf of the Board and on behalf of the shareholders, a credible and transparent policy on remuneration of executive directors including ESOP, Pension Rights and any compensation payment
- Considering approving and recommending to the Board the changes in designation and increase in salary of the executive directors
- Ensuring the remuneration policy is good enough to attract, retain and motivate directors
- Bringing about objectivity in deeming the remuneration package while striking a balance between the interest of our Company and the shareholders.

Investor Grievance & Share Transfer Committee

This Committee was formed on December 26, 2005. This Committee comprises of the following members

Name	Designation
Mr. D. Ramaiah	Chairman – Non-Executive and Independent Director
Mr. M. Rajesh Reddy	Member – Executive and Non-Independent Director
Mr. J.V Panindra Reddy	Member – Executive and Non-Independent Director
Mr. JSR Chandra Mouli	Member - Non-Executive and Independent Director

The terms of reference of the Investor Grievance & Share Transfer Committee are as follows:

To allot the equity shares of the Company, and to supervise and ensure:

- (i) Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares and debentures;
- (ii) Redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc;
- (iii) Issue of duplicate / split / consolidated share certificates;
- (iv) Allotment and listing of shares;
- (v) Review of cases for refusal of transfer / transmission of shares and debentures;
- (vi) Reference to statutory and regulatory authorities regarding investor grievances;
- (vii) And to otherwise ensure proper and timely attendance and redressal of investor queries and grievances.

IPO Committee

The IPO Committee was constituted on August 20, 2007 and re-constituted on September 12, 2007. The Committee comprises of the following members:

Name	Designation
Mr. K Narasimha Reddy	Chairman –Executive and Independent Director
Mr. L B Reddy	Member- Non-Executive and Independent Director
Mr. M. Rajesh Reddy	Member – Executive and Non-Independent Director

Interest of our Directors

Except as stated in section titled “Related Party Transactions” on page 133 of the Red Herring Prospectus, and to the extent of their compensation, sitting fees and reimbursement of expenses, if any, as mentioned in the chapter titled “Our Management” beginning on page 106 of the Red Herring Prospectus, and (a) their shareholding; or (b) shareholding of companies, firms, proprietorships or entities in which they may be directly or indirectly interested; or (c) shareholdings of their relatives in our Company; and (d) also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares; our Directors, do not have any other interest in our Company.

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

Our Directors do not have any interest in any property acquired by our Company in the period of two years preceding the date of the Red Herring Prospectus with SEBI, or proposed to be acquired by us as on date of the Red Herring Prospectus.

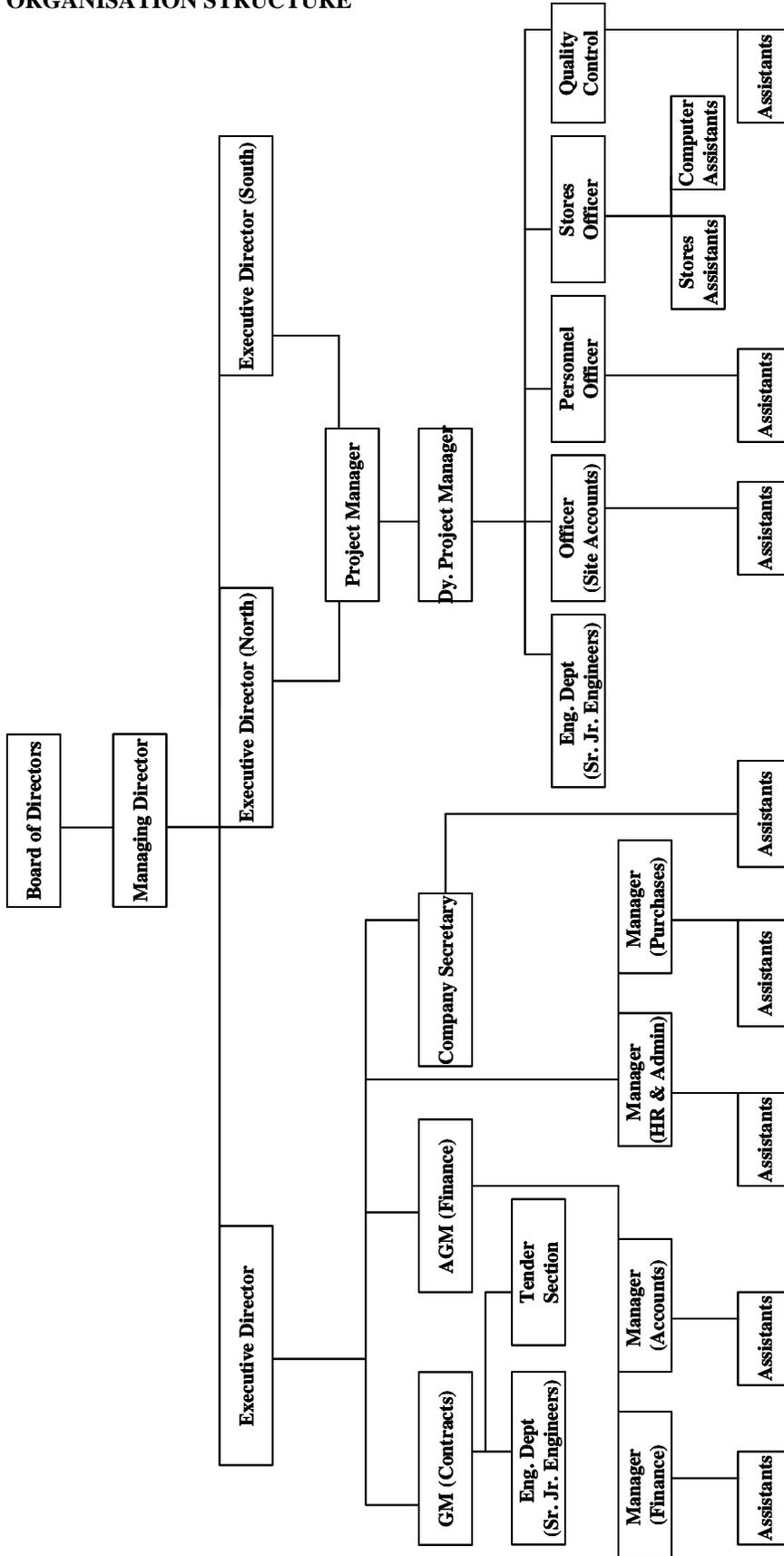
Changes in our Board of Directors in the last three years:

There have been following changes in our Board in last 3 years:

Name of the Director	Date of Appointment	Date of Resignation	Remarks
Mr. Krishna Reddy	June 4, 1998	March 30, 2005	Resignation
Mr. T.R Sridharan	December 26, 2005	-	Appointment
Mr. T.R Sridharan	-	August 21, 2007	Resignation
Mr. B.V Rama Rao	December 26, 2005	-	Appointment
Mr. T.R Sridharan	December 26, 2005	-	Appointment
Mr. L.B Reddy	December 26, 2005	-	Appointment
Mr. D Ramaiah	December 26, 2005	-	Appointment
Mr. JS R Chandra Mouli	December 26, 2005	-	Appointment
Mr. K. Ranga Reddy	April 1, 1997	December 21, 2005	Resignation
Mr. Harikrishna Reddy	December 5, 2003	December 21, 2005	Resignation

Name of the Director	Date of Appointment	Date of Resignation	Remarks
Mr. Jagan Mohan Reddy	December 5, 2003	December 21, 2005	Resignation
Mr. M. Rajesh Reddy	March 21, 2005	-	Appointment
Mr. M. Rajesh Reddy	May 1, 2006	-	Appointment as a Whole Time Director

ORGANISATION STRUCTURE



KEY MANAGERIAL PERSONNEL

Brief profiles of our key managerial personnel other than our Managing Director and Executive Directors are given below:

Major T. L. Verma-Project Manager, aged 52 years, joined our Company in April 2007. He holds a bachelors degree in civil engineering from Jivaji University. He has over 28 years of experience in the field of project management, construction supervision and designing of highways. Major Verma has served the Indian Army, and was associated with the Defence Corps of Engineers as person-in-charge and responsible for planning, construction supervision, operation and maintenance. Prior to joining our Company he has also worked with Feedback Turnkey Engineers Private Limited as a Team Leader and Senior Highway Engineer, Span Consultants Private Limited as a Senior Highway Engineer (Expert), Som Datta Builders Limited, Delhi as person-in-charge of overall project management, construction, supervision and quality assurance, Unitech Limited, as person-in-charge for topographic survey using total station. As Project Manager, Major Verma is responsible for overall project management, construction, supervision and quality assurance for various projects undertaken by our Company.

Since Major Verma has joined our Company in FY 2008, there was no remuneration payable to him in FY 2007. The remuneration payable to Major Verma for FY 2008 is Rs. 1.20 million.

Mr. C Prabhuswamy-Project Manager, aged 42 years, joined our Company in April, 2007. He holds a Bachelors Degree in Civil Engineering from Bangalore University. He is well versed with codes and specifications of Indian Road Congress (IRC), Ministry of Road, Transport and Highways (MORTH) various other International Standard codes which are in day to day practice in the construction industry. He has over 18 years of experience in the areas of construction of bridges and various structural projects which have been aided either by ADB, World Bank, NABARD granted under MORTH and IRC conditions of contract. Prior to joining our Company, Mr. Prabhuswamy has worked with various construction companies in India including with Simplex Infrastructures Limited as Project Manager, Larsen and Toubro Limited as Assistant Construction Manager in charge of QA/QC function, Hindustan Construction Company Limited, as an Engineer (Civil), Best and Crompton Engineering Limited, Chennai as a Work Engineer, T. K. Sreenivasan and Associates, Bangalore as a Construction Engineer and Shah Constructions Bangalore wherein he was in charge of constructing and supervising the construction of a three storied commercial complex including its finishing works. As Project Manager, Mr. Prabhuswamy is responsible for overall project management, construction, supervision and quality assurance for various projects undertaken by our Company.

For FY 2007 Mr. Prabhuswamy was paid remuneration of Rs. 0.77 million.

Mr. V.K.S Panikar- Project Manager, aged 68 years, joined our Company in November 2005. He holds a Diploma in Civil Engineering and is an Associate Member of Indian Institute of Bridge Engineers. He has over 40 years of experience in various aspects of Civil Engineering. Prior to joining our Company Mr. Panikar has worked in various capacities with construction companies/entities in India namely with Gammon India Limited as a Junior Engineer later promoted to the post of Deputy Project Manager, Trafalgar House Construction India Ltd. as a Deputy Manager, Kalaythra Engineering Constructions as a Resident Engineer, M/s. Bhattal Md Shaffi Dooseri & Co. as Site Engineer, Nikhil Constructions Ltd. as a Technical Advisor, M/s. NCC – KNR (JV) as a Construction Manager (Bridges) and M/s. Patel – KNR (JV) as a Project Manager (Structures). He is currently in charge of NS 39 project in the State of Tamil Nadu.

For FY 2007 Mr. Panikar was paid remuneration of Rs. 0.24 million.

Mr. Krishna Reddy-Deputy Project Manager, aged 59 years, joined our Company in October 2006. He holds a Diploma in Civil Engineering from the State Board of Technical Education and Training, Andhra Pradesh. He has over 34 years of experience in various types of civil engineering projects. Prior to joining our Company Mr. Reddy has worked as a Technical Head with the Road and Buildings Wing of Andhra Pradesh State Public Works Department, and has worked with the Quality Control Wing of Andhra Pradesh State Public Works Department.

As Deputy Project Manager, Mr. Reddy is responsible for handling the BOT projects undertaken by our Company.

For FY 2007 Mr. Reddy was paid remuneration of Rs. 0.26 million.*

Mr. P. Vivekananda- General Manager (Contracts), aged 65 years, joined our Company in December 2005. He is a B-TECH (PTDC) in Civil Engineering from Jawaharlal Nehru Technological University, AP College of Engineering, Kakinada. He has over 42 years of experience in road infrastructure projects. Prior to joining our Company, he has worked in various organisations and in various capacities including as Draughtsman (Civil) in the Office of Chief Engineer with Andhra Pradesh State Road Transport Corporation, as Deputy Executive Engineer Civil (R&B) Department, as Private Secretary to the Minister of Commercial Taxes, State Government of Andhra Pradesh, and as Senior General Manager (Projects), Venkataraya Constructions Limited. As General Manager (Projects), Mr. Vivekananda is responsible for overall monitoring of various contracts under execution, including obtaining various licenses and statutory permissions. He also handles all the arbitration disputes initiated by or against our Company.

For FY 2007, Mr. Vivekananda was paid remuneration of Rs. 0.42 million.

Mr. D. Tirupathi Reddy- General Manager (Projects), aged 44 years, has been with our Company since 1997. He holds a Bachelors Degree in Civil Engineering from Calicut University. He has over 18 years of experience in the areas of bidding for construction projects. He started his career with KMC Constructions Limited as a site engineer where he was responsible for executing and monitoring of various works. He joined our Company as a Project Engineer and was responsible for overseeing the work of Improvement and Rehabilitation of Hyderabad-Karimnagar-Ramagundam Road. In the year 2000, he was promoted to General Manager (Projects). As the General Manager (Projects), Mr. Reddy is responsible for preparation and submission of pre-qualification documents for various projects.

For FY 2007 Mr. Reddy was paid remuneration of Rs. 0.42 million.

Mr. G Sravana Kumar-Assistant General Manager (Finance), aged 40 years, joined our Company in November 2006. He holds a Bachelors Degree in science from S.V. University, Tirupathi and is an Associate Member of the Institute of Chartered Accountants of India. He has over 14 years of experience in the areas of finance and accountancy. Prior to joining our Company he has worked with KCP Cements Limited as Accounts Officer, M.P.R. Refractories Private Limited as Accounts Officer, Nagarjuna International Vietnam Limited as Assistant Manager (Finance) and PLR Projects Private Limited as Manager (Finance). As Assistant General Manager (Finance) he has the overall responsibility for the finalisation of corporate accounts, taxation, finance and related work.

For FY 2007 Mr. Kumar was paid remuneration of Rs. 0.25 million.*

Mr. M.V Venkata Rao-Company Secretary, aged 27, joined our Company in April 2007. He is a holds a Bachelors' Degree in Commerce from Andhra University and is also an Associate Member of the Institute of Company Secretaries of India. He started his career with Vama Industries Limited as Company Secretary where he worked for 3 years before joining our Company. As the Company Secretary, he is responsible for all secretarial and legal affairs functions.

Since Mr. Rao has joined our Company in FY 2008 there was no remuneration paid to him in FY 2007. The remuneration payable to Mr. Rao for FY 2008 is Rs. 0.36 million.

The key managerial personnel whose names appear above are permanent employees and are on the rolls of our Company.

None of the above mentioned key managerial personnel are related to each other or to our Promoters or Directors.

None of the key managerial personnel are appointed pursuant to any arrangement or understanding with major shareholder, customer or supplier.

* - Remuneration numbers for Mr. Krishna Reddy and Mr. G. Sravana Kumar are remuneration paid for a part of FY 2007, as they were appointed during FY 2007.

Shareholding of Our Key Managerial Personnel

None of our key managerial personnel except our Managing Director and our Executive Directors hold any Equity Shares in our Company. For shareholding of our Directors please refer to the section titled “Our Management” beginning on page 106 of the Red Herring Prospectus.

Bonus or profit sharing to Key Managerial Employees

There is no specific bonus or profit sharing plan for our key managerial personnel.

Changes in the Key managerial Personnel

Except as stated below, there have been no changes in our key managerial personnel during the last three years:

Name & Designation	Date of Appointment	Date of Leaving	Reason
Ms. Indani Venkata Lakshmi, Company Secretary	January 2006	October 2006	Resignation
Mr. M.V Venkata Rao, Company Secretary	April 2007	-	Appointment
Mr. G. Sravana Kumar, Assistant General Manager- Finance	November 2006	-	Appointment
Mr. Krishna Reddy, Deputy Project Manager	October 2006	-	Appointment
Major T.L Verma, Project Manager	April 2007	-	Appointment
Mr. V.K.S Panikar, Project Manager	November 2005	-	Appointment
Mr. P. Vivekananda, General Manager (Contracts)	December 2005	-	Appointment
Mr. C. Prabhuswamy, Project Manager	April 2007	-	

Manpower /Employees

As on November 30, 2007, our Company had 718 employees working directly in our Company as well as with our various joint ventures. Out of these total number of employees, 418 are technical staff members while the rest comprises of unskilled and support staff members.

Interest of Employees

Our Company has formed “M/s KNR Constructions Ltd, Employees Group Gratuity Scheme” with the Life Insurance Corporation of India (Master Policy No. GG/CA/511566). This is a group gratuity scheme wherein our Company contributes certain sums periodically to cover liability for payment of gratuity to employees arising out of employee’s retirement, cessation of service or in the event of their death, to their specified beneficiaries after a minimum period of service or to their nominees in case of death.

ESOP / ESPS Scheme to Employees

Presently, we do not have ESOP / ESPS scheme for employees.

Payment or Benefit to Our Officers (Non-salary related)

Except for the payments in accordance with their terms of employment, we do not provide any non-salary related benefit to our employees.

OUR PROMOTERS AND THEIR BACKGROUND

Our current Promoters comprise the following:

1. Mr. K. Narasimha Reddy;
2. Mr. K. Jalandhar Reddy;
3. Mr. J.V. Panindra Reddy; and
4. Mr. M. Rajesh Reddy

Brief profiles of our Promoters are set out hereinbelow:

1. Mr. K. Narasimha Reddy, Managing Director

	PAN : Voter ID: Driving Licenses No: Passport No: Bank Account No.	AEDPK2315K AP/31/210/429166 138178/WGL/1980 A5291787 737010045929, ING Vysya Bank
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Mr. K. Narasimha Reddy aged 60 years, is our founder Promoter and Managing Director. He holds a Bachelor's degree in Arts from Kakatiya University. He has over 38 years of experience in the roads and infrastructure sector, and has been the driving force behind our Company's establishment and growth, and we have grown to our current size and scale under his able leadership. He started his career in 1968 as a sub-contractor for other construction companies. In 1979, he formed a partnership business in the name and style of M/s K Narasimha Reddy & Company, which was engaged in the business of undertaking civil and mechanical contracts. Mr. Reddy has extensive knowledge and experience in project planning, scheduling, cost controls, and quantity surveying in addition to overall construction project management. Mr Reddy oversees the implementation of most of our projects and has formulated the corporate vision of our Company.

Mr. Reddy joined the Board of Directors of our Company in 1995 and was elevated as Managing Director with effect from March 4, 1996.

2. Mr K. Jalandhar Reddy, Executive Director

	PAN : Voter ID: Driving Licenses No: Passport No: Bank Account No.	AEMPK0219B AP/31/210/429168 4962/96 E 6417307 737010046587, ING Vysya Bank
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Mr. K. Jalandhar Reddy, aged 36 years is the Promoter and Executive Director of our Company. He holds a Bachelor's Degree in Computer Engineering from Bangalore University. He has over 15 years of experience in the roads and infrastructure sector. He started his career with our Company as a Project Manager and was elevated as our Executive Director on April 1, 1997. He heads the tendering and bidding activities of our Company, as also is in-charge of most of our projects which are executed in Southern India.

3. **Mr. J.V. Panindra Reddy, Executive Director**

	PAN : Voter ID: Driving Licenses No: Passport No: Bank Account No.	AEMPJ2559K Not Applied DLRAP015188022006 E3441752 102001000073054, Centurion Bank of Punjab Limited
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Mr. J.V. Panindra Reddy, aged 41 years, is the Promoter and Executive Director of our Company. He holds a Bachelor's Degree in Civil Engineering from REC, Warrangal. He has over 18 years of experience in the roads and infrastructure sector. He has been closely associated with our Company since its inception. As Executive Director he is responsible and is in-charge of our projects which are executed in Northern and North-Eastern India.

4. **Mr. M. Rajesh Reddy, Executive Director**

	PAN : Voter ID: Driving Licenses No: Passport No: Bank Account No.	AIEPR0573R Not Applied Not Available E8474078 737010054995 ING Vysya Bank
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Mr. M. Rajesh Reddy, aged 35 years, is the Promoter and Executive Director of our Company. He holds a Bachelors Degree in Electronics Engineering from Kuvempu University, Karnataka. He has over 12 years of work experience, of which he has five yeas experience in the roads and infrastructure sector. He is responsible for corporate finance, co-ordination with various construction sites all over India and the day to day administrative activities of our Company. He is additionally responsible for supervision and implementation of our Company's human resource policies.

For details of terms of appointment of Mr. K. Narasimha Reddy as our Managing Director, Mr. K Jalandhar Reddy, Mr. J.V Panindra Reddy and Mr. M Rajesh Reddy as our Executive Directors, please see the section titled "Our Management" beginning on page 106 of the Red Herring Prospectus.

Other Confirmations

We confirm that the details of the permanent account numbers, bank account numbers and passport numbers of our Promoters will be submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with the Stock Exchanges.

Further, our Promoters have confirmed that neither they nor their relatives, and our Group Companies have confirmed that they have not been, declared as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

None of our Promoters have been restricted from accessing the capital markets.

Relationships

Our Promoters and Executive Directors are related to each other in the following manner:

1. Mr. K. Narasimha Reddy is the father of Mr. K. Jalandhar Reddy, and the Father-in-law of Mr. J.V. Panindra Reddy and Mr. M. Rajesh Reddy;
2. Mr. K. Jalandhar Reddy is the son of Mr. K. Narasimha Reddy, and is the brother-in-law of Mr. J.V. Panindra Reddy and Mr. M. Rajesh Reddy;
3. Mr. J.V. Panindra Reddy and Mr. M. Rajesh Reddy are sons-in-law of Mr. K. Narasimha Reddy

Interests of Promoters

Except as stated in the paragraph titled “Interest of our Directors” in the section titled ‘Our Management’ beginning on page 106 of this Red Herring Prospectus in the section titled “Our Management”, our Promoters do not have any other interests in our Company.

Further, our Promoters are also directors/partners of certain group companies and they may be deemed to be interested to the extent of the payments made by the Company, if any, to these group companies. A list of our Promoters who are the partners/proprietor/directors of our group companies is as under:

Name of the Concern	Type of Concern	Names of the Interested Parties	Relationship
KNR Infrastructure Projects Private Limited	Private Limited Company	Mr. K Jalandhar Reddy, Mr. J.V. Panindra Reddy, Mr. M. Rajesh Reddy [^]	Directors/Members
Trapezoid Software Solutions Private Limited	Private Limited Company	Mr. K Jalandhar Reddy, Mr. J. V. Panindra Reddy, Mr. M. Rajesh Reddy	Directors/Members
Vishnu Publicity Solutions Limited	Public Limited Company	Mr. K Narasimha Reddy, Mr. K Jalandhar Reddy, Mr. J. V. Panindra Reddy, Mr. M. Rajesh Reddy	Directors/Members
M/s. Yuva Sakthi Entreprises	Partnership Firm	Mr. K. Narasimha Reddy	Partner
Patel KNR Infrastructures Private Limited	Private Limited Company	Mr. K. Narasimha Reddy	Director
Patel KNR Heavy Infrastructure Private Limited	Private Limited Company	Mr. K. Narasimha Reddy	Director

[^]Mr. M Rajesh Reddy is only a director in KNR Infrastructure Projects Private Limited.

For further details as regards the aforesaid companies/entities, please refer to the section titled “Our Group Companies and Special Purpose Vehicles” beginning on page 127 of the Red Herring Prospectus.

Our Promoters do not have any interest:

- (i) In the promotion of our Company; and
- (ii) In any property acquired by us within two years preceding the date of the Red Herring Prospectus, or proposed to be acquired by us.

For currency of presentation used in the Red Herring Prospectus kindly, refer to the section titled 'Currency of Presentation' on page viii of the Red Herring Prospectus.

For dividend policy of our Company kindly, refer to the section titled 'Dividend Policy' on page 139 of the Red Herring Prospectus.

Common pursuits

Two of the ventures promoted by our promoters namely M/s Yuva Sakthi Enterprises, KNR Infrastructure Projects Private Limited have objects similar to those of our Company. KNR Infrastructure Projects Private Limited has not yet commenced business operations. M/s. Yuva Sakthi Enterprises currently does not compete with our Company, either in activities or in scale, and is engaged in the business of raw material supplies and quarrying.

Related Party Transactions

Details of Related Party Transactions are given under section titled "Related Party Transactions" appearing on page 133 of the Red Herring Prospectus.

OUR GROUP COMPANIES AND SPECIAL PURPOSE VEHICLES

There are total four entities forming part of our Group Companies consisting of three private limited companies namely KNR Infrastructure Projects Private Limited, Trapezoid Software Solutions Private Limited and Vishnu Publicity Solutions Limited and one partnership firm namely M/s Yuva Sakthi Enterprises.

Further our Company has, along with Patel Engineering Limited, promoted two private limited companies namely Patel KNR Heavy Infrastructure Private Limited and Patel KNR Infrastructures Private Limited. These companies are special purpose vehicles incorporated for the purpose of domiciling the BOT projects awarded to our joint venture with Patel Engineering Limited.

i.) Our Group Companies

1. KNR INFRASTRUCTURE PROJECTS PRIVATE LIMITED (“KIPPL”)

KIPPL was incorporated on February 10, 2005 with Registration No. 45323. The registered office is located at 6-3-635, Akash Ganga, 3rd Floor, Khairatabad, Hyderabad. As per the main objects clause of its memorandum of association, KIPPL is authorised to carry on the business of all kinds of construction work. KIPPL is yet to commence commercial operations.

Board of Directors as on November 30, 2007

Sr No	Directors
1.	Mr. K. Jalandhar Reddy
2.	Mr. J V Panindra Reddy
3.	Mr. M. Rajesh Reddy

Shareholding Pattern as on November 30, 2007

Shareholder	No. of Equity Shares held	% Shareholding
Ms. K. Jalandhar Reddy	5000	50.00
Mr. J.V. Panindra Reddy	5000	50.00
Total	10,000	100.00

Financial Performance:

The audited financial results of KIPPL for the financial years 2005-06 and 2006-07 are as follows:

Particulars	FY 2005-06	FY 2006-07
Equity capital (Rs.)	100,000	100,000
Reserves	NIL	NIL
Sales	NIL	NIL
Profit After Tax	NIL	NIL
Earning per Share (Rs.)	NIL	NIL
Net Asset Value per share (Rs.) *	3.72	3.22

* - * *Net of miscellaneous expenditure not written off*

KIPPL was incorporated on February 10, 2005, however no accounts for the financial year 2004-2005 were prepared by the said company.

KIPPL is an unlisted company and has not made any rights issue or public issue since its incorporation. It is not a sick company within the meaning of SICA, and is not under winding up.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against KIPPL, its promoters and directors except as stated in section titled “Outstanding Litigation and Material Developments” beginning on page 201 of the Red Herring Prospectus.

2. TRAPEZOID SOFTWARE SOLUTIONS PRIVATE LIMITED (“TSSPL”)

TSSPL was incorporated on March 29, 2005 with the Registration No. 45733. The registered office is situated at 6-3-635, Akash Ganga, 3rd Floor, Khairatabad, Hyderabad - 500004. TSSPL is engaged in the business of software development.

Board of Directors as on November 30, 2007

Sr No	Directors
1.	Mr. M. Rajesh Reddy
2.	Mr. K. Jalandhar Reddy
3.	Mr. J. V. Panindra Reddy
4.	Mr. Nainjeet Singh Sobti
5.	Mr. Charanpal Singh Sobti

Shareholding Pattern as on November 30, 2007

Shareholder	No. of Equity Shares held	% Shareholding
Mr. M. Rajesh Reddy	1,600	16.00
Mr. K. Jalandhar Reddy	1,800	18.00
Mr. J.V Panindra Reddy	1600	16.00
Mr. Nainjeet Singh Sobti	2500	25.00
Mr. Charanpal Singh Sobti	2500	25.00
Total	10,000	100.00

Financial Performance

The audited financial results of TSSPL the financial years 2005-06 and 2006-07 are as follows:

Particulars	FY 2005-06	FY 2006-07
Equity capital	100,000	100,000
Reserves	487,383	2,880,100
Sales	1,465,270	3,704,715
Profit After Tax	487,383	2,392,717
Earning per Share (Rs.)	48.74	239.27
Net Asset Value per share (Rs.)*	NIL	295.19

* Net of miscellaneous expenditure not written off

TSSPL was incorporated on March 10, 2005, however no accounts for the financial year 2004-2005 were prepared by the said company.

TSSPL is an unlisted company and has not made any rights issue or public issue since its incorporation. It is not a sick company within the meaning of SICA, and is not under winding up.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against TSSPL, its promoters and directors except as stated in section titled “Outstanding Litigation and Material Developments” beginning on page 201 of the Red Herring Prospectus.

3. VISHNU PUBLICITY SOLUTIONS LIMITED (“VPSL”)

Vishnu Publicity Solutions Limited was incorporated on February 27, 2006 with the registration number 01-49294, and obtained Certificate of Commencement of Business on March 21, 2006. The registered office of VPSL

is situated at 6-3-635, 3rd Floor, Akash Ganga, Khairatabad, Hyderabad – 500 004 and the company is proposed to engage in the business of advertising and publicity. However, this company is yet to commence commercial operations.

Board of Directors as on November 30, 2007

Sr. No.	Directors
1.	K Narasimha Reddy
2.	K Jalandhar Reddy
3.	M Rajesh Reddy
4.	J.V Panindra Reddy

Shareholding Pattern as on November 30, 2007

Shareholder	No. of Equity Shares held	% Shareholding
Mr. K Jalandhar Reddy	94,000	94.00
Mr. M Rajesh Reddy	1000	1.00
Mr. K Narasimha Reddy	1000	1.00
Mrs. M. Saritha Reddy	1000	1.00
Mr. J.V Panindra Reddy	1000	1.00
Mrs. J Vijaya Laxmi	1000	1.00
Mrs. K Smitha Reddy	1000	1.00
Total	1,00,000	100.00

Financial Performance

The audited financial result of VPSL for the financial years 2005-2006 and 2006-2007 is as follows:

Particulars	FY2005-2006	FY 2006-07
Equity capital (Rs.)	10,00,000	10,00,000
Reserves	NIL	NIL
Sales	NIL	NIL
Profit After Tax	NIL	NIL
Earning per Share (Rs.)	NIL	NIL
Net Asset Value per share (Rs.) *	4.87	3.83

* - Net of miscellaneous expenditure not written off

VPSL is an unlisted company and has not made any rights issue or public issue since its incorporation. It is not a sick company within the meaning of SICA, and is not under winding up.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against VPSL, its promoters and directors except as stated in section titled “Outstanding Litigation and Material Developments” beginning on page 201 of the Red Herring Prospectus.

4. M/S. YUVA SAKTHI ENTERPRISES (“YSE”)

YSE is a partnership firm which came into existence on April 4, 1997. The office of the firm is situated at Hanamkonda, Warrangal. YSE is engaged in the business of raw material supplies and quarrying.

The partners of YSE as on November 30, 2007 are:

Name of Partner	Profit/Loss Sharing Ratio (%)
Mr. K. Narasimha Reddy	27.50
Mr. K. Ranga Reddy	10.00
Mrs. K. Padma	12.50
Mr. K. Rowder Reddy	12.50
M/s J. Raji Reddy (HUF)	15.00
Mrs. Junothula Shubha	10.00
Mr. K. Sreepal Reddy	12.50
Total	100.00

Financial Performance

The audited financial result of YSE for the financial years 2004-2005, 2005-2006 and 2006-07 is as follows:

(Rs. In million)

Particulars	FY 2004-05	FY 2005-06	FY 2006-07
Partner Capital A/c	17.31	23.51	29.03
Turnover	59.49	162.51	157.26
Profit After Tax	1.88	5.44	6.95

ii.) Special Purpose Vehicles promoted by our Company

1. PATEL-KNR HEAVY INFRASTRUCTURES PRIVATE LIMITED (“PKHIPL”)

PKHIPL was incorporated on April 20, 2006 with registration no-01-49949. The registered office of PKHIPL is located at 6-3-635, 3rd Floor, Akash Ganga, Khairatabad, Hyderabad-500004. PKHIPL is engaged in the business of constructions, builders, infrastructure and civil contractors. PKHIPL was incorporated to domicile the BOT Project namely Project AP-7 in the State of Andhra Pradesh awarded under Package No. NS2/BOT/AP-7 to our joint venture Patel-KNR (JV) by the NHAI. PKHIPL is yet to commence commercial operations.

Board of Directors as on November 30, 2007

Sr No	Directors
1.	Mr. K. Narasimha Reddy
2.	Mr. B. S. Reddy

Shareholding Pattern as on November 30, 2007

Name of the Shareholder	No. of Equity Shares held	% Shareholding
KNR Constructions Ltd.	4,000	40.00
Patel Engineering Infrastructure Private Ltd.	6,000*	60.00
Total	10,000	100.00

*- The said shares were transferred by Patel Engineering Limited to Patel Engineering Infrastructure Private Limited on October 1, 2007.

Financial Performance

The audited financial results of PKHIPL for the financial year 2006-2007 are as under:

Particulars	FY 2006-07
Equity capital (Rs.)	100,000
Reserves	NIL
Sales	NIL
Profit After Tax	NIL
Earning per Share(Rs.)	NIL
Net Asset Value per share (Rs.)*	6.39

* - Net of miscellaneous expenditure not written off

PKHIPL is an unlisted company and has not made any public issue or rights issue since its incorporation. It is not a sick company within the meaning of SICA, and is not under winding up.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against PKHIPL, its promoters and directors except as stated in section titled "Outstanding Litigation and Material Developments" beginning on page 201 of the Draft Red Herring Prospectus.

2. PATEL KNR INFRASTRUCTURES PRIVATE LIMITED ("PKIPL")

PKIPL was incorporated on June 26, 2006 with registration no-162856. The registered office of PKIPL is situated at Patel Estate Road, Jogeshwari (West), Mumbai, Maharashtra, India – 400 090. PKIPL is engaged in the business of constructions, builders, infrastructure and civil contractors. PKIPL was incorporated to domicile the BOT Project namely Project KNT-1 in the State of Karnataka awarded under Package No. NS-2/BOT/KNT-1 to our joint venture Patel-KNR (JV) by the NHAI. PKIPL is yet to commence commercial operations

Board of Directors as on November 30, 2007

Sr. No.	Name of the Director
1.	Rupen Pravin Patel
2.	K. Narasimha Reddy
3.	B.S. Reddy

Shareholding pattern as on November 30, 2007

Name of the Shareholder	No. of Equity Shares held	% of shareholding
Rupen Pravin Patel	1	0.00
Patel Engineering Ltd.	22,199,999	60.00
KNR Constructions Ltd.	14,800,000	40.00
Total	37,000,000	100.00

Financial Performance

The audited financial results of PKIPL for the financial year 2006-2007 is as under:

Particulars	FY 2006-07
Equity capital (Rs.)	28100000
Reserves	NIL
Sales	NIL
Profit After Tax	NIL
Earning per Share (Rs.)	NIL
Net Asset Value per share* (Rs.)	8.95

* - Net of miscellaneous expenditure not written off

PKIPL is an unlisted company and has not made any rights issue or public issue since its incorporation. It is not a sick company under the meaning of SICA and is not under winding up.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against PKIPL, its promoters and directors except as stated in section titled “Outstanding Litigation and Material Developments” beginning on page 201 of the Red Herring Prospectus.

iii.) Companies with which the Promoters has disassociated

Our Promoters have not disassociated themselves from any companies/firms in the last three years.

iv.) Related Party transaction with our Group Companies

For details of transactions with our Group Companies please refer to section titled ‘Related Party Transactions’ on page 133 of the Red Herring Prospectus.

Except as stated in the section titled ‘Related Party Transactions’ on page 133 of the Red Herring Prospectus, there are no sales or purchases between our Company and any of our Group Companies exceeding in value in the aggregate 10% of the total sales or purchases of our Company.

RELATED PARTY TRANSACTIONS

LIST OF RELATED PARTIES

Disclosure of Related Parties & Related Party Transactions

				Relative of Key
Associate Companies	Joint Ventures	Partnership Firms	Key Managerial Personnel	Managerial Personnel
Patel-KNR Infrastructure Pvt Ltd.,	Patel-KNR - JV	Yuvasakthi Enterprises	K. Narasimha Reddy - Managing Director	Nil
Patel-KNR Heavy Infrastructure Pvt Ltd.,	KNR-Patel - JV		K. Jalandhar Reddy - Executive Director	
KNR Infrastructure Projects Pvt. Ltd.,	NCC-KNR - JV		J.V.Panindra Reddy - Executive Director	
Trapezoid Software Solutions Pvt. Ltd.,	KNR-Saitheja - JV		M. Rajesh Reddy - Executive Director	
Vishnu Publicity Solutions Ltd.,	KNR-SLEC - JV		K. Ranga Reddy - Whole Time Director (Resigned on 21-12-2005)	
	KNR-BPL - JV		V.Krishna Reddy - Whole Time Director (Resigned on 30-03-2005)	

AS PER OUR STANDALONE FINANCIAL STATEMENTS THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH THE RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS:

(Rs. In Million)

Name of Related Parties	Relationship	Nature of Transaction	For the Year ended					
			September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Patel-KNR Infrastructure Pvt Ltd.,	Associates	Investment - Equity Paid	148.00	11.24	-	-	-	-
		Counter Bank Guarantee given	80.60	80.60	-	-	-	-
		Advances Received	-	3.97	-	-	-	-
		Sundry Debtors	128.58	-	-	-	-	-
		Advances Paid	21.24	-	-	-	-	-
		Work Contract Receipts	515.52	35.45	-	-	-	-
		Due to Customers	122.96	-	-	-	-	-
		Un-Billed Revenue/due from customers	-	35.45	-	-	-	-
Patel-KNR Heavy Infrastructure Pvt Ltd.,		Investment - Equity Paid	0.04	0.05	-	-	-	-
		Advances paid	1.09	-	-	-	-	-
Patel-KNR – JV	Joint Ventures	Work Contract Receipts	509.08	909.08	219.13	-	-	-
		Due to Customers	13.56	-	-	-	-	-
		Un-Billed Revenue	29.67	81.71	65.90	-	-	-
		Investment	293.21	270.42	274.45	8.37	2.55	13.33
		Retention Deposit Receivable	64.04	72.25	12.73	-	-	-
		Advance Received	8.87	140.27	108.00	-	-	-
		Sundry Debtors	25.15	-	7.66	-	-	-
		Machinery Hire Charges Received	-	-	-	21.20	13.37	1.98
		Share of Profit / Loss	11.50	9.53	9.95	25.50	44.33	12.57
		Sale of Fixed Assets	-	-	249.94	-	-	-
		Corporate Bank Guarantee given	500.00	500.00	-	-	-	-
KNR-Patel – JV		Investment	(8.87)	(8.35)	(6.79)	(9.16)	5.34	25.08
		Machinery Hire Charges Received	-	-	-	6.25	9.68	2.79
		Share of Profit / Loss	(0.65)	(1.57)	3.08	15.42	21.30	30.31
NCC-KNR – JV		Work Contract Receipts	-	-	-	-	80.89	273.95
		Investment	54.25	54.26	54.26	54.15	72.57	96.18
		Retention Deposit Receivable	-	-	-	-	-	-
		Sundry Debtors	71.39	71.39	72.07	70.54	112.66	44.16
		Machinery Hire Charges Received / (Paid)	-	-	-	(3.74)	(4.99)	-
		Share of Profit / Loss	(0.92)	(0.90)	(9.30)	(31.80)	(19.94)	4.84
		Purchase of Fixed Assets	-	-	-	17.64	-	-
KNR-Saitheja – JV		Investment	-	-	-	-	0.81	0.81
		Share of Profit / Loss	-	-	-	(0.09)	-	0.08

KNR-SLEC – JV		Investment	(10.35)	(12.33)	(15.61)	1.29	-	-
		Share of Profit / Loss	2.51	8.46	4.73	(0.57)	-	-
KNR-BPL – JV		Sub-contract Received	19.59	49.68	-	-	-	-
		Investment	1.37	0.17	0.83	-	-	-
		Retention Deposit Receivable	3.46	2.48	-	-	-	-
		Mobilisation Advances Received	74.70	74.70	73.85	-	-	-
		Material Advance Received	1.81	1.19	-	-	-	-
Yuvasakthi Enterprises	Partnership Firm	Sub-contract Expenses	-	-	0.10	-	3.19	11.92
		Security Deposit Received	-	-	-	-	-	0.64
		Bills Payable	-	-	-	-	0.50	1.02
K.Narasimha Reddy	Key Management Personnel	Remuneration paid	1.20	2.40	1.80	1.50	1.50	1.50
		Commission paid	-	-	-	-	1.83	-
		Advance paid for purchase of site	-	-	-	-	-	2.05
		Advance paid for purchase of site - repaid	-	-	-	-	2.05	-
		Un-secured Loan Received	-	31.10	17.30	9.05	-	-
		Un-secured Loan Re-paid	3.58	27.42	17.30	9.05	-	-
		Purchase of Machinery	-	-	1.37	-	-	-
		Consideration received for sale of shares	-	-	0.03	-	-	-
K.Jalandhar Reddy		Remuneration paid	0.90	1.80	1.50	1.32	1.32	1.32
		Commission paid	-	-	-	-	1.01	-
		Un-secured Loan Received	-	17.20	7.00	-	-	-
		Un-secured Loan Re-paid	6.14	4.02	7.00	-	-	-
		Purchase of Machinery	-	-	1.17	-	-	-
		Consultation Charges Received from Patel-KNR-JV	1.01	2.02	0.33	-	-	-
		Consultation advance taken from Patel-KNR-JV	0.48	0.10	-	-	-	-
		Consultation Charges Received from KNR-Patel-JV	-	-	0.90	0.60	0.60	0.60
		Consultation advance taken from KNR-Patel-JV	-	0.10	0.44	0.30	0.30	-
J.V.Panindra Reddy		Remuneration paid	0.90	1.80	1.40	1.20	1.20	0.48
		Purchase of Machinery	-	-	0.73	-	-	-
		Consultation Charges Received from Patel-KNR-JV	1.35	1.49	3.20	-	-	-

		Consultation advance taken from Patel-KNR-JV	0.50	0.51	-	-	-	-
M.Rajesh Reddy		Remuneration paid	0.90	1.65	-	-	-	-
		Un-secured Loan Received	3.30	3.71	5.21	-	-	-
		Un-secured Loan Repaid	3.30	4.59	4.33	-	-	-
		Rental Income received	0.03	0.06	0.03	-	-	-
		Security Deposit Received	-	-	0.01	-	-	-
K.Ranga Reddy, Resigned from directorship on 21-12-05		Remuneration	-	-	0.17	0.24	0.24	-
		Machinery Hire Charges Received	-	-	3.37	-	-	-
V.Krishna Reddy, Resigned from directorship on 30-03-05		Remuneration	-	-	-	0.18	0.18	-

AS PER OUR CONSOLIDATED FINANCIAL STATEMENTS THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH THE RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS:

(Rs. In Million)

Name of Related Parties	Relation ship	Nature of Transaction	September 30, 2007	For the year ended				
				Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Patel-KNR Infrastructure Pvt Ltd.,	Associates	Counter Bank Guarantee given	80.60	80.60	-	-	-	-
		Advances Received	-	2.38	-	-	-	-
		Sundry Debtors	77.15	-	-	-	-	-
		Advances Paid	12.74	-	-	-	-	-
		Due to Customers	122.96	-	-	-	-	-
		Un-Billed Revenue/Due from customers	-	21.27	-	-	-	-
Patel-KNR Heavy Infrastructure Pvt Ltd.,		Advances Paid	0.65	-	-	-	-	-
Patel-KNR - JV	Joint Ventures	Work Contract Receipts	254.54	455.04	109.56	-	-	-
		Due to Customers	13.56	-	-	-	-	-
		Un-Billed Revenue/Due from customers	29.67	40.85	32.95	-	-	-
		Retention Deposit Receivable	32.02	36.12	6.36	-	-	-
		Advance Received	4.43	70.13	54.00	-	-	-
		Sundry Debtors	12.57	-	3.83	-	-	-
		Machinery Hire Charges Received	-	-	-	10.60	6.68	0.99
		Sale of Fixed Assets	-	-	124.97	-	-	-
		Corporate Bank Guarantee given	500.00	500.00	-	-	-	-
KNR-Patel - JV		Machinery Hire Charges Received	-	-	-	3.12	4.84	1.39
NCC-KNR - JV		Work Contract Receipts	-	-	-	-	-	139.71
		Retention Deposit Receivable	-	-	-	-	-	-
		Sundry Debtors	-	-	-	-	-	22.52
KNR-BPL - JV		Sub-contract Received	9.99	25.34	-	-	-	-
		Retention Deposit Receivable	1.76	1.26	-	-	-	-
		Mobilisation Advances Received	38.10	38.10	37.66	-	-	-
		Material Advance Received	0.92	0.61	-	-	-	-
Yuvashakthi Enterprises	Partnership Firm	Sub-contract Expenses	-	-	0.10	-	3.19	11.92
		Security Deposit Received	-	-	-	-	-	0.64
		Bills Payable	-	-	-	-	0.50	1.02
K.Narasimha Reddy	Key Management Personnel	Remuneration paid	1.20	2.40	1.80	1.50	1.50	1.50
		Commission paid	-	-	-	-	1.83	-
		Advance paid for purchase of site	-	-	-	-	-	2.05
		Advance paid for purchase of	-	-	-	-	2.05	-

	site – repaid							
	Un-secured Loan Received	-	31.10	17.30	9.05	-	-	-
	Un-secured Loan Re-paid	3.58	27.42	17.30	9.05	-	-	-
	Purchase of Machinery	-	-	1.37	-	-	-	-
	Consideration received for sale of shares	-	-	0.03	-	-	-	-
K.Jalandhar Reddy	Remuneration paid	0.90	1.80	1.50	1.32	1.32	1.32	
	Commission paid	-	-	-	-	1.01	-	-
	Un-secured Loan Received	-	17.20	7.00	-	-	-	-
	Un-secured Loan Re-paid	6.14	4.02	7.00	-	-	-	-
	Purchase of Machinery	-	-	1.17	-	-	-	-
	Consultation Charges Received from Patel-KNR-JV	1.01	2.02	0.33	-	-	-	-
	Consultation advance taken from Patel-KNR-JV	0.48	0.10	-	-	-	-	-
	Consultation Charges Received from KNR-Patel-JV	-	-	0.90	0.60	0.60	0.60	
	Consultation advance taken from KNR-Patel-JV	-	0.10	0.44	0.30	0.30	-	-
J.V.Panindra Reddy	Remuneration paid	0.90	1.80	1.40	1.20	1.20	0.48	
	Purchase of Machinery	-	-	0.73	-	-	-	-
	Consultation Charges Received from Patel-KNR-JV	1.35	1.49	3.20	-	-	-	-
	Consultation advance taken from Patel-KNR-JV	0.50	0.51	-	-	-	-	-
M.Rajesh Reddy	Remuneration paid	0.90	1.65	-	-	-	-	-
	Un-secured Loan Received	3.30	3.71	5.21	-	-	-	-
	Un-secured Loan Re-paid	3.30	4.59	4.33	-	-	-	-
	Rental Income received	0.03	0.06	0.03	-	-	-	-
	Security Deposit Received	-	-	0.01	-	-	-	-
K.Ranga Reddy, Resigned from directorship on 21-12-05	Remuneration	-	-	0.17	0.24	0.24	-	-
	Machinery Hire Charges Received	-	-	3.37	-	-	-	-
V.Krishna Reddy, Resigned from directorship on 30-03-05	Remuneration	-	-	-	0.18	0.18	-	-

Note: The above figures are after excluding the company's share of inter-related transactions with joint ventures and associates.

DIVIDEND POLICY

The declaration and payment of dividends is recommended by our Board, subject to approval by our shareholders and depends on a number of factors, including but not limited to our profits, capital requirements and overall financial performance. The dividend paid by our Company during the last five fiscal years is provided below.

Particulars	1HFY2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Number of Equity Shares	20,248,890	20,248,890	20,248,890	6,749,630	6,749,630	6,749,630
Face value per share (Rs.)	10	10	10	10	10	10
Rate of Dividend (%)	Nil	10	10	10	-	-
Dividend Amount (Rs. In. Million)	Nil	20.25	20.25	6.75	-	-
Dividend Tax (Rs. In. million)	Nil	3.44	2.84	0.95	-	-

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V - FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE RESTATED UNCONSOLIDATED AND CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S REPORT FOR THE FINANCIAL STATEMENTS FOR PREVIOUS FIVE YEARS ENDED MARCH 31 AND FOR THE HALF YEAR ENDED SEPTEMBER 30, 2007.

**The Board of Directors,
KNR Constructions Ltd.,**
6-3-635, IIIrd Floor,
Akashganga,
Khairatabad,
Hyderabad – 500 004.

Dear Sirs,

We have examined the financial information contained in the statements annexed to this report, which is proposed to be included in the Offer Document/ Red Herring Prospectus being issued by KNR Constructions Ltd. ("Company") in connection with its Public Issue of Equity Shares (referred to as "the Issue") which is in accordance to the requirements of: -

- a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
- b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the Guidelines') issued by SEBI on January 19, 2000, in pursuance of Section 11 of the SEBI Act, 1992 and related amendments and;
- c) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Offer Document in connection with its proposed Public Issue of Equity Shares.

Financial information as per restated financial statements:

1. We have examined the attached restated summary statement of Profit and losses of the Company for each of the years ended on March 31, 2003, 2004, 2005, 2006, 2007 and for the half year ended 30th September, 2007 (Annexure - I) and the attached restated summary statement of assets and liabilities for each of the years and for the half year ended on those dates (Annexure -II) together referred to as 'summary statements' as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such regroupings as in our opinion are appropriate and such other adjustments more fully described in the notes appearing in Annexure - III-B to this report. Based on our examination of these summary statements, we state that:
 - i. The restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate in the year/period to which they are related.
 - ii. The summary statements of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at March 31, 2007 and for the half year as at September 30, 2007, as stated vide Annexure- III-A to this report. The summary statements have to be read in conjunction with the notes given in Annexure- III-B to this report.

- iii. There are no qualifications in the auditors' report that needs quantification and adjustment to the summary statements.
 - iv. There are no extra-ordinary items that need to be disclosed separately in the summary statements.
2. The summary of Significant Accounting Policies adopted by the Company pertaining to the audited financial statements as at and for the year ended March 31, 2007 and also for the half year ended September 30, 2007 are enclosed as Annexure- III-A to this report.

Other Financial Information:

3. We have examined the following financial information relating to the Company for the years ended March 31, 2007, 2006, 2005, 2004, 2003 and for the half year ended September 30, 2007 and proposed to be included in the Offer Document / Red Herring Prospectus as approved by the Board of Directors and annexed to this report:

1	Statement giving details of Other Income	Annexure - I. a
2	Cash Flow Statements	Annexure - II. a
3	Details of Secured Loan	Annexure - II. b
4	Details of Unsecured Loan	Annexure - II. b
5	Details of Loans & Advances	Annexure - II. c
6	Details of Other Current Assets	Annexure - II. d
7	Details of Sundry Debtors	Annexure - II. e
8	Details of Current Liabilities and Provisions	Annexure - II. f
9	Statement of summary of Investments	Annexure - II. g
10	Details of Contingent Liabilities	Annexure - III a
11	Summary of accounting ratios based on adjusted profits relating to earning per share, net assets value and return on net worth	Annexure - III b
12	Capitalization statement of the Company	Annexure - III c
13	Related party disclosure	Annexure - III d
14	Statement of Tax shelters	Annexure - III e
15	Statement of Dividend paid	Annexure - III f

Consolidated Group:

4. We have examined the 'Statement of Consolidated Profit and Losses - restated (Annexure- IV) and (Annexure IV a) for each of the financial years ended on March 31, 2003, 2004, 2005, 2006, 2007 and for the half year ended on September 30, 2007 the 'Statement of Consolidated Assets and Liabilities - restated (Annexure - V) as on those dates, the statement of Consolidated Cash Flows - restated (Annexure - V.a) for each of the financial years ended on March 31, 2003, 2004, 2005, 2006, 2007 and for the half year ended on September 30, 2007 and the related financial statements schedules (Annexure V. b to V. g) as prepared by the Company and approved by the Board of Directors of the Company in pursuance of Accounting Standard AS 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. The financial statements of the Joint Ventures for the year ended March 31, 2003, 2004, 2005, 2006, 2007 and for the half year ended on September 30, 2007 have been audited by other auditors whose reports have been furnished to us, and in our opinion, in so far as they relate to the amounts included in respect of the joint ventures audited by the other auditors, are based solely on the report of the other auditors.

The summary statements of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at March 31, 2007 and for the half year as at September 30, 2007 as stated vide Annexure-VIA to this report except for different accounting policies in respect of depreciation, amortization of preparatory work expenses, taxes on income on

account of claim of section 80IA under Income Tax Act, 1961, valuation of inventories and work in progress adopted by joint ventures, the impact of which is not ascertainable. However, in respect of accounting policies adopted by joint ventures for valuation of inventory & work in progress, depreciation and preparatory work expenses, we are of the opinion that though the joint ventures have adopted different accounting policies as compared with respective accounting policies adopted by the issuer company, they are however within the frame work of applicable accounting standards for treatment of different items of income, expenditure, assets and liabilities and these accounting policies have been applied consistently by joint ventures for preparation of financial statements for all financial years which are considered for preparation of Consolidated Financial Statements disclosed in the Red Herring Prospectus. Therefore, the true and fair view and the comparability of the respective financial statements is not affected. This is in consonance with the Accounting Standard-21 on consolidated financial statements issued by the ICAI and therefore, it is considered not practicable to restate the figures for the said items. The Proportion of various items of income, expenditure, assets and liabilities to which different accounting policies adopted by the joint ventures are given in notes on accounts to consolidated financial statements. The summary statements have to be read in conjunction with the notes given in Annexure- VIB to this report.

5. In our view, the 'Financial information as per the audited financial statements' and 'other financial information' mentioned above has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.
6. The sufficiency of the procedures performed, as set forth in the above paragraph of this report in respect of joint ventures, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.
7. This report should not be in any way construed as a reissuance or redrafting of any of the previous audit reports issued by us or by other auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.
8. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed issue of the Company and is not to be used, referred to or distributed for any purpose without our prior written consent.

**For Sukumar Babu & Co.
Chartered Accountants**

**C. Sukumar Babu
Partner
Membership No.: 200/24293**

**Place: Hyderabad
Date: 24-12-2007**

ANNEXURE – I
SUMMARY OF PROFIT AND LOSS ACCOUNT - AS RESTATED

The Profit and Loss statement of the company for five financial years ended March 31, 2003 to 2007 and also as at the half year ended 30th September, 2007 read with Significant Accounting Policies, (Annexure - III A) after making certain regroupings for comparability and making adjustments as stated in Notes to Accounts, (Annexure - IIIB).

(Rs. In Millions)

Particulars	Half Year Ended 30-Sep-07	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
INCOME						
Income from Operations	2038.06	2,622.33	1,285.57	864.32	1,331.29	1,326.34
Other Operating Income	33.43	47.64	52.76	97.51	45.70	47.81
Other Income	6.76	79.83	176.80	5.81	8.97	8.53
Increase / (Decrease) in Work in Progress	3.37	(43.03)	36.54	(235.46)	51.34	43.65
TOTAL INCOME	2081.62	2,706.77	1,551.67	732.18	1,437.30	1,426.33
EXPENDITURE						
Materials Consumed	271.96	385.06	133.07	87.43	581.45	467.36
Work Contract Expenses	1416.62	1,791.94	1,063.00	511.47	664.12	782.67
Staff Cost	36.72	39.94	21.24	18.75	45.21	14.80
Administration & Other Expenses	39.10	58.55	36.49	17.52	12.81	17.00
Preliminary Expenses Written Off	-	0.04	0.04	0.04	0.04	0.04
TOTAL EXPENDITURE	1764.40	2,275.53	1,253.84	635.21	1,303.63	1,281.87
Profit Before Interest, Depreciation and Taxation	317.22	431.24	297.83	96.97	133.67	144.46
Interest & Finance Charges	53.60	89.07	4.09	6.55	26.08	31.59
Depreciation	62.55	73.64	47.82	24.63	23.58	25.25
Net Profit before tax	201.07	268.53	245.92	65.79	84.01	87.62
Provision for Taxation						
- Current tax	63.92	69.37	38.21	17.58	13.12	13.61
- Fringe benefit tax	0.61	0.55	0.44	-	-	-
- Wealth Tax	0.11	0.09	-	-	-	-
- Deferred tax	1.36	(5.22)	42.82	1.77	0.90	21.75
Net Profit after tax	135.07	203.74	164.45	46.44	69.99	52.26
Add/ (Less): Prior Period Items	(6.80)	(4.96)	(10.71)	0.09	(0.76)	1.45
Net Profit After Tax before extra ordinary items	128.27	198.78	153.74	46.53	69.23	53.71
Extra Ordinary Items	-	-	-	-	-	-
Net Profit After Tax as per Audited Financial Statements	128.27	198.78	153.74	46.53	69.23	53.71
Impact of adjustments for restatement in corresponding years	6.80	6.35	7.11	(3.94)	(2.87)	(8.05)
Restated Profits	135.07	205.13	160.85	42.59	66.36	45.66
Balance in Profit and Loss account brought forward	453.07	271.63	268.86	233.97	167.61	121.95
Profit available for Appropriation	588.14	476.76	429.71	276.56	233.97	167.61
Proposed Dividend & Dividend Tax	-	23.69	23.09	7.70	-	-
Less: Appropriation towards Bonus Shares	-	-	134.99	-	-	-
Balance Carried to Balance Sheet	588.14	453.07	271.63	268.86	233.97	167.61

ANNEXURE - I (a)
DETAILS OF OTHER INCOME

(Rs.In Millions)

Particulars	Sept 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003	Nature of Income	Operational / Non Operational
Other Operating Income :								
Share of Profit / Loss in Joint Ventures	12.45	15.51	8.47	8.46	45.70	47.81	Recurring	
Hire Charges / Job work Receipts	2.04	32.13	37.50	28.24	-	-	Recurring	
Excise Duty Refund	18.94	-	6.79	60.81	-	-	Recurring	
Total	33.43	47.64	52.76	97.51	45.70	47.81		
Other Income :								
Dividend Income	-	-	-	-	-	0.06	Non-recurring	Non-Operational
Profit on Sale of Investments	-	-	0.02	-	0.13	-	Non-recurring	Non-Operational
Profit on Sale of Assets	-	72.55	161.40	2.91	0.23	-	Non-recurring	Non-Operational
Excess Credit written back	0.38	0.27	11.72	0.34	2.60	-	Non-recurring	Operational
Foreign Currency Exchange Fluctuations	0.59	-	-	-	-	-	Recurring	Operational
Miscellaneous Income	5.79	7.01	3.66	2.56	6.01	8.47	Recurring	Operational
Total	6.76	79.83	176.80	5.81	8.97	8.53		

Note: The classification of income into recurring and non-recurring is based on the current operations and business activity of the company.

ANNEXURE – II**SUMMARY OF ASSETS AND LIABILITIES - AS RESTATED**

Assets & Liabilities of the Company as at the end of five each financial years and also at the half year ended 30th September, 2007 read with Significant Accounting Policies, (Annexure - III A) after making adjustments as stated in Notes to Accounts, (Annexure - III B) are set out below.

(Rs. In Millions)

Particulars	Half Year Ended 30-sep-07	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
A. Fixed Assets:						
Gross Block	1504.35	1,168.82	506.97	413.32	268.02	262.10
Less : Depreciation	217.45	154.90	82.18	141.04	122.99	103.80
Net Block	1286.90	1,013.92	424.79	272.28	145.03	158.30
Capital Work in Progress	0.95	2.74	18.79	-	-	-
Total Fixed Assets - (A)	1287.85	1,016.66	443.58	272.28	145.03	158.30
B. Investments - (B)	478.16	315.47	307.14	54.67	81.29	137.97
C. Current Assets, Loans & Advances						
Inventories	97.85	49.31	67.88	10.90	249.45	223.65
Sundry Debtors	459.66	421.49	330.89	192.85	123.24	94.79
Cash and Bank Balances	169.96	123.85	97.75	111.95	37.11	37.47
Other Current Assets	315.73	355.20	190.43	80.96	26.79	45.10
Loans and Advances	582.08	404.04	162.50	55.70	53.59	95.72
Total Current Assets - (C)	1625.28	1353.89	849.45	452.36	490.18	496.73
D. Total Assets (A+B+C) = (D)	3391.29	2686.02	1,600.17	779.31	716.50	793.00
E. Liabilities & Provisions						
Secured Loans	1472.65	1,102.69	551.13	173.67	68.90	69.01
Unsecured Loans	7.14	16.86	3.91	2.84	12.00	137.45
Current Liabilities and Provisions	1062.98	848.91	503.19	241.43	306.69	329.82
Deferred Tax Liability	63.38	62.00	67.86	25.08	22.65	21.75
Total Liabilities & Provisions - (E)	2606.15	2030.46	1126.09	443.02	410.24	558.03
F. Net worth (D-E)	785.14	655.56	474.08	336.29	306.26	234.97
Represented by Shareholder's Fund :						
G. Share Capital	202.49	202.49	202.49	67.50	72.39*	67.50
H. Reserves and Surplus	588.14	453.07	271.63	268.86	233.97	167.61
Less: Miscellaneous Expenditure (to the extent not written off)	-	-	0.04	0.07	0.10	0.14
Issue Expenses	5.49	-	-	-	-	-
Total Reserves and Surplus - (H)	582.65	453.07	271.59	268.79	233.87	167.47
I. Net Worth (G+H)	785.14	655.56	474.08	336.29	306.26	234.97

*- Inclusive of share application money of Rs. 4.89 mn

ANNEXURE – II (a)
SUMMARY OF CASH FLOW - AS RESTATED

(Rs. In Millions)

Particulars	Half Year Ended 30-sep-07	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
A). Cash Flow From Operating Activities						
Net profit before tax and extraordinary items	201.07	268.53	245.92	65.79	84.01	87.62
Adjustment for :						
Depreciation	62.55	73.64	47.82	24.63	23.58	25.25
Preliminary Expenses Written Off	-	0.04	0.04	0.04	0.04	0.04
Provision for Doubtful Debts	-	-	2.20	-	-	-
Loss on Sale of Assets And Discarded	-	0.87	0.40	1.43	0.48	0.19
(Profit)/Loss on sale of Assets	-	(72.55)	(161.40)	(4.79)	(0.23)	-
Income from Investments	-	-	-	-	-	(0.06)
Loss (Profit) on sale of Investments	-	-	(0.02)	-	(0.13)	-
Prior Period Items	-	-	(2.45)	2.79	0.20	0.59
Interest and Financial Charges	56.78	95.24	17.41	8.02	27.46	33.62
Interest Received	(3.18)	(6.17)	(13.32)	(1.47)	(1.38)	(2.03)
Operating Cash flow before Working Capital changes	317.22	359.60	136.60	96.44	134.03	145.22
Adjustment for :						
Trade and other receivables	(106.62)	(439.23)	(333.45)	(123.74)	26.49	(59.94)
Inventories	(48.54)	18.57	(56.98)	238.55	(25.80)	(37.82)
Trade payable and provision	349.99	449.93	265.25	(114.62)	(7.55)	34.81
Cash Generated from Operations before Taxes	512.05	388.87	11.42	96.63	127.17	82.27
Direct Taxes paid	(75.62)	(60.96)	(40.24)	(15.15)	(8.06)	(18.03)
Cash generated from Operations after direct taxes (TOTAL A)	436.43	327.91	(28.82)	81.48	119.11	64.24
B). Cash Flow From Investing Activities						
Purchase of fixed assets	(333.74)	(714.56)	(311.47)	(171.42)	(14.05)	(12.22)
Sale of fixed assets	-	139.52	253.48	22.82	3.49	0.36
Sale of Shares	-	-	0.03	-	2.68	-
Investments (incl. Joint Ventures)	(162.69)	(8.33)	(252.49)	26.62	54.13	(56.14)
Interest received	2.25	3.66	2.22	1.21	1.23	1.60
Income from Investments	-	-	-	-	-	0.06
TOTAL (B)	494.18	(579.71)	(308.23)	(120.77)	47.48	(66.34)
C). Cash Flow From Financing Activities						
Share Application Money	-	-	-	(4.89)	4.89	-
Proceeds/(Repayment) of long term borrowings	62.09	227.05	141.67	53.53	(144.45)	46.64
Mobilisation / Machinery Advances received from customers (Long Term)	127.77	167.92	205.80	73.32	-	(19.97)
Interest Paid	(56.82)	(93.98)	(16.92)	(7.83)	(27.39)	(33.62)
Issue Expenses	(23.69)					
Dividend and Dividend Tax paid	(5.49)	(23.09)	(7.70)	-	-	-
TOTAL (C)	103.86	277.90	322.85	114.13	(166.95)	(6.95)

Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	46.11	26.10	(14.20)	74.84	(0.36)	(9.05)
Cash & Cash Equivalents beginning of the year	123.85	97.75	111.95	37.11	37.47	46.52
Cash & Cash Equivalents end of the year	169.96	123.85	97.75	111.95	37.11	37.47
Net Increase/(Decrease) in Cash and Cash Equivalents	46.11	26.10	(14.20)	74.84	(0.36)	(9.05)

ANNEXURE – II (b)
UNSECURED LOANS

(Rs.In Millions)

Description	Outstanding as on					
	September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
From Directors	7.14	16.86	0.88	-	-	-
Inter Corporate Loans	-	-	3.03	2.84	12.00	137.45
TOTAL	7.14	16.86	3.91	2.84	12.00	137.45

Details of unsecured loans outstanding as on September 30, 2007.

Name of the Party	Outstanding Amount	Rate of Interest	Repayment Terms
K.Narasimha Reddy	0.10	Nil	On Demand
K.Jalandhar Reddy	7.04	Nil	On Demand

ANNEXURE – II (b)
DETAILS OF SECURED LOANS

(Rs. In Million)

Description	Outstanding as on					
	September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Equipment finance loan						
1. From Banks	368.15	277.64	121.28	82.32	4.39	12.30
2. From others	158.70	177.40	119.67	18.03	33.27	44.36
Cash Credit Account	370.98	200.60	31.06	-	31.24	12.35
Mobilisation and Machinery Advances						
- Mobilisation Advance	508.72	281.05	226.20	67.05	-	-
- Machinery Advance	66.10	166.00	52.92	6.27	-	-
TOTAL	1472.65	1,102.69	551.13	173.67	68.90	69.01

1. Equipment Finance Loan : Secured by first charge by way of hypothecation of equipment financed.
2. Cash Credit Account : Secured by way of hypothecation of entire current assets.
3. Mobilisation and Machinery advances are received from clients for the specific projects and are 100% backed by Bank Guarantees. The said advances are recovered from the Running Account Bills of the client.

Details of Secured Loans :

Our secured borrowings as of September 30, 2007 are as follows:

(Rs. In Million)

Sl.No.	Nature of borrowing / debt	Sanctioned Amount	Amount outstanding as on September 31, 2007	Rate of Interest (%) p.a	Repayment terms	Securities Offered
1	Cash Credit					
	- State Bank of Patiala	250.00	171.71	11.75%	On Demand	Refer note 1 and 2
	- State Bank of Mysore	30.00	19.56	11.75%	On Demand	
	- State Bank of Indore	70.00	57.39	11.75%	On Demand	
	- ING Vysya Bank Ltd.,	50.00	29.06	11.75%	On Demand	
	- Oriental Bank of Commerce	100.00	93.26	11.75%	On Demand	
	Total	500.00	370.98			
2	Equipments Finance (with Banks and Financial Institutions)		526.85		Refer note 3	Secured by way of first charge and hypothecation of specific machinery.
3	Mobilisation and Machinery Advances		574.82		Refer note 4	Bank Guarantees

Note - 1 The Company had formed a Consortium of Bankers for its working capital requirements. The consortium is led by State Bank of Patiala with State Bank of Mysore, State Bank of Indore, ING Vysya Bank Ltd., and Oriental Bank of Commerce as the other member banks. The Working Capital Consortium Agreement was executed on 17-05-2006.

The security offered for the above consortium is as follows:

- Hypothecation of entire current assets on pari passu basis with other participating banks.
- First pari passu charge on Equitable Mortgage of land & building of aggregate value Rs. 14.90 Million (WDV as on 31.03.05)
- Hypothecation of other equipments of WDV Rs. 207.2 Million as on 31.03.05.
- Extension of charge on securities as applicable in case of cash credit limits to non fund based limits.
- Personal guarantee of Sri K.Narasimha Reddy , Sri K.Jalandhar Reddy, Sri J.V.Panindra Reddy and Sri M.Rajesh Reddy.

The company had executed the Joint deed of Hypothecation with Lead Bank on 17-05-2006.

Note - 2 The State Bank of Patiala has Consortium has enhanced the cash credit limit from Rs. 200.00 million to Rs. 500.00 million and the loan agreement was executed on 21-06-2007.

The security offered for the above bank is as follows:

- Hypothecation of entire current assets on pari passu basis with other participating banks.
- First pari passu charge on Equitable Mortgage of land & building of aggregate value Rs. 14.90 Million (WDV as on 31.03.06)
- Hypothecation of other equipments of WDV Rs. 169.40 Million as on 31.03.06.
- First pari passu charge on equitable mortgage of AC 5.00 Guntas of agricultural land and Industrial factory buildings along with land measuring and extent of AC.8.17 Guntas of approx market value of Rs. 314.00 Millions.
- Personal guarantee of four directors.

Note - 3 The rate of interest and repayment schedules for various equipment finances are as negotiated with the banks and Financial Institutions for specific loans from time to time.

Note - 4 The mobilisation and machinery advances are received from the clients for the projects. Some advances are interest free and others bear interest as per the terms and conditions of the client's agreement. The advances are recoverable from the Running Account Bills of the respective client.

**ANNEXURE – II (c)
DETAILS OF LOANS AND ADVANCES**

(Rs. In Millions)

Particulars	As at					
	September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Advance recoverable in cash or in kind or value to be received	425.20	316.46	130.95	36.75	36.79	73.42
Advance Income Tax	156.88	87.58	31.55	18.95	16.80	22.30
Total	582.08	404.04	162.50	55.70	53.59	95.72
Details of Loans and Advances with Related Parties		-	-	-	-	-
-Patel KNR Infrastructures Pvt Ltd	21.24	-	-	-	-	-
-Patel KNR Heavy Infrastructures Pvt Ltd.,	1.09	-	-	-	-	-

**ANNEXURE – II (d)
DETAILS OF OTHER CURRENT ASSETS**

(Rs.In.Million)

Particulars	As at					
	September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Deposits and Retentions	249.50	212.53	105.64	29.31	26.79	45.10
Due from Customer	48.48	124.91	67.54	51.65	-	-
Hire Charges Receivable	4.82	5.65	-	-	-	-
Accrued Interest	12.93	12.11	10.46	-	-	-
Excise Duty Refund Receivable	-	-	6.79	-	-	-
Total	315.73	355.20	190.43	80.96	26.79	45.10
The above includes the following Due from customer from Related Parties :						
- Patel-KNR-JV	29.67	81.71	65.90	-	-	-
The Above Includes the following Deposits and Retentions Related Parties:						
- Patel-KNR Infrastructure Pvt Ltd.,	64.04	72.24	12.74	-	-	-
- KNR-BPL-JV	5.83	4.41	-	-	-	-

ANNEXURE – II (e)
SUNDRY DEBTORS

(Rs.In.Million)

Particulars	For the year ended					
	September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Debtors outstanding for a period exceeding six months	175.01	82.89	89.96	70.83	112.66	41.59
Other Debts	284.65	338.60	240.93	122.02	10.58	53.20
Total	459.66	421.49	330.89	192.85	123.24	94.79
The above includes the following debts due from Related Parties :						
- NCC-KNR-JV	71.39	71.39	72.07	70.54	112.66	44.16
- Patel-KNR-JV	25.15	-	7.66	-	-	-
- Patel-KNR Infrastructures Pvt Ltd	128.58	-	-	-	-	-

ANNEXURE – II (f)
DETAILS OF CURRENT LIABILITIES AND PROVISIONS

(Rs.In.Million)

Particulars	As at					
	September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Current Liabilities						
- Sundry Creditors	753.38	710.27	429.86	195.68	279.06	305.50
- Due to Customers	136.51	-	-	-	-	-
- Interest Accrued but not due	1.97	2.04	0.75	0.26	0.07	-
Total	891.86	712.31	430.61	195.94	279.13	305.50
Provisions For						
- Income Tax, Wealth Tax and Fringe Benefit Tax	171.12	112.91	49.49	37.79	27.56	24.32
- Proposed Dividend	-	20.25	20.25	6.75	-	-
- Dividend Tax on Proposed Dividend	-	3.44	2.84	0.95	-	-
Total	171.12	136.60	72.58	45.49	27.56	24.32
Grand Total	1062.98	848.91	503.19	241.43	306.69	329.82

ANNEXURE – II (g)
SUMMARY OF INVESTMENTS

(Rs.In.Millions)

Particulars	As at					
	September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Associate / Joint Venture/ - Unquoted	477.66	315.47	307.14	54.65	81.27	135.40
Bank of Baroda Equity Shares – Quoted	-	-	-	0.02	0.02	2.57
State Bank of India Mutual Fund – Quoted	0.50	-	-	-	-	-
Total	478.16	315.47	307.14	54.67	81.29	137.97
Market value of the said quoted shares/Mutual Funds	0.58	-	-	0.04	0.05	2.68

ANNEXURE – III

RESTATED NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT MARCH 31, 2007 AND FOR THE HALF YEAR AS AT SEPTEMBER 30, 2007.

A. SIGNIFICANT ACCOUNTING POLICIES

1 METHOD OF ACCOUNTING

The financial statements are prepared under the historical cost convention on accrual basis and are in accordance with the requirements of Companies Act, 1956 and comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the said Act.

2 FIXED ASSETS AND DEPRECIATION

Fixed Assets are stated at cost of acquisition, or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

3 BORROWING COSTS

Borrowing Costs directly attributable to acquisition or construction of a qualifying asset are capitalized till the date such assets are ready to be put to use. All other borrowing costs are recognized as an expense of the period in which they are incurred.

4 INVESTMENTS

Long term investments are stated at cost. Current investments are stated at lower of cost and fair value.

5 INVENTORIES

Raw Materials and Stores & Spares are valued on weighted average cost method. Cost comprises of all costs of purchase (other than refundable duties and taxes). Work in progress has been valued at cost.

6 RETIREMENT BENEFITS

i) Gratuity

In accordance with the Payment of Gratuity Act, 1972 the Company provides for gratuity covering eligible employees.

Liability on account of gratuity is covered through a recognised Gratuity Fund managed by Life Insurance Corporation of India and contributions are charged to revenue.

ii) Provident Fund

Contributions to Provident Fund are made to Regional Provident Fund Commissioner and are charged to revenue.

iii) Other Benefits

Leave Encashment, Service Compensation, Bonus, and medical re-imburement are accounted on cash basis.

7 PRELIMINARY EXPENSES

Preliminary expenses are amortised over a period of 10 years.

8 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency including acquisition of fixed assets are recorded at the prevailing exchange rates on the date of the transaction. All monetary assets and monetary liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end. Exchange differences arising as a result of the said translation are recognized in the Profit and Loss Account, except in case of fixed assets acquired from a country outside India and assets acquired in the years prior to the year in which the Revised AS 11 came into force which are adjusted to the cost of fixed assets.

9 REVENUE RECOGNITION

Fixed price contracts received up to March 31, 2003

Income is recognised by applying percentage of completion to the contract value. Percentage of completion is determined as a proportion of the progress billing to contract value.

Fixed price contracts received on or after April 1, 2003

Contract revenue is recognised using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred to date to the total estimated / revised contract cost. Full provision is made for any loss in the year in which it is foreseen.

10 JOINT VENTURE PROJECTS

In respect of Joint Ventures, which are jointly controlled entities (JCE), the company's share in JCE profit is taken as income. Investments in joint ventures are stated at cost with adjustment to respective share of profit / loss in JCE.

11 TAXES ON INCOME

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws applicable. Provision for deferred tax is made for timing differences arising between taxable incomes and accounting income using the tax laws and tax rates enacted or subsequently enacted as of the balance sheet date. Deferred Tax Assets are recognized only if there is virtual certainty that there will be sufficient taxable income in future.

12 IMPAIRMENT OF ASSETS

Any losses on account of impairment of assets on each balance sheet date arrived in terms of AS-28 issued by the ICAI is charged to the profit and loss account of the respective period.

B. NOTES ON ACCOUNTS:

Adjustments/Regroupings Impact of changes in Accounting Policies/Prior Period Items:

(Rs. in Million)

Particulars	As at					
	September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Net Profit as per Audited statement of account (A)	128.27	198.78	153.74	46.53	69.23	53.71
Adjustments on Account of - B						
Add / (Less)						
1. Prior Period items in respective years	1.01	(0.39)	(2.38)	2.56	0.85	(1.28)
2. Depreciation adjustments	-	(0.02)	0.07	(0.05)	-	-
3. Excess / Short tax provision relating to earlier years	5.79	6.14	9.38	(5.79)	(3.72)	(6.77)
4. Deferred Tax Liability on account of Depreciation	-	0.62	0.04	(0.66)	-	-
Total - B	6.80	6.35	7.11	(3.94)	(2.87)	(8.05)
Adjusted Profit (A+B)	135.07	205.13	160.85	42.59	66.36	45.66

Notes:

a) Prior Period Items:

These represents adjustments in respect of transaction items being material changes or credits which arise in a particular period as a result of errors or omission in the preparation of financial statements of one or more prior period and/or material adjustments necessitated by circumstances which though related to previous periods are determined in the particular (current) period.

b) Provision for Tax :

The Income Tax Authorities have disallowed certain expenses of earlier years for which Provision for Tax was made in the audited balance sheets which have been restated.

The tax liability if any, in respect of survey operation conducted by the Income tax authorities during the F.Y 2005-06, which is presently unascertainable, will be recognized on conclusion of survey proceedings.

1. In terms of the disclosures required to be made under the accounting standard (AS) 7 (revised) issued by the Institute of Chartered Accountants of India for 'Construction Contracts', the amounts considered in the financial statements up to the Balance Sheet date are as follows:

	(Rs.in Millions)					
Particulars	30-09-07	31-03-07	31-03-06	31-03-05	31-03-04 *	31-03-03
Contract Revenue recognized as revenue during the year / period	2038.06	2622.33	1,285.57	864.32	1331.29	Not Applicable
Contract costs incurred and recognized Profits, less losses	2038.06	2622.33	1285.57	864.32	1331.29	Not Applicable
Advances received, net of recoveries from Progressive bills	604.92	654.79	418.23	124.97	Nil	Not Applicable
Retention Deposits	224.37	198.04	90.17	24.69	24.77	Not Applicable
Gross amount due from customers	48.48	124.91	67.54	51.65	Nil	Not Applicable
Gross amount due to customers	136.51	Nil	Nil	Nil	Nil	Not Applicable

* Note: As per AS-7 Revised because this revenue etc., relates to works taken before 01-04-2003.

Interest accrued on claims awarded during the period Apr'07 to Sep'07 amounting to Rs. 0.83 millions was recognized as revenue during the year.

3. The Company has no amounts payable to Small Scale Industrial Undertaking in excess of Rs. 0.10 million and outstanding for a period of more than 30 days.
4. Excise duty refund of Rs. 60.81 millions and Rs. 6.79 millions received in the F.Y 2004-05 and F.Y 2005-06 respectively, which was earlier credited to materials consumed account, for the F.Y 2004-05 and 2005-06 has now been treated as other income.
5. The tax liability if any, in respect of survey operation conducted by the Income tax authorities during the F.Y 2005-06, which is presently unascertainable, will be recognized on conclusion of survey proceedings.
6. The Company has a single segment namely "Civil Construction". Therefore the company's business does not fall under different segments as defined under AS-17 "Segmental Reporting" issued by Institute of Chartered Accountants of India.
7. In accordance with AS-22 "Accounting for Taxes on Income" issued by ICAI, the Company has accounted deferred taxes.

(Rs. In Million)

Particulars	As at					
	September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
A - Deferred Tax Liability						
- Related to depreciation on fixed assets	65.78	64.63	67.86	25.08	22.65	21.75
Total - A	65.78	64.63	67.86	25.08	22.65	21.75
B - Deferred Tax Assets						
- Disallowances under the Income Tax Act	2.40	2.63	-	-	-	-
Total - B	2.40	2.63	-	-	-	-
C - Liability for Deferred Tax (net) (A - B)	63.38	62.00	67.86	25.08	22.65	21.75

8. Previous year's figures have been rearranged / regrouped wherever necessary.

ANNEXURE – III (a)

CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF :

(Rs. In Million)

Particulars	September 30, 2007	For the Year ended				
		Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
1 Corporate Guarantee	500.00	500.00	-	-	-	-
2 Bank Guarantees	1515.70	1,094.63	757.44	319.10	96.40	56.40
3 Claims not acknowledged as debts	-	-	-	-	-	-
4 Demands against the Company not acknowledged as debts and not provided for in respect of which the Company has filed appeal.						
- Income Tax	0.48	0.48	-	-	-	-
- Sales Tax	22.08	22.08	24.08	-	-	-
5 Estimated amount of contracts remaining to be executed on capital account (net of advances)	346.26	315.03	49.20	-	-	-
Total	2384.52	1932.22	830.72	319.10	96.40	56.40

ANNEXURE - III (b)
ACCOUNTING RATIOS

Ratio	For the Year ended					
	September 30, 2007	March 2007	March 2006	March 2005	March 2004	March 2003
Earning Per Share (Rs. (Basic and Diluted))	6.67*	10.13	7.94	2.10	3.28	2.25
Return on net worth (%)	17.20%	31.29%	33.93%	12.66%	21.67%	19.43%
Net Asset Value per share (Rs.)	38.77	32.38	23.41	16.61	15.12	11.60
Face Value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
No. of Equity Shares (Basic and adjusted)	20,248,890	20,248,890	20,248,890	6,749,630	6,749,630	6,749,630
* Not Annualised						

Notes:

- 1) Earnings per share (Rs.) = Profit available to equity shareholders / Weighted average no. of equity shares.
- 2) Return on Net Worth (%) = Restated profit after Tax / Net Worth at the end of the year / relevant period*100
- 3) Net Asset value / Book value per share (Rs.) = Net Worth / No. of equity shares.
- 4) Profit & Loss as restated has been considered for the purpose of computing the above ratios.
- 5) EPS and Net Asset Value per share are computed after taking into account the bonus shares issuance in the F.Y 2005-06 in the ratio of 2 : 1 for earlier financial years.

ANNEXURE – III (c)

CAPITALISATION STATEMENT

(Rs.In.Millions)

Particulars	Pre-issue as at September 30, 2007	Post - issue as at
Loan Funds :		
Short term Loan	378.12	(refer note no.2)
Long Term Loan	1101.67	
Total Loan	1479.79	
Shareholders' Funds:		
Equity Share Capital	202.49	[.]
Reserves & Surplus	588.14	[.]
Less: Revaluation Reserve	-	
Less: Misc. Expenditure Not written off	5.49	
Total Shareholders Fund	785.14	
Total Capitalisation	2264.93	[.]
Debt/Equity Ratio	1.88	

Notes:

1. The above has been computed on the basis of restated statement of accounts.
2. The statement for the Post-issue period will be made on conclusion of the Book Building process.

ANNEXURE III (d)

A - List Of Related Parties

Disclosure of Related Parties & Related Party Transactions

Associate Companies	Joint Ventures	Partnership Firms	Key Managerial Personnel	Relative of Key Managerial Personnel
Patel-KNR Infrastructure Pvt Ltd.,	Patel-KNR - JV	Yuvasakthi Enterprises	K.Narasimha Reddy - Managing Director	Nil
Patel-KNR Heavy Infrastructure Pvt Ltd.,	KNR-Patel - JV		K.Jalandhar Reddy - Executive Director	
KNR Infrastructure Pvt. Ltd.,	NCC-KNR – JV		J.V.Panindra Reddy - Executive Director	
Trapezoid Software Solutions Pvt.Ltd.,	KNR-Saitheja - JV		M.Rajesh Reddy - Executive Director	
Vishnu Publicity Solutions Ltd.,	KNR-SLEC - JV		K.Ranga Reddy - Whole Time Director (Resigned on 21-12-2005)	
	KNR-BPL – JV		V.Krishna Reddy - Whole Time Director Resigned on 30-03-2005	

B. THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH THE RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS:

(Rs. In Million)

Name of Related Parties	Relationship	Nature of Transaction	For the Year ended					
			September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Patel-KNR Infrastructure Pvt Ltd.,	Associates	Investment - Equity Paid	148.00	11.24	-	-	-	-
		Counter Bank Guarantee given	80.60	80.60	-	-	-	-
		Advances Received	-	3.97	-	-	-	-
		Sundry Debtors	128.58	-	-	-	-	-
		Advances Paid	21.24	-	-	-	-	-
		Work Contract Receipts	515.52	35.45	-	-	-	-
		Due to Customers	122.96	-	-	-	-	-
		Un-Billed Revenue/due from customers	-	35.45	-	-	-	-
Patel-KNR Heavy Infrastructure Pvt Ltd.,		Investment - Equity Paid	0.04	0.05	-	-	-	-
		Advances paid	1.09	-	-	-	-	-
Patel-KNR – JV	Joint Ventures	Work Contract Receipts	509.08	909.08	219.13	-	-	-
		Due to Customers	13.56	-	-	-	-	-
		Un-Billed Revenue	29.67	81.71	65.90	-	-	-
		Investment	293.21	270.42	274.45	8.37	2.55	13.33
		Retention Deposit Receivable	64.04	72.25	12.73	-	-	-
		Advance Received	8.87	140.27	108.00	-	-	-
		Sundry Debtors	25.15	-	7.66	-	-	-
		Machinery Hire Charges Received	-	-	-	21.20	13.37	1.98
		Share of Profit / Loss	11.50	9.53	9.95	25.50	44.33	12.57
		Sale of Fixed Assets	-	-	249.94	-	-	-
KNR-Patel – JV		Investment	(8.87)	(8.35)	(6.79)	(9.16)	5.34	25.08
		Machinery Hire Charges Received	-	-	-	6.25	9.68	2.79
		Share of Profit / Loss	(0.65)	(1.57)	3.08	15.42	21.30	30.31
NCC-KNR – JV		Work Contract Receipts	-	-	-	-	80.89	273.95
		Investment	54.25	54.26	54.26	54.15	72.57	96.18
		Retention Deposit Receivable	-	-	-	-	-	-
		Sundry Debtors	71.39	71.39	72.07	70.54	112.66	44.16
		Machinery Hire Charges Received / (Paid)	-	-	-	(3.74)	(4.99)	-
		Share of Profit / Loss	(0.92)	(0.90)	(9.30)	(31.80)	(19.94)	4.84
		Purchase of Fixed Assets	-	-	-	17.64	-	-
KNR-Saitheja – JV		Investment	-	-	-	-	0.81	0.81

		Share of Profit / Loss	-	-	-	(0.09)	-	0.08
KNR-SLEC – JV		Investment	(10.35)	(12.33)	(15.61)	1.29	-	-
		Share of Profit / Loss	2.51	8.46	4.73	(0.57)	-	-
KNR-BPL – JV		Sub-contract Received	19.59	49.68	-	-	-	-
		Investment	1.37	0.17	0.83	-	-	-
		Retention Deposit Receivable	3.46	2.48	-	-	-	-
		Mobilisation Advances Received	74.70	74.70	73.85	-	-	-
		Material Advance Received	1.81	1.19	-	-	-	-
Yuvasakthi Enterprises	Partnership Firm	Sub-contract Expenses	-	-	0.10	-	3.19	11.92
		Security Deposit Received	-	-	-	-	-	0.64
		Bills Payable	-	-	-	-	0.50	1.02
K.Narasimha Reddy	Key Management Personnel	Remuneration paid	1.20	2.40	1.80	1.50	1.50	1.50
		Commission paid	-	-	-	-	1.83	-
		Advance paid for purchase of site	-	-	-	-	-	2.05
		Advance paid for purchase of site - repaid	-	-	-	-	2.05	-
		Un-secured Loan Received	-	31.10	17.30	9.05	-	-
		Un-secured Loan Re-paid	3.58	27.42	17.30	9.05	-	-
		Purchase of Machinery	-	-	1.37	-	-	-
		Consideration received for sale of shares	-	-	0.03	-	-	-
K.Jalandhar Reddy		Remuneration paid	0.90	1.80	1.50	1.32	1.32	1.32
		Commission paid	-	-	-	-	1.01	-
		Un-secured Loan Received	-	17.20	7.00	-	-	-
		Un-secured Loan Re-paid	6.14	4.02	7.00	-	-	-
		Purchase of Machinery	-	-	1.17	-	-	-
		Consultation Charges Received from Patel-KNR-JV	1.01	2.02	0.33	-	-	-
		Consultation advance taken from Patel-KNR-JV	0.48	0.10	-	-	-	-
		Consultation Charges Received from KNR-Patel-JV	-	-	0.90	0.60	0.60	0.60
		Consultation advance taken from KNR-Patel-JV	-	0.10	0.44	0.30	0.30	-
J.V.Panindra Reddy		Remuneration paid	0.90	1.80	1.40	1.20	1.20	0.48
		Purchase of Machinery	-	-	0.73	-	-	-
		Consultation Charges Received from Patel-	1.35	1.49	3.20	-	-	-

		KNR-JV							
		Consultation advance taken from Patel-KNR-JV	0.50	0.51	-	-	-	-	-
M.Rajesh Reddy		Remuneration paid	0.90	1.65	-	-	-	-	-
		Un-secured Loan Received	3.30	3.71	5.21	-	-	-	-
		Un-secured Loan Repaid	3.30	4.59	4.33	-	-	-	-
		Rental Income received	0.03	0.06	0.03	-	-	-	-
		Security Deposit Received	-	-	0.01	-	-	-	-
K.Ranga Reddy, Resigned from directorship on 21-12-05		Remuneration	-	-	0.17	0.24	0.24	-	-
		Machinery Hire Charges Received	-	-	3.37	-	-	-	-
V.Krishna Reddy, Resigned from directorship on 30-03-05		Remuneration	-	-	-	0.18	0.18	-	-

ANNEXURE III (e)
STATEMENT OF TAX SHELTER

(Rs. In Million)

Particulars	For the year ended					
	September 30, 2007	March 2007	March 2006	March 2005	March 2004	March 2003
Profit / (Loss) before tax and extraordinary items as per Audited accounts – A	201.07	268.53	245.92	65.79	84.01	87.62
Tax Rate (B) - %	33.99%	33.66%	33.66%	36.59%	35.88%	36.75%
Permanent Differences – B						
- Loss / (Profit) on sale of Investments	-	-	(0.02)	-	(0.13)	-
- Prior Period Expenses	-	-	-	0.25	-	1.87
- Loss / (Profit) on sale of Fixed Assets	-	(71.68)	(161.00)	(0.63)	0.28	0.19
- Expense on transfer of shares	-	-	-	-	0.05	-
- Donations	0.09	0.12	0.17	0.05	0.03	0.06
- Disallowance u/s 36 (1) (Va)	0.41	3.34	0.74	0.44	0.64	0.27
- Interest paid u/s 201 (1A)	0.42	1.19	2.06	0.67	0.68	0.30
- Dividend Income	-	-	-	-	-	(0.06)
- Standard Deduction u/s 24	(0.01)	(0.02)				
- Agricultural Income	(0.08)	(0.17)				
- Share of Loss/ (Profit) in Joint Venture (Net)	(12.45)	(15.51)	(8.47)	(8.46)	(45.69)	(47.81)
Total Permanent Difference - (B)	(11.62)	(82.73)	(166.52)	(7.68)	(44.14)	(45.18)
Timing Differences – C						
- Depreciation	(1.48)	8.59	34.11	(10.03)	(3.16)	(5.41)
- Disallowances u/s 43B (net)	-	7.07	-	-	(0.15)	-
- Disallowances us/ 40 (a) (ia)	(0.74)	0.74	-	-	-	-
Total Timing Differences – C	(2.22)	16.40	34.11	(10.03)	(3.31)	(5.41)
Net Adjustments D (B+C)	(13.84)	(66.33)	(132.41)	(17.71)	(47.45)	(50.59)
Taxable Income E (A+D)	187.22	202.20	113.51	48.08	36.56	37.03
Tax Expense / (Saving) there on (E x B)	63.65	68.06	38.21	17.58	13.12	13.61
Add: Interest	0.27	1.31	-	-	-	-
Total Current Tax – F	63.92	69.37	38.21	17.58	13.12	13.61

Note:

1. The information pertaining to the years ended March 31, 2003 to 2007 are as per the return of the income filed by the company. The effect of assessment / appellate order have not been considered above.
2. The statement of tax shelter has been prepared based on income tax return filed by the company, and not based on restated profits as per annexure I.

ANNEXURE III (f)
STATEMENT OF DIVIDEND PAID

<i>Particulars</i>	For the year ended					
	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Number of Equity Shares	20,248,890	20,248,890	20,248,890	6,749,630	6,749,630	6,749,630
Face value (Rs.)	10	10	10	10	10	10
Rate of Dividend (%)	Nil	10	10	10	-	-
Dividend Amount (Rs. In Million)	Nil	20.25	20.25	6.75	-	-
Dividend Tax (Rs. In Million)	Nil	3.44	2.84	0.95	-	-

ANNEXURE – IV

SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT - AS RESTATED

The Profit and Loss statement of the company for five financial years ended March 31, 2003 to 2007 and also as at the half year ended 30th September, 2007 read with Significant Accounting Policies, (Annexure - VI A) after making certain regroupings for comparability and making adjustments as stated in Notes to Accounts, (Annexure - VI B) are set out below:

(Rs. In Millions)

Particulars	Half Year ended 30, September 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
INCOME						
Work Contract Receipts	2294.83	3,212.03	1,455.66	1,218.00	2,136.83	1,820.66
Other Operating Income	20.98	32.13	44.29	75.26	1.04	2.36
Other Income	6.82	82.22	104.43	14.33	11.22	10.85
Increase / (Decrease) in Work in Progress	92.26	(7.99)	106.30	(191.60)	51.89	42.66
TOTAL INCOME	2414.89	3,318.39	1,710.68	1,115.99	2,200.98	1,876.53
EXPENDITURE						
Material Consumed	389.48	532.35	168.02	239.60	948.39	645.60
Work Contract Expenses	1549.65	2,117.55	1,214.16	664.47	992.14	1,014.91
Staff Cost	48.98	60.37	31.95	32.75	63.34	25.75
Administration & Other Expenses	55.04	82.66	58.58	66.11	44.35	32.66
Preliminary Expenses Written Off	-	0.04	0.04	0.04	0.04	0.04
TOTAL EXPENDITURE	2043.15	2,792.97	1,472.75	1,002.97	2,048.26	1,718.96
Profit Before Interest, Depreciation and Taxation	371.74	525.42	237.93	113.02	152.72	157.57
Interest & Finance Charges	72.21	119.79	17.18	13.46	32.25	38.39
Depreciation	97.59	136.42	53.98	33.77	35.33	31.51
Net Profit before tax	201.94	269.21	166.77	65.79	85.14	87.67
Provision for Taxation						
- Current tax	64.23	69.43	38.83	18.98	13.12	13.66
- Fringe benefit tax	0.69	0.90	0.80	-	-	-
- Wealth Tax	0.11	0.09	-	-	-	-
- Deferred tax	1.36	(5.22)	42.82	1.77	0.90	21.75
Net Profit after tax	135.55	204.01	84.32	45.04	71.12	52.26
Add/(Less) :Prior Period Items	(7.40)	(5.23)	(10.71)	0.09	(1.76)	1.45
Net Profit After Tax before Extra ordinary items	128.15	198.78	73.61	45.13	69.36	53.71
Extra Ordinary Items						
Net Profit After Tax as per Audited Financial Statements	128.15	198.78	73.61	45.13	69.36	53.71
Impact of adjustments for restatement in corresponding years	7.40	6.62	7.11	(3.94)	(1.60)	(8.59)
Restated Profits	135.55	205.40	80.72	41.19	67.76	45.12
Balance in Profit and Loss account brought forward	372.67	190.96	268.32	234.83	167.07	121.95
Profit available for Appropriation	508.22	396.36	349.04	276.02	234.83	167.07

Proposed Dividend & Dividend Tax	-	23.69	23.09	7.70	-	-
Less: Appropriation towards Bonus Shares	-	-	134.99	-	-	-
Balance Carried to Balance Sheet	508.22	372.67	190.96	268.32	234.83	167.07

**ANNEXURE IV (a)
DETAILS OF OTHER INCOME**

(Rs.In Million)

Particulars	For the Year ended						Nature of Income	Operational / Non Operational
	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003		
Other Operating Income:								
Hire Charges / Job work Receipts	2.04	32.13	37.50	14.45	1.04	2.36	Recurring	
Excise Duty Refund	18.94	-	6.79	60.81	-	-	Recurring	
Total	20.98	32.13	44.29	75.26	1.04	2.36		
Other Income :								
Dividend Income	-	-	-	-	-	0.06	Non recurring	Non-Operational
Profit on Sale of Investments	-	-	0.02	0.07	0.13	-	Non recurring	Non-Operational
Profit on sale of Assets	-	75.33	81.56	3.75	0.23	-	Non recurring	Non-Operational
Excess Credit written back	0.38	1.81	12.18	0.57	2.76	0.04	Non recurring	Operational
Foreign currency exchange fluctuations	0.59	-	-	-	-	-	Recurring	Operational
Miscellaneous Income	5.85	5.08	10.67	9.94	8.10	10.75	Recurring	Operational
Total	6.82	82.22	104.43	14.33	11.22	10.85		

Note: The classification of income into recurring and non-recurring is based on the current operations and business activity of the company.

ANNEXURE – V
SUMMARY OF CONSOLIDATED ASSETS & LIABILITIES - AS RESTATED

Assets & Liabilities of the Company as at the end of each five financial years and also at the half year ended 30th September, 2007 read with Significant Accounting Policies, (Annexure - IIIA) after making adjustments as stated in Notes to Accounts, (Annexure - IIIB) are set out below.

(Rs. in Millions)

Particulars	Half Year ended September 30 2007	March, 31 2007	March, 31 2006	March, 31 2005	March, 31 2004	March, 31 2003
A. Fixed Assets:						
Gross Block	1852.45	1,504.87	767.71	441.38	370.07	344.92
Less : Depreciation	318.50	221.35	86.25	143.69	143.92	119.67
Net Block	1533.95	1,283.52	681.46	297.69	226.15	225.25
Capital Work in Progress	302.89	15.04	18.79	-	-	-
Total Fixed Assets	1836.84	1,298.56	700.25	297.69	226.15	225.25
B. Investments	0.53	0.02	0.01	0.14	0.03	2.58
C. Current Assets, Loans & Advances						
Inventories	435.37	286.85	328.84	188.06	385.25	261.87
Sundry Debtors	403.51	476.69	286.71	153.02	93.84	104.95
Cash and Bank Balances	252.82	143.02	135.59	130.37	77.29	49.61
Other Current Assets	383.51	395.18	203.71	85.53	28.30	84.72
Loans and Advances	729.58	530.77	271.23	122.81	101.69	164.13
Total Current Assets	2204.79	1,832.51	1,226.08	679.79	686.37	665.28
D. Total Assets (A+B+C)	4042.16	3,131.09	1,926.34	977.62	912.55	893.11
E. Liabilities & Provisions						
Secured Loans	1877.06	1,326.39	843.13	224.82	108.08	230.53
Unsecured Loans	9.73	16.86	3.91	2.84	12.00	137.45
Current Liabilities and Provisions	1390.01	1,151.88	618.03	389.13	462.70	268.95
Deferred Tax Liability	63.38	62.00	67.86	25.08	22.65	21.75
Total Liabilities & Provisions	3340.18	2,557.13	1,532.93	641.87	605.43	658.68
F. Networth (D-E)	701.98	573.96	393.41	335.75	307.12	234.43
Represented by Shareholder's Fund :						
G. Share Capital	202.49	202.49	202.49	67.50	72.39*	67.50
H. Reserves and Surplus	508.22	372.67	190.96	268.32	234.83	167.07
Less: Miscellaneous Expenditure(to the extent not written off)	3.24	1.20	0.04	0.07	0.10	0.14
Issue Expenses	5.49	-	-	-	-	-
	499.49	371.47	190.92	268.25	234.73	166.93
I. Net Worth (G+H)	701.98	573.96	393.41	335.75	307.12	234.43

*- Inclusive of share application money of Rs. 4.89 mn

ANNEXURE - V (a)

SUMMARY OF CONSOLIDATED CASH FLOW - AS RESTATED

(Rs. In Million)

Particulars	Half Year ended September, 30 2007	March, 31 2007	March, 31 2006	March, 31 2005	March, 31 2004	March, 31 2003
A. CASH FLOW FROM OPERATING ACTIVITIES						
Net profit before tax and extraordinary items	201.94	269.21	166.77	65.79	85.14	87.67
Adjustment for:						
Depreciation	97.59	136.42	53.98	33.77	35.33	31.51
Preliminary Expenses Written Off	-	0.04	0.04	0.04	0.04	0.04
Provision for Doubtful Debts	-	-	2.20	-	-	-
Loss on Sale of Assets And Discarded	0.48	1.45	3.37	30.48	14.99	0.20
(Profit)/Loss on sale of Assets	-	(72.55)	(81.88)	(5.64)	(0.23)	-
Income from Investments	-	-	-	-	-	(0.06)
Loss/(Profit) on sale of Investments	-	-	(0.02)	(0.07)	(0.13)	-
Interest and Financial Charges	75.86	126.65	32.15	15.00	35.81	40.43
Interest Received	(3.65)	(6.86)	(14.97)	(1.54)	(3.56)	(2.04)
Operating Profit before Working Capital changes	372.22	454.36	161.64	137.83	167.39	157.75
Adjustment for :						
Trade and other receivables	(34.37)	(561.12)	(389.95)	(127.59)	126.46	(84.63)
Inventories	(148.52)	41.99	(140.78)	197.19	(123.38)	(28.19)
Trade payable and provision	374.09	638.73	232.38	(128.43)	214.82	20.29
Cash Generated from Operations	563.42	576.72	(136.71)	79.00	385.29	65.22
Direct Taxes paid	(86.33)	(83.79)	(30.68)	(24.23)	(9.65)	(26.67)
Prior period adjustments	-	(0.02)	(2.31)	2.60	0.09	0.17
TOTAL (A)	477.09	490.15	(169.70)	57.37	375.73	38.72
B. CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of fixed assets	(636.80)	(805.89)	(557.19)	(172.01)	(64.01)	(19.57)
Sale of fixed assets	0.47	142.24	179.12	41.85	13.02	0.35
Sale of Shares	-	-	0.03	-	2.68	-
Investments in Joint Ventures	(0.51)	(0.01)	0.13	(0.11)	-	-
Interest received	2.46	4.31	3.85	1.29	3.40	1.61
Preliminary Exp Not Written Off	(2.04)	(1.20)	-	-	-	-
Income from Investments	-	-	0.02	0.07	-	0.06
TOTAL (B)	(636.42)	(660.55)	(374.04)	(128.91)	(44.91)	(17.55)
C. CASH FLOW FROM FINANCING ACTIVITIES						
Share Application Money	-	-	-	(4.89)	4.89	-
Proceeds/(Repayment) of long term borrowings	401.92	258.03	199.70	53.53	(144.56)	42.26
Mobilisation / Machinery Advances Received From Customers	(29.12)	68.25	388.62	90.79	(127.73)	(33.84)
Interest Paid	(74.49)	(125.36)	(31.66)	(14.81)	(35.74)	(40.43)
Issue Expenses	(5.49)	-	-	-	-	-
Dividend and Dividend Tax paid	(23.69)	(23.09)	(7.70)	-	-	-
TOTAL (C)	269.13	177.83	548.96	124.62	(303.14)	(32.01)

Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	109.80	7.43	5.22	53.08	27.68	(10.84)
Cash & Cash Equivalents beginning of the year	143.02	135.59	130.37	77.29	49.61	60.45
Cash & Cash Equivalents end of the year	252.82	143.02	135.59	130.37	77.29	49.61
Net Increase/(Decrease) in Cash and Cash Equivalents	109.80	7.43	5.22	53.08	27.68	(10.84)

**ANNEXURE - V (b)
DETAILS OF SECURED LOANS**

(Rs. In Millions)

Description	Outstanding as on					
	September 30, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Equipment finance loan						
1. From Banks	775.87	341.55	154.72	82.32	4.39	12.30
2. From others	177.24	202.51	144.26	18.03	33.27	44.47
Cash Credit Account	371.73	200.99	31.06	-	36.74	12.35
Mobilisation and Machinery Advances						
- Mobilisation Advance	433.26	386.47	460.17	118.20	33.68	161.41
- Machinery Advance	118.96	194.87	52.92	6.27	-	-
TOTAL	1877.06	1,326.39	843.13	224.82	108.08	230.53

1. Equipment Finance Loan : Secured by first charge by way of hypothecation of equipment financed.
2. Cash Credit Account : Secured by way of hypothecation of entire current assets.
3. Mobilisation and Machinery advances are received from clients for the specific projects and are 100% backed by Bank Guarantees. The said advances are recovered from the Running Account Bills of the client.

UNSECURED LOANS

(Rs. In Millions)

Description	Outstanding as on					
	September 30, 2007	March, 31 2007	March, 31 2006	March, 31 2005	March, 31 2004	March, 31 2003
From Directors	7.14	16.86	0.88	-	-	-
Inter Corporate Loans	2.59	-	3.03	2.84	12.00	137.45
TOTAL	9.73	16.86	3.91	2.84	12.00	137.45

Details of unsecured loans outstanding as on September 30, 2007.

Name of the Party	Outstanding Amount	Rate of Interest	Repayment Terms
K.Narasimha Reddy	0.10	Nil	On Demand
K.Jalandhar Reddy	7.04	Nil	On Demand

ANNEXURE - V (c)

Details Of Loans And Advances

(Rs. In Million)

Particulars	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Advance recoverable in cash or in kind or value to be received	518.39	398.09	216.73	70.37	59.20	118.12
Advance Income Tax	211.19	132.68	54.50	52.44	42.49	46.01
Total	729.58	530.77	271.23	122.81	101.69	164.13
Details of Loans and Advances with Related Parties						
-Patel KNR Infrastructures Pvt Ltd.,	12.74	-	-	-	-	-
-Patel KNR Heavy Infrastructures Pvt Ltd	0.65	-	-	-	-	-

ANNEXURE - V (d)

DETAILS OF OTHER CURRENT ASSETS

(Rs. In Million)

Particulars	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Deposits and Retentions	316.96	252.45	118.90	33.88	28.29	84.72
Due from Customer	48.48	124.91	67.54	51.65	-	-
Hire charges Receivable	4.82	5.65	-	-	-	-
Accrued Interest	13.25	12.17	10.48	-	0.01	-
Excise Duty Refund Receivable	-	-	6.79	-	-	-
Total	383.51	395.18	203.71	85.53	28.30	84.72
The above includes the following Due from customer from Related Parties :						
- Patel-KNR-JV	29.67	81.71	65.90	-	-	-
- Patel-KNR Infrastructure Pvt Ltd.,	-	35.45	-	-	-	-
The Above Includes the following Deposits and Retentions with respect to Related Parties:						
- Patel-KNR-JV	32.02	36.12	6.39	-	-	-
- KNR-BPL-JV	2.97	3.19	-	-	-	-

ANNEXURE - V (e)

SUNDRY DEBTORS

(Rs. In Million)

Particulars	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Debtors outstanding for a period exceeding six months	103.62	11.50	17.89	0.29	68.50	19.95
Other Debts	299.89	465.19	268.82	152.73	25.34	85.00
Total	403.51	476.69	286.71	153.02	93.84	104.95

ANNEXURE - V (f)
SUMMARY OF INVESTMENTS

(Rs. In Million)

Particulars	As at					
	September 30, 2007	March 31, 2007				
Bank of Baroda Equity Shares – Quoted	-	-	-	0.02	0.02	2.57
Others	0.03	0.02	0.01	0.12	0.01	0.01
State Bank of India Mutual Fund – Quoted	0.50	-	-	-	-	-
Total	0.53	0.02	0.01	0.14	0.03	2.58
Market Value of the said Quoted shares/ Mutual funds	0.58	-	-	0.04	0.05	2.68

ANNEXURE - V (g)
DETAILS OF CURRENT LIABILITIES AND PROVISIONS

(Rs. In Millions)

Particulars	As at					
	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
CURRENT LIABILITIES						
- Sundry Creditors	1078.97	1012.13	543.33	342.01	433.70	243.27
- Due to Customers	136.51	-	-	-	-	-
- Interest Accrued but not due	3.41	2.04	0.75	0.26	0.07	-
Total	1218.89	1014.17	544.08	342.27	433.77	243.27
PROVISIONS						
- Income Tax and Fringe Benefit Tax	171.12	114.02	50.86	39.16	28.93	25.68
- Proposed Dividend	-	20.25	20.25	6.75	-	-
- Dividend Tax on Proposed Dividend	-	3.44	2.84	0.95	-	-
Total	171.12	137.71	73.95	46.86	28.93	25.68
Grand Total	1390.01	1151.88	618.03	389.13	462.70	268.95

ANNEXURE - VI

RESTATED NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT MARCH 31, 2007 AND FOR HALF YEAR AS AT SEPTEMBER 30,2007.

A. SIGNIFICANT ACCOUNTING POLICIES:

1. KNR Constructions Ltd. (KNRCL) has prepared consolidated financial statements to provide the financial information of its activities along with its Associates & Joint Ventures as a single entity. They are collectively referred to as “Group” herein.
2. **Principles of Consolidation:**
 - i) The consolidated financial statements include the accounts of KNR Constructions Ltd., and its associates and financially controlled Integrated Joint Ventures. The consolidated Financial Statements of KNR Constructions Ltd., and its Associates and Joint Ventures are prepared as per the accounting principles generally accepted in India.
 - ii) The financial statements of financially controlled integrated Joint Ventures (i.e sharing profit) are consolidated to the extent of KNRCL’s share in Joint Venture.
 - iii) The financial statements of the company, its associates and Integrated Joint Ventures have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses eliminating intra group balances and intra group transactions.

The consolidated Financial Statements have been prepared by the company in accordance with the requirements of Accounting Standards (AS 23), Accounting of Investments in Associates in Consolidated Financial Statements and Accounting Standards (AS27), Financial Reporting of Interest in Joint Ventures, issued by the Institute of Chartered Accountants of India.

Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding. Recognizing this purpose, the company has disclosed only such notes from the individual financial statements, which fairly present the needed disclosure.

3 **METHOD OF ACCOUNTING**

The financial statements are prepared under the historical cost convention on accrual basis and are in accordance with the requirements of Companies Act, 1956 and comply with the Accounting Standards referred to in Sub- section (3C) of Section 211 of the said Act.

4 **FIXED ASSETS AND DEPRECIATION**

Fixed Assets of KNRCL are stated at cost of acquisition, or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

Fixed Assets of Joint Ventures are depreciated using straight-line method based on useful lives as estimated by the management. Since this practice is followed by the joint ventures consistently, it is not practicable to make adjustments to the financial statement of the Joint Ventures when there are used by KNRCL in applying proportionate consolidation.

5 **BORROWING COSTS**

Borrowing Costs directly attributable to acquisition or construction of a qualifying asset are capitalized till the date such assets are ready to be put to use. All other borrowing costs are recognized as an expense of the period in which they are incurred.

6 **INVESTMENTS**

Long-term investments are stated at cost. Current investments are stated at lower of cost and fair value.

- 7 **INVENTORIES**
Work in progress is valued at cost where as in the case of joint ventures the same is valued at contract rates. Raw Materials and Stores & Spares of KNRCL are valued on weighted average cost method. Cost comprises of all costs of purchase (other than refundable duties and taxes), where as in the case of Joint Ventures, the same are valued at cost.
- 8 **RETIREMENT BENEFITS**
i) Gratuity
In accordance with the Payment of Gratuity Act, 1972 the Company provides for gratuity covering eligible employees.

Liability on account of gratuity is covered through a recognised Gratuity Fund managed by Life Insurance Corporation of India and contributions are charged to revenue.

ii) Provident Fund
Contributions to Provident Fund are made to Regional Provident Fund Commissioner and are charged to revenue.

iii) Other Benefits
Leave Encashment, Service Compensation, Bonus and medical re-imburement are accounted on cash basis.
- 9 **PRELIMINARY EXPENSES**
Preliminary expenses are amortised over a period of 10 years.
- 10 **FOREIGN CURRENCY TRANSACTIONS**
Transactions in foreign currency including acquisition of fixed assets are recorded at the prevailing exchange rates on the date of the transaction. All monetary assets and monetary liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end. Exchange differences arising as a result of the said translation are recognized in the Profit and Loss Account except in case of fixed assets acquired from a country outside India and assets acquired in the years prior to the year in which the Revised AS-11 came into force which are adjusted to the cost of fixed assets.
- 11 **REVENUE RECOGNITION**
Fixed price contracts received up to March 31, 2003
Income is recognised by applying percentage of completion to the contract value. Percentage of completion is determined as a proportion of the progress billing to contract value.

Fixed price contracts received on or after April 1, 2003
Contract revenue is recognised using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred to date to the total estimated / revised contract cost. Full provision is made for any loss in the year in which it is foreseen.

Work done but not yet billed in the case of Joint ventures which has been consolidated proportionately is accounted as work-in-progress.
- 12 **LEASE HOLD LAND:**
Lease hold land is written off over the period of lease.
- 13 **PREPARATORY WORK EXPENSES:**
Preparatory work expenses in the case of joint ventures are written off in proportion to the value of work done.
- 14 **TAXES ON INCOME**
Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws applicable. Provision for deferred tax is made for timing differences arising between taxable incomes and accounting income using the tax laws and tax rates enacted or subsequently enacted as of the balance sheet date. Deferred Tax Assets are recognized only if there is virtual certainty that there will be sufficient taxable income in future.

Provision for tax is made after considering deduction u/s 80IA of the Income Tax Act, 1961 for which the Joint Venture is eligible.

15 **IMPAIRMENT OF ASSETS**

Any losses on account of impairment of assets on each balance sheet date arrived in terms of AS-28 issued by the ICAI is charged to the profit and loss account of the respective period.

B. NOTES ON ACCOUNTS:

1. ADJUSTMENTS/REGROUPINGS IMPACT OF CHANGES IN ACCOUNTING POLICIES/PRIOR PERIOD ITEMS:

(Rs. In Millions)

Particulars	As At					
	September, 30 2007	March, 31 2007	March, 31 2006	March, 31 2005	March, 31 2004	March, 31 2003
Net Profit as per Audited statement of account (A)	128.15	198.78	73.61	45.13	69.36	53.71
Adjustments on Account of - B						
Add / (Less)						
1. Prior Period items in respective years	1.01	(0.39)	(2.38)	2.56	0.85	(1.28)
2. Depreciation adjustments	-	(0.02)	0.07	(0.05)	-	-
3. Excess / Short tax provision relating to earlier years	6.39	6.41	9.38	(5.79)	(2.45)	(7.31)
4. Deferred Tax Liability on account of Depreciation	-	0.62	0.04	(0.66)	-	-
Total - B	7.40	6.62	7.11	(3.94)	(1.60)	(8.59)
Adjusted Profit (A+B)	135.55	205.40	80.72	41.19	67.76	45.12

Notes:

c) Prior Period Items:

These represents adjustments in respect of transaction items being material changes or credits which arise in a particular period as a result of errors or omission in the preparation of financial statements of one or more prior period and/or material adjustments necessitated by circumstances which though related to previous periods are determined in the particular (current) period.

d) Provision for Tax :

The Income Tax Authorities have disallowed certain expenses of earlier years for which Provision for Tax was made in the audited balance sheets, which have been restated.

The tax liability if any, in respect of survey operation conducted by the Income tax authorities during the F.Y 2005-06, which is presently unascertainable, will be recognized on conclusion of survey proceedings.

2. In terms of the disclosures required to be made under the accounting standard (AS)- 7 (revised) issued by the Institute of Chartered Accountants of India for 'Construction Contracts', the amounts considered in the financial statements up to the Balance Sheet date are as follows:

Particulars	30-09-2007	31-03-2007	31-03-2006	31-03-2005	31-03-2004 *	31-03-2003
Contract Revenue recognized as revenue during the year /period	3308.03	3429.47	1407.58	876.63	1331.29	Not Applicable
Contract costs incurred and recognized Profits, less losses.	3812.86	3676.24	1472.05	902.19	1331.29	Not Applicable
Advances received, net of recoveries from Progressive bills.	683.45	717.77	426.24	124.97	Nil	Not Applicable
Retention Deposits	312.78	256.86	98.68	25.43	24.77	Not Applicable
Gross amount due from customers	305.90	237.36	119.71	54.20	Nil	Not Applicable
Gross amount due to customers	136.51	Nil	Nil	Nil	Nil	Not Applicable

* Note: As per AS-7 Revised because this revenue etc., relates to works taken before 01-04-2003.

Interest accrued on claims awarded during the period Apr'07 to Sep'07 amounting to Rs. 0.83 million was recognized as revenue during the year.

3. The Group has no amounts payable to Small Scale Industrial Undertaking in excess of Rs. 0.10 million and outstanding for a period of more than 30 days.
4. Excise duty refund of Rs. 60.81 millions and Rs. 6.79 millions received in the financial years 2004-05 and 2005-06 respectively which was credited to materials consumed account for the F.Y 2004-05 and 2005-06 has now been treated as other income.
5. a) The details of financially controlled Integrated Joint Ventures along with share of Interest is given hereunder:

Name of the Venture	Name of the Venture Partner	Share of Interest (JV Partner)
Patel-KNR-JV	Patel Engineering Ltd.,	50%
KNR-Patel-JV	Patel Engineering Ltd.,	49%
KNR-BPL-JV	Back Bone Projects Ltd.,	51%
KNR-SLEC-JV	Sri Laxmi Engineering Co.,	40%
NCC-KNR-JV	Nagarjuna Construction Co.Ltd.,	Project wise.

b) Details of Associates :

Name of the Associate	Percentage of Holding
Patel-KNR Infrastructure Pvt Ltd.,	40%
Patel-KNR Heavy Infrastructure Pvt Ltd.,	40%

6. The Company has a single segment namely " Civil Construction". Therefore the company's business does not fall under different segment as defined under AS-17 "Segmental Reporting" issued by Institute of Chartered Accountants of India.
7. In accordance with AS-22 " Accounting for Taxes on Income" issued by ICAI, the Company has accounted deferred taxes.

(Rs. In Millions)

Particulars	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
A – Deferred Tax Liability						
- Related to depreciation on fixed assets	65.78	64.63	67.86	25.08	22.65	21.75
Total – A	65.78	64.63	67.86	25.08	22.65	21.75
B – Deferred Tax Assets						
- Disallowances under the Income Tax Act	2.40	2.63	-	-	-	-
Total – B	2.40	2.63	-	-	-	-
C – Liability for Deferred Tax (net) (A – B)	63.38	62.00	67.86	25.08	22.65	21.75

8. Contingent Liabilities not provided for in respect of :

(Rs. In Millions)

Particulars	For the Year ended					
	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
1 Corporate Guarantee	500.00	500.00	-	-	-	-
2 Bank Guarantees	1515.70	1,094.63	757.44	319.10	96.40	56.40
3 Claims not acknowledged as debts	-	-	-	-	-	-
4 Demands against the Company not acknowledged as debts and not provided for in respect of which the company has filed appeal.						
- Income Tax*	63.26	62.55	59.22	57.82	37.10	10.53
- Sales Tax	22.08	22.08	24.08	-	-	-
5 Estimated amount of contracts Remaining to be executed on Capital account	346.26	315.03	59.95	-	-	-
Total	2447.30	1,994.29	900.69	376.92	133.50	66.93

* This contingent liability is subject to interest on tax liability and adjustment of brought forward losses of earlier years on account of disallowance of claims made by various joint ventures u/s 80IA with retrospective effect and disputes pending at various appellate authorities.

9. Summary of Accounting Ratios for the following years :

Particulars	For the year ended					
	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
Earning Per Share (Rs. (Basic and Diluted))	6.69*	10.14	3.99	2.03	3.35	2.23
Return on net worth (%)	19.31	35.79	20.52	12.27	22.06	19.25

Net Asset Value per share (Rs.)	34.67	28.35	19.43	16.58	15.17	11.58
Face Value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
No. of Equity Shares (Basic and adjusted)	20,248,890	20,248,890	20,248,890	6,749,630	6,749,630	6,749,630

* Not Annualised

Notes :

- 1) Earnings per share (Rs.) = Profit available to equity shareholders / Weighted average no. of equity shares.
- 2) Return on Net Worth (%) = Restated profit after Tax / Net Worth at the end of the year / relevant period*100
- 3) Net Asset value / Book value per share (Rs.) = Net Worth / No. of equity shares.
- 4) Profit & Loss as restated has been considered for the purpose of computing the above ratios.
- 5) EPS and Net Asset Value per share are computed after taking into account the bonus shares issuance in the F.Y 2005-06 in the ratio of 2 : 1 for earlier financial years.

10. Related Party Transactions

A - List Of Related Parties

Disclosure of Related Parties & Related Party Transactions

Associate Companies	Joint Ventures	Partnership Firms	Key Managerial Personnel	Relative of Key Managerial Personnel
Patel-KNR Infrastructure Pvt Ltd.,	Patel-KNR - JV	Yuvashakthi Enterprises	K. Narasimha Reddy - Managing Director	Nil
Patel-KNR Heavy Infrastructure Pvt Ltd.,	KNR-Patel - JV		K. Jalandhar Reddy - Executive Director	
KNR Infrastructure Pvt. Ltd.,	NCC-KNR - JV		J.V. Panindra Reddy - Executive Director	
Trapezoid Software Solutions Pvt.Ltd.,	KNR-Saitheja - JV		M. Rajesh Reddy - Executive Director	
Vishnu Publicity Solutions Ltd.,	KNR-SLEC - JV		K. Ranga Reddy - Whole Time Director (Resigned on 21-12-2005)	
	KNR-BPL - JV		V. Krishna Reddy - Whole Time Director (Resigned on 30-03-2005)	

THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH THE RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS:

(Rs. In Million)

Name of Related Parties	Relationship	Nature of Transaction	September 30, 2007	For the year ended				
				Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Patel-KNR Infrastructure Pvt Ltd.,	Associates	Counter Bank Guarantee given	80.60	80.60	-	-	-	-
		Advances Received	-	2.38	-	-	-	-
		Sundry Debtors	77.15	-	-	-	-	-
		Advances Paid	12.74	-	-	-	-	-
		Due to Customers	122.96	-	-	-	-	-
		Un-Billed Revenue/Due from customers	-	21.27	-	-	-	-
Patel-KNR Heavy Infrastructure Pvt Ltd.,		Advances Paid	0.65	-	-	-	-	-
Patel-KNR - JV	Joint Ventures	Work Contract Receipts	254.54	455.04	109.56	-	-	-
		Due to Customers	13.56	-	-	-	-	-
		Un-Billed Revenue/Due from customers	29.67	40.85	32.95	-	-	-
		Retention Deposit Receivable	32.02	36.12	6.36	-	-	-
		Advance Received	4.43	70.13	54.00	-	-	-
		Sundry Debtors	12.57	-	3.83	-	-	-
		Machinery Hire Charges Received	-	-	-	10.60	6.68	0.99
		Sale of Fixed Assets	-	-	124.97	-	-	-
		Corporate Bank Guarantee given	500.00	500.00	-	-	-	-
KNR-Patel - JV		Machinery Hire Charges Received	-	-	-	3.12	4.84	1.39
NCC-KNR - JV		Work Contract Receipts	-	-	-	-	-	139.71
		Retention Deposit Receivable	-	-	-	-	-	-
		Sundry Debtors	-	-	-	-	-	22.52
KNR-BPL - JV		Sub-contract Received	9.99	25.34	-	-	-	-
		Retention Deposit Receivable	1.76	1.26	-	-	-	-
		Mobilisation Advances Received	38.10	38.10	37.66	-	-	-
		Material Advance Received	0.92	0.61	-	-	-	-
Yuvashakthi Enterprises	Partnership Firm	Sub-contract Expenses	-	-	0.10	-	3.19	11.92
		Security Deposit Received	-	-	-	-	-	0.64
		Bills Payable	-	-	-	-	0.50	1.02
K.Narasimha Reddy	Key Management Personnel	Remuneration paid	1.20	2.40	1.80	1.50	1.50	1.50
		Commission paid	-	-	-	-	1.83	-
		Advance paid for purchase of site	-	-	-	-	-	2.05
		Advance paid for purchase of site – repaid	-	-	-	-	2.05	-
		Un-secured Loan Received	-	31.10	17.30	9.05	-	-
		Un-secured Loan Re-paid	3.58	27.42	17.30	9.05	-	-

		Purchase of Machinery	-	-	1.37	-	-	-
		Consideration received for sale of shares	-	-	0.03	-	-	-
K.Jalandhar Reddy		Remuneration paid	0.90	1.80	1.50	1.32	1.32	1.32
		Commission paid	-	-	-	-	1.01	-
		Un-secured Loan Received	-	17.20	7.00	-	-	-
		Un-secured Loan Re-paid	6.14	4.02	7.00	-	-	-
		Purchase of Machinery	-	-	1.17	-	-	-
		Consultation Charges Received from Patel-KNR-JV	1.01	2.02	0.33	-	-	-
		Consultation advance taken from Patel-KNR-JV	0.48	0.10	-	-	-	-
		Consultation Charges Received from KNR-Patel-JV	-	-	0.90	0.60	0.60	0.60
		Consultation advance taken from KNR-Patel-JV	-	0.10	0.44	0.30	0.30	-
J.V.Panindra Reddy		Remuneration paid	0.90	1.80	1.40	1.20	1.20	0.48
		Purchase of Machinery	-	-	0.73	-	-	-
		Consultation Charges Received from Patel-KNR-JV	1.35	1.49	3.20	-	-	-
		Consultation advance taken from Patel-KNR-JV	0.50	0.51	-	-	-	-
M.Rajesh Reddy		Remuneration paid	0.90	1.65	-	-	-	-
		Un-secured Loan Received	3.30	3.71	5.21	-	-	-
		Un-secured Loan Re-paid	3.30	4.59	4.33	-	-	-
		Rental Income received	0.03	0.06	0.03	-	-	-
		Security Deposit Received	-	-	0.01	-	-	-
K.Ranga Reddy, Resigned from directorship on 21-12- 05		Remuneration	-	-	0.17	0.24	0.24	-
		Machinery Hire Charges Received	-	-	3.37	-	-	-
V.Krishna Reddy, Resigned from directorship on 30-03- 05		Remuneration	-	-	-	0.18	0.18	-

Note: The above figures are after excluding the company's share of inter-related transactions with joint ventures and associates.

11. The Proportion of various items of income , expenditure, assets and liabilities to which different accounting policies adopted by the joint ventures are given below.

Sl. No.	Particulars	Fiscal 2008 30-09-07 %	Fiscal 2007 %	Fiscal 2006 %	Fiscal 2005 %	Fiscal 2004 %	Fiscal 2003 %
1	Depreciation	35.91	46.02	11.41	27.07	33.26	19.87
2	Preparatory work expenses not charged to Profit and Loss account included in loans and advances.	2.67	4.04	10.61	0.84	1.81	6.54
3	Contingent liabilities due to claim u/s 80IA of income tax act by joint ventures entities.	2.55	3.12	6.57	15.34	27.79	15.73
4	Inventory and work in progress	85.20	82.81	79.36	94.20	35.25	14.60

12. Previous year's figures have been rearranged / regrouped wherever necessary.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS PER CONSOLIDATED FINANCIAL STATEMENTS

You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements, as restated, under Indian GAAP for the Fiscal years ended March 31, 2003, 2004, 2005, 2006 and 2007, including the significant accounting policies and notes and annexures thereto in section titled Financial Information which begin on page 140. The following discussion relates to our Company and is based on our consolidated restated financial statements.

Our restated financial statements have been derived from our consolidated financial statements prepared in accordance with India GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act and Indian Securities regulations. The following discussion is also based on internally prepared statistical information and publicly available information. You are also advised to read the section titled "Risk Factors" beginning on page x, which discusses a number of factors and contingencies that could affect our financial condition, results of operations and cash flows. For a discussion of our financial condition and results of operation on the basis of our unconsolidated financial statements as restated for the same periods, please refer to Chapter title "Management's Discussion and Analysis" beginning on page 178.

Our Fiscal year ends on March 31, so all references to a particular Fiscal year are to the twelve month period ended March 31.

Certain industry, technical and financial terms with initial capitals used in this discussion shall have the meanings ascribed to them in the section entitled "Definitions and Abbreviations" beginning on page ii.

OVERVIEW

We are an infrastructure project development company providing engineering, procurement and construction services across various fast growing sectors namely roads & highways, irrigation and urban water infrastructure management. Our project execution strength lies primarily in transportation engineering projects namely construction and maintenance of roads, highways, flyovers and bridges. Our strong project management skills help us in timely and successful completion of projects.

We were incorporated in 1995 by professionals having experience in the field of infrastructure development. In 1997, we acquired at their book values the assets and liabilities of M/s K. Narasimha Reddy & Co. ("partnership firm"), which was engaged in the business of undertaking civil and mechanical contracts work since 1979, for details, please refer to the section titled "Our History and Corporate Matters" on page 99 of the Red Herring Prospectus. Over the period of time, we have not only gained expertise in construction of roads on EPC basis, but have also further diversified into other segments like irrigation, water supply and urban water infrastructure management.

We have in the past executed infrastructure projects independently as well as through joint ventures. Currently, most of the road projects under execution are with our joint venture partner, Patel Engineering Limited with whom we have business association for the past 7 years. As on November 30, 2007, we have 25 Projects on hand across various states in India. Our Company has the ability to bid, execute and implement medium and large size projects across various infrastructure segments.

The estimated unexecuted order book position as at November 30, 2007 was Rs. 17,338.25 million, which is approximately 5.4 times the Operational Income of FY 2006-07 on consolidated basis.

Composition of our order book as of November 30, 2007 is as follows:

Sectors	Balance Order Book as at November 30, 2007	
	Rs. in million	%
Road transportation engineering projects	15,490.28	89.34
Irrigation and Water Supply	1,456.46	8.40
Urban Water Infrastructure Management	391.51	2.26
Total	17,338.25	100.00

FACTORS AFFECTING RESULTS OF OUR OPERATIONS:

General economic and business conditions:

The Indian economy has grown steadily over the past three years aided by the growth in industrial activity and robust services sector. Growth in the industrial and manufacturing activity and services sector leads to growth in demand for infrastructure facilities like roads, ports, airports, power etc. which translates into new proposals for construction, up-gradation and maintenance of infrastructure facilities. Also, improvements in infrastructure facilities in turn have a strong impact upon GDP growth. The overall economic growth will therefore impact the results of our operations. The growth prospects of our business and our ability to implement our strategies will be influenced by macro-economic growth.

Dependence on government policy and regulation towards Infrastructure:

Infrastructure development in India has historically been the preserve of the central and state governments, and has been constrained by various factors such as shortages of public funding, political considerations and issues of transparency and accountability. Changes in government policies, which began in the 1990s, facilitated the entry of private capital into infrastructure and have led to rapid growth in certain sectors. More recently, policy changes in the transportation, energy, urban infrastructure and industrial and commercial infrastructure sectors have begun to attract private sector interest. We believe that with the policy and regulatory reforms continuing to move in the right direction, our growth and financial conditions and operations will be positively impacted.

Increased ticket size of contracts and shorter contract execution time:

Over the past few years, the value, or 'ticket size' of, irrigation and road contracts awarded by government clients has increased. At the same time, government clients have demanded completion of construction projects in shorter time periods. Generally, contract execution time has fallen from three to four years to the current two to three years. We expect both the trend of increased ticket size and shorter execution periods to continue. The impact of these developments on the Company's operating results has been a significant increase in the number of permanent employees, fleet of construction equipments and contribution of revenue earned on a *pro rata* basis on contracts undertaken as partner in joint ventures with third parties. We expect that revenue earned from unincorporated joint ventures will increasingly become important to the Company as contract ticket sizes increase.

Competition:

Despite the fact that we are not affected by competition in the short-term due to our arrangements under our concession and license agreements, our results of operations could be affected by competition in the infrastructure sector in India in the future. We expect competition to intensify due to possible new entrants in the market, existing competitors further expanding their operations and our entry into new markets where we may compete with well-established infrastructure companies. This we believe may impact our financial condition and operations.

Our bidding and execution capability:

Most infrastructure-related contracts and projects are awarded by government entities through a competitive bidding process and satisfaction of other prescribed pre-qualification criteria such as experience in executing large projects, demonstrated engineering capabilities and sufficient financial resources and/or ability to access financings. For many large construction contracts and infrastructure development projects, the Company may not always meet these pre-qualification criteria in its own right. Thus, a key factor affecting the Company's results of operations is its ability to win contracts which in turn is related to its ability to partner and collaborate with other, often bigger, companies in bids for these large construction contracts and BOT projects. We believe that

partnering with other companies is an industry trend and we expect to see an increase in the number of foreign companies collaborating with Indian companies in bidding for construction contracts and infrastructure development projects in India. The execution of private sector infrastructure projects also enhances the Company's ability to meet prequalification criteria when bidding for government contracts.

Availability of cost effective funding sources:

Our ability to grow in the infrastructure sectors depends largely on cost effective avenues of funding and will be primarily met through funding by increased borrowing from external sources and the issuance of new debt. Our debt service costs as well as our overall cost of funds depend on many external factors, including developments in the Indian credit market and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. We believe that going forward the availability of cost effective funding sources could affect our business operations and financial performance.

Ability to attract and retain skilled employees:

We believe the construction industry in India is currently experiencing a shortage of skilled engineers. As a consequence, we face competitive pressures in recruiting and retaining engineers as well as other skilled and professionally qualified staff as and when we need them. Although the Company is currently paying salaries at market rate, in order to secure an adequate number of skilled personnel, we may in the future need to pay remuneration that is above market rates. This could result in lowering the Company's profit margins.

Seasonality and weather conditions:

Due to the difficult working conditions during the summer months and monsoon season, we try to maximize construction work during the winter, dryer periods of the year. Often this means mobilising more equipment and increasing staffing levels on construction projects during these periods. We record revenues on the percentage of completion method determined on the basis of applicable accounting standards issued by ICAI. Since revenues are not recognised until there is reasonable progress on a contract, revenues recorded in the first half of the Company's financial year between April and September (that is, the summer months and the monsoon season) are typically substantially lower compared to revenues recorded during the second half of our financial year.

Variation in price of Raw Materials:

The main business of the Company is that of bidding for projects and completing the same when awarded the contracts. A significant portion of revenue from the construction business is derived from fixed-price contracts. In the event of an increase in prices of raw materials such as Cement, Bitumen and Steel, the escalation clause in the contract may not cover the entire increase in prices and hence the operations of the Company may be adversely affected to the extent of the increase in costs not covered by the escalation clause.

Power tariff and fuel charges:

Power and Fuel charges form an important cost component in the construction sector. Any increase or decrease in the power tariff and fuel charges will have an impact on the operations of the Company.

For more information on the factors which have or may affect us, see the sections titled "Risk Factors", "Industry Overview" and "Our Business" beginning on pages x, 64 and 74, respectively, of the Red Herring Prospectus.

OVERVIEW OF OUR CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our revenues, expenditure and profits, for the periods indicated

(Rs in million)

Particulars	Fiscal 2007	% of OI	%Growth y-o-y	Fiscal 2006	% of OI	%Growth y-o-y	Fiscal 2005	% of OI	%Growth y-o-y	Fiscal 2004	% of OI
Income from Operations	3,212.03		120.66	1,455.66		19.51	1218.00		(43.00)	2136.83	
Other Operating Income	32.13		(27.46)	44.29		(41.15)	75.26		7136.54	1.04	
Operating Income (OI)	3,244.16	100	116.28	1,499.95	100	15.98	1,293.26	100	(39.51)	2,137.87	100
<u>Less: Expenses</u>											
Raw Material Consumed	532.35	16.41	216.84	168.02	11.20	(29.87)	239.60	18.53	(74.74)	948.39	
Work Contract Expense	2,117.55	65.27	74.40	1,214.16	80.95	82.73	664.47	51.38	(33.03)	992.14	
(Increase)/Decrease in WIP	7.99	0.25	(107.52)	(106.3)	(7.09)	(155.48)	191.60	14.82	(469.24)	(51.89)	
Total direct Operating Expenses	2657.89	81.93	108.32	1275.88	85.06	16.45	1095.67	84.72	(41.99)	1888.64	88.34
Gross Profit	586.27	18.07	161.65	224.07	14.94	13.40	197.59	15.28	(20.72)	249.23	11.66
Less: Personnel Expenses	60.37	1.86	88.95	31.95	2.13	(2.44)	32.75	2.53	(48.29)	63.34	
Less: Administrative Expenses	82.66	2.55	41.11	58.58	3.91	(11.39)	66.11	5.11	49.06	44.35	
Total Indirect Operating Expenses	143.03	4.41	58.00	90.53	6.04	(8.43)	98.86	7.64	(8.20)	107.69	5.04
EBIDTA	443.24	13.66	231.92	133.54	8.90	35.26	98.73	7.63	(30.25)	141.54	6.62
Less: Interest & Financial Expenses	119.79	3.69	597.26	17.18	1.15	27.64	13.46	1.04	(58.26)	32.25	
Less: Depreciation & Amortization	136.42	4.21	152.61	53.98	3.60	59.78	33.77	2.61	(4.41)	35.33	
Add: Other Income	82.22	2.53	(21.27)	104.43	6.96	628.75	14.33	1.11	27.72	11.22	
Profit Before Taxation	269.21	8.30	61.43	166.77	11.12	153.49	65.79	5.09	(22.73)	85.14	3.98
Less: Prior Period (net)	5.23			10.71			(0.09)			1.76	
Less : Taxation (net)	65.2	2.01	(20.92)	82.45	5.50	297.35	20.75	1.60	48.00	14.02	
Profit After Taxation as per Audited Financials	198.78	6.13	120.66	73.61	4.91	63.11	45.13	3.49	(34.93)	69.36	3.24
Add/(Less): Net impact of Adjustments	6.62			7.11			(3.94)			(1.38)	
Restated Profit After Taxes	205.40	6.33	150.98	80.72	5.38	72.74	41.19	3.18	(31.24)	67.98	3.18

Operating Income Comparison

(Rs in million)

Particulars	Fiscal 2007	% of OI	%Growth y-o-y	Fiscal 2006	% of OI	%Growth y-o-y	Fiscal 2005	% of OI	%Growth y-o-y	Fiscal 2004	% of OI
Income from Operations	3,212.03		120.66	1,455.66		19.51	1218.00		(43.00)	2136.83	
Other Operating Income	32.13		(27.46)	44.29		(41.15)	75.26		7136.54	1.04	
Operating Income (OI)	3,244.16	100	116.28	1,499.95	100	15.98	1,293.26	100	(39.51)	2,137.87	100

Fiscal 2007 compared with Fiscal 2006:

Income from Operations:

The Operating Income comprises of construction contract revenue earned by us in various segments of infrastructure development as shown in above table. The income from Operations increased by Rs. 1756.37 million in fiscal 2007 exhibiting a growth of around 120.66% in fiscal 2007 over fiscal 2006 primarily on account of robust increase in revenues from road transportation engineering contracts. The higher revenue growth rate was achieved due to consistent growth in order book, increase in size of contracts and faster execution rate due to reduced turnaround time aided by acquisition of various construction equipments in this fiscal.

Other Operating Income:

The Other Operating Income declined by 27.46% in fiscal 2007 over fiscal 2006 to Rs. 32.13 million from Rs. 44.29 million. This decline was due to decrease in hire charges/job work receipts to Rs. 32.13 million in fiscal 2007 from Rs. 37.50 million in fiscal 2006 and non receipt of excise duty refund in fiscal 2007.

Fiscal 2006 compared with Fiscal 2005:

Income from Operations:

The income from Operations increased to Rs. 1455.66 million in fiscal 2006 from Rs. 1218.00 million in fiscal 2005 growing at a rate of around 19.51% due to increased construction revenue.

Other Operating Income:

Other Operating Income declined sharply by 41.15% to Rs. 44.29 million in fiscal 2006 from Rs. 75.26 million in fiscal 2005 primarily due to reduction in excise duty refund from Rs 60.81 million in fiscal 2005 to Rs. 6.79 million in fiscal 2006

Fiscal 2005 compared with Fiscal 2004:

Income from Operations:

The income from Operations decreased to Rs. 1218.00 million in fiscal 2005 from Rs. 2136.83 million in fiscal 2004 exhibiting a decline of around 43% due to reduced construction revenue on account major projects nearing completion in fiscal 2005 and non receipt of fresh orders during fiscal 2004.

Other Operating Income:

Other Operating Income increased sharply by 7136.54% to Rs. 75.26 million in fiscal 2005 from Rs. 1.04 million in fiscal 2004 primarily due to receipt of excise duty refund amounting to Rs 60.81 million.

Gross Profit & EBITDA Comparison:

(Rs in million)

Particulars	Fiscal 2007	% of OI	%Growth y-o-y	Fiscal 2006	% of OI	% Growth y-o-y	Fiscal 2005	% of OI	%Growth y-o-y	Fiscal 2004	% of OI
Income from Operations	3,212.03		120.66	1,455.66		19.51	1218.00		(43.00)	2136.83	
Other Operating Income	32.13		-27.46	44.29		(41.15)	75.26		7136.54	1.04	
Operating Income (OI)	3,244.16	100	116.28	1,499.95	100	15.98	1,293.26	100	(39.51)	2,137.87	100
Less: Expenses											
Raw Material Consumed	532.35	16.41	216.84	168.02	11.20	-29.87	239.60	18.53	(74.74)	948.39	44.36
Work Contract Expense	2,117.55	65.27	74.40	1,214.16	80.95	82.73	664.47	51.38	(33.03)	992.14	46.41
(Increase)/Decrease in WIP	7.99	0.25		(106.3)	(7.09)		191.60	14.82		-51.89	(2.43)
Total Direct Operating Expenses	2657.89	81.93	108.32	1275.88	85.06	16.45	1095.67	84.72	(41.99)	1888.64	88.34
Gross Profit	586.27	18.07	161.65	224.07	14.94	13.40	197.59	15.28	(20.72)	249.23	11.66
Less: Personnel Expenses	60.37	1.86	88.95	31.95	2.13	-2.44	32.75	2.53	(48.29)	63.34	
Less: Administrative Expenses	82.66	2.55	41.11	58.58	3.91	(11.39)	66.11	5.11	49.06	44.35	
Total Indirect Operational Expenses	143.03	4.41	58.00	90.53	6.04	(8.43)	98.86	7.64	(8.20)	107.69	5.04
EBIDTA	443.24	13.66	231.92	133.54	8.90	35.26	98.73	7.63	(30.25)	141.54	6.62

Fiscal 2007 compared with Fiscal 2006:

Direct Operating Expenses:

The total Direct Operating Expenses increased by 108.32% to Rs. 2657.89 million in fiscal 2007 from Rs. 1275.88 million in fiscal 2006. The increase in direct operating expenses is in line with increase in Operating Income depicting overall business expansion. However direct operating expenses as a proportion to Operating Income declined from 85.06% in fiscal 2006 to 81.93% in fiscal 2007. This cost saving was achieved in work contract expenses primarily due to execution of bigger size contracts, relatively reduced quantum of sub contracting by us to various sub contractors, decline in hire charges incurred by us due to purchase of construction equipments.

Indirect Operating Expenses:

Total Indirect Expenses increased to Rs. 143.03 million in fiscal 2007 from Rs. 90.53 million in fiscal 2006 exhibiting a growth of around 58% in line with increase in business scale. However as a proportion of Operating Income, Total Indirect Expenses decreased to 4.41% in fiscal 2007 from 6.04% in fiscal 2006 primarily due to lesser than proportionate growth of 41.11% in administrative expenses on the back reduced provisioning for bad debts. The increase of 88.95% in personnel expenses was due to recruitment of additional manpower and normal salary increments in line with overall business growth

EBIDTA:

EBIDTA increased by 231.92% in fiscal 2007 to Rs. 443.24 million from Rs. 133.54 million in fiscal 2006 due to 116.28% increase in Operating Income and proportionate savings in both Direct and Indirect Operating Expenses which resulted in improvement in EBIDTA Margin to 13.66% in fiscal from 8.90% in fiscal 2006.

Fiscal 2006 compared with Fiscal 2005:**Direct Operating Expenses:**

The total direct operating expenses increased by 16.45% to Rs. 1275.88 million in fiscal 2006 from Rs. 1095.67 million in fiscal 2005 on the back of 15.98% growth in Operating Income. The proportion of total direct operating expenses to Operating Income was also almost similar in fiscal 2006 at 85.06% compared with 84.72% in fiscal 2005.

Indirect Operating Expenses:

Indirect Operating Expenses decreased by 8.43% to Rs. 90.53 million in fiscal 2006 from Rs. 98.86 million in fiscal 2005. The incidence of Indirect Operating Expenses as a proportion of Operating Income was also lower at 6.04% in fiscal 2006 from 7.64% in fiscal 2005. While the decrease in personnel expenses was modest 2.44%, administrative expenses were lower by 11.39%.

EBIDTA

EBIDTA increased by 35.26% to Rs. 133.54 million in fiscal 2006 from Rs. 98.73 million in fiscal 2005 due to 15.98% increase in Operating Income. There was also improvement in EBIDTA Margin to 8.90% in fiscal 2006 from 7.63% in fiscal 2005 due to lower incidence of indirect operating expenses in fiscal 2006.

Fiscal 2005 compared with Fiscal 2004:**Direct Operating Expenses:**

The total direct operating expenses decreased by 41.99 % to Rs. 1095.67 million in fiscal 2005 from Rs. 1888.64 million in fiscal 2004 due to lower construction activity.

Indirect Operating Expenses:

Indirect Operating Expenses decreased moderately by 8.20 % to Rs. 98.86 million in fiscal 2005 from Rs. 107.69 million in fiscal 2004 due to significant decrease in scale of operations. However, the incidence of Indirect Operating Expenses as a proportion of Operating Income was higher at 7.64 % in fiscal 2005 from 5.04 % in fiscal 2004 since most of such expenses are fixed in nature over short periods of time.

EBIDTA

EBIDTA decreased by around 30 % to Rs. 98.73 million in fiscal 2005 from Rs. 141.54 million in fiscal 2004 due to 39.51% decrease in Operating Income. However, there was improvement in EBIDTA Margin to 7.63% in fiscal 2005 from 6.62% in fiscal 2004 primarily due to receipt of Excise duty refund of Rs 60.81 million.

Profitability Comparison:

(Rs in million)

Particulars	Fiscal 2007	% of OI	%Growth y-o-y	Fiscal 2006	% of OI	%Growth y-o-y	Fiscal 2005	% of OI	%Growth y-o-y	Fiscal 2004	% of OI
Operating Income (OI)	3,244.16	100	116.28	1,499.95	100	15.98	1,293.26	100	(39.51)	2,137.87	100
EBIDTA	443.24	13.66	231.92	133.54	8.90	35.26	98.73	7.63	(30.25)	141.54	6.62
Less: Interest & Financial Expenses	119.79	3.69	597.26	17.18	1.15	27.64	13.46	1.04	(58.26)	32.25	
Less: Depreciation & Amortization	136.46	4.21	152.61	54.02	3.60	59.78	33.77	2.61	(4.41)	35.37	
Add: Other Income	82.22	2.53	-21.27	104.43	6.96	628.75	14.33	1.11	27.72	11.22	
Profit Before Taxation	269.21	8.30	61.43	166.77	11.12	153.49	65.79	5.09	(22.73)	85.14	3.98
Less: Prior Period (net)	5.23			10.71			(0.09)			1.76	
Less : Taxation (net)	65.2	2.01	-20.92	82.45	5.50	297.35	20.75	1.60	48.00	14.02	
Profit After Taxation as per Audited Financials	198.78	6.13	170.04	73.61	5.38	63.11	45.13	3.49	(34.93)	69.36	3.24
Add/(Less): Net impact of Adjustments	3.86			7.13			1.61			(1.38)	
Restated Profit After Taxes	202.64	6.25	150.98	80.74	5.38	72.74	46.74	3.61	(31.24)	67.98	3.18

Fiscal 2007 compared with Fiscal 2006:

Interest and Financial Charges:

Interest and Financial Charges increased significantly to Rs. 119.79 million in fiscal 2007 from Rs. 17.18 million in fiscal 2006 exhibiting growth of more than 597% over previous year. This huge increase is attributable to increased borrowings in fiscal 2007 (Outstanding secured Loans of Rs. 1326.39 million as at March 31, 2007 compared with Rs. 843.13 million as at March 31, 2006) to part finance net capital expenditure of Rs 663.63 million for acquisition of plant and machinery for construction work and incremental working capital requirements necessitated by substantial increase in business operations.

Depreciation:

In line with increase of Rs. 830.59 million in Gross Block of Fixed Assets in fiscal 2007, depreciation and amortization charges increased by 152.61% to Rs. 136.46 million in fiscal 2007 from Rs. 54.02 million in fiscal 2006.

Other Income:

Other Income decreased to Rs 82.22 million in fiscal 2007 from Rs. 104.43 million in fiscal 2006 mainly on account of lower profit on sale of fixed assets of Rs. 75.33 million in fiscal 2007 as against Rs. 81.56 million in fiscal 2006 and lower miscellaneous income of Rs. 5.08 million in fiscal 2007 as against Rs. 10.67 million in fiscal 2006.

Profit after Tax:

Based on the reasons discussed above, the Profit after Tax, as restated increased by 150.98% in fiscal 2007 to Rs. 202.64 million from Rs. 80.74 million in fiscal 2006.

Fiscal 2006 compared with Fiscal 2005:**Interest and Financial Charges:**

Interest and Financial charges increased to Rs. 17.18 million in fiscal 2006 from Rs. 13.46 million in fiscal 2005. This increase was due to rise in overall borrowings during fiscal 2006 to part finance capital expenditure for acquisition of construction equipments and increased working capital requirements.

Depreciation:

Depreciation and Amortization expenses stood at Rs. 54.02 million in fiscal 2006 as against Rs 33.81 million in fiscal 2005. The increase is due to acquisition of additional fixed assets for Rs 326.33 million during the fiscal.

Other Income:

Other Income increased to Rs 104.43 million in fiscal 2006 from Rs. 14.33 million in fiscal 2005. This increase was driven by substantial rise in profit from sale of fixed assets to Rs 81.56 million in fiscal 2006 from Rs. 3.75 million in fiscal 2005.

Profit after Tax:

Based on the reasons discussed above, the Profit after Tax, as restated increased by 72.74% in fiscal 2006 to Rs. 80.74 million from Rs. 46.74 million in fiscal 2005. The higher growth in profitability was primarily aided by substantial increase in Other Income in fiscal 2006.

Fiscal 2005 compared with Fiscal 2004:**Interest and Financial Charges:**

Interest and Financial charges decreased to Rs. 13.46 million in fiscal 2005 from Rs. 32.25 million in fiscal 2004. This decrease was due to lower bank commissions and other financial charges.

Depreciation:

Depreciation and Amortization expenses stood at Rs. 33.77 million in fiscal 2005 as against Rs 35.33 million in fiscal 2004.

Other Income:

Other Income increased to Rs 14.33 million in fiscal 2005 from Rs. 11.22 million in fiscal 2004. This increase was driven by profit from sale of fixed assets of Rs 3.75 million in fiscal 2005.

Profit after Tax:

Based on the reasons discussed above, the Profit after Tax, as restated decreased by 31.24 % in fiscal 2005 to Rs. 46.74 million from Rs. 67.98 million in fiscal 2004.

LIQUIDITY & CAPITAL RESOURCES**Liquidity**

Our primary liquidity requirements are to finance our working capital needs and our capital expenditures. To fund these needs, we have relied on short-term and long-term borrowings, including working capital financing, term loans, advances against work to be done and cash flows from operating activities. As at March 31, 2007, we had cash and cash equivalents of Rs. 143.02 million.

Cash Flows

The following table summarizes our cash flows for the years ended March 31, 2005, 2006 and 2007.

(Rs in million)

Particulars	Fiscal 2007	Fiscal 2006	Fiscal 2005
Net cash flow from Operating activities	490.13	(169.70)	57.43
Net cash flow from Investing activities	(660.53)	(374.04)	(128.97)
Net cash flow from financing activities	177.83	548.96	124.62
Net Increase/(Decrease) in Cash & Cash Equivalents	7.43	5.22	53.08

A. SIGNIFICANT ACCOUNTING POLICIES:

1. KNR Constructions Ltd. (KNRCL) has prepared consolidated financial statements to provide the financial information of its activities along with its Associates & Joint Ventures as a single entity. They are collectively referred to as "Group" herein.
2. **Principles of Consolidation:**
 - i. The consolidated financial statements include the accounts of KNR Constructions Ltd., and its associates and financially controlled Integrated Joint Ventures. The consolidated Financial Statements of KNR Constructions Ltd., and its Associates and Joint Ventures are prepared as per the accounting principles generally accepted in India.
 - ii. The financial statements of financially controlled integrated Joint Ventures (i.e sharing profit) are consolidated to the extent of KNRCL's share in Joint Venture.
 - iii. The financial statements of the company, its associates and Integrated Joint Ventures have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses eliminating intra group balances and intra group transactions.

The consolidated Financial Statements have been prepared by the company in accordance with the requirements of Accounting Standards (AS 23), Accounting of Investments in Associates in Consolidated Financial Statements and Accounting Standards (AS27), Financial Reporting of Interest in Joint Ventures, issued by the Institute of Chartered Accountants of India.

Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding. Recognizing this purpose, the company has disclosed only such notes from the individual financial statements, which fairly present the needed disclosure.

3 METHOD OF ACCOUNTING

The financial statements are prepared under the historical cost convention on accrual basis and are in accordance with the requirements of Companies Act, 1956 and comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the said Act.

4 FIXED ASSETS AND DEPRECIATION

Fixed Assets of KNRCL are stated at cost of acquisition, or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

Fixed Assets of Joint Ventures are depreciated using straight-line method based on useful lives as estimated by the management. Since this practice is followed by the joint ventures consistently, it is not practicable to make adjustments to the financial statement of the Joint Ventures when there are used by KNRCL in applying proportionate consolidation.

5 BORROWING COSTS

Borrowing Costs directly attributable to acquisition or construction of a qualifying asset are capitalized till the

date such assets are ready to be put to use. All other borrowing costs are recognized as an expense of the period in which they are incurred.

6 **INVESTMENTS**

Long-term investments are stated at cost. Current investments are stated at lower of cost and fair value.

7 **INVENTORIES**

Work in progress is valued at cost where as in the case of joint ventures the same is valued at contract rates. Raw Materials and Stores & Spares of KNRCL are valued on weighted average cost method. Cost comprises of all costs of purchase (other than refundable duties and taxes), where as in the case of Joint Ventures, the same are valued at cost.

8 **RETIREMENT BENEFITS**

i) Gratuity

In accordance with the Payment of Gratuity Act, 1972 the Company provides for gratuity covering eligible employees.

Liability on account of gratuity is covered through a recognised Gratuity Fund managed by Life Insurance Corporation of India and contributions are charged to revenue.

ii) Provident Fund

Contributions to Provident Fund are made to Regional Provident Fund Commissioner and are charged to revenue.

iii) Other Benefits

Leave Encashment, Service Compensation, Bonus and medical re-imburement are accounted on cash basis.

9 **PRELIMINARY EXPENSES**

Preliminary expenses are amortised over a period of 10 years.

10 **FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currency including acquisition of fixed assets are recorded at the prevailing exchange rates on the date of the transaction. All monetary assets and monetary liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end. Exchange differences arising as a result of the said translation are recognized in the Profit and Loss Account except in case of fixed assets acquired from a country outside India and assets acquired in the years prior to the year in which the Revised AS-11 came into force which are adjusted to the cost of fixed assets.

11 **REVENUE RECOGNITION**

Fixed price contracts received up to March 31, 2003

Income is recognised by applying percentage of completion to the contract value. Percentage of completion is determined as a proportion of the progress billing to contract value.

Fixed price contracts received on or after April 1, 2003

Contract revenue is recognised using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred to date to the total estimated / revised contract cost. Full provision is made for any loss in the year in which it is foreseen.

Work done but not yet billed in the case of Joint ventures which has been consolidated proportionately is accounted as work-in-progress.

12 **LEASE HOLD LAND:**

Lease hold land is written off over the period of lease.

13 **PREPARATORY WORK EXPENSES:**

Preparatory work expenses in the case of joint ventures are written off in proportion to the value of work done.

14 **TAXES ON INCOME**

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws applicable. Provision for deferred tax is made for timing differences arising between taxable incomes and accounting income using the tax laws and tax rates enacted or subsequently enacted as of the balance sheet date. Deferred Tax Assets are recognized only if there is virtual certainty that there will be sufficient taxable income in future.

Provision for tax is made after considering deduction u/s 80IA of the Income Tax Act, 1961 for which the Joint Venture is eligible.

15 **IMPAIRMENT OF ASSETS**

Any losses on account of impairment of assets on each balance sheet date arrived in terms of AS-28 issued by the ICAI is charged to the profit and loss account of the respective period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of the Company's financial condition and results of operations together with its restated unconsolidated financial statements prepared in accordance with paragraph B(1) of Part II of Schedule II to the Companies Act, Indian GAAP and the SEBI Guidelines, including the schedules, annexures and notes thereto and the reports thereon, which appear in the Red Herring Prospectus. Unless otherwise stated, the financial information used in this section is derived from the Company's audited unconsolidated financial statements as restated. The Company's fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this section, a reference to the "Company" means KNR Construction Limited. Unless the context otherwise requires, references to "we", "us", or "our" refers to KNR Construction Limited, its Joint Ventures, its Associates, taken as a whole, as though such Subsidiaries, Joint Ventures, Associates were consolidated entities of KNR Construction Limited. 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 in the section "Risk Factors" beginning on page x of the Red Herring Prospectus.

OVERVIEW OF OUR STAND ALONE RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our revenues, expenditure and profits, for the periods indicated

Rs in million

Particulars	Fiscal 2007	% of OI	%Growth y-o-y	Fiscal 2006	% of OI	%Growth y-o-y	Fiscal 2005	% of OI	%Growth y-o-y	Fiscal 2004	% of OI
Income from Operations	2,622.33		103.98	1,285.57		48.74	864.32		(35.08)	1,331.29	
Other Operating Income	47.64		(9.70)	52.76		(45.89)	97.51		113.37	45.70	
Operating Income (OI)	2,669.97	100.00	99.50	1,338.33	100.00	39.14	961.83	100.00	(30.15)	1,376.99	100.00
<u>Less: Expenses</u>											
Raw Material Consumed	385.06	14.42	189.37	133.07	9.94	52.20	87.43	9.09	(84.96)	581.45	
Work Contract Expense	1,791.94	67.11	68.57	1,063.00	79.43	107.83	511.47	53.18	(22.99)	664.12	
(Increase)/Decrease in WIP	43.03	1.61	(217.76)	(36.54)	(2.73)	(115.52)	235.46	24.48	(558.63)	(51.34)	
Total direct Operating Expenses	2220.03	83.15	91.46	1159.53	86.64	38.97	834.36	86.75	30.13	1194.23	86.73
Gross Profit	449.94	16.85	151.64	178.80	13.36	40.27	127.47	13.25	(30.25)	182.76	13.27
<u>Less: Personnel Expenses</u>	39.94	1.50	88.04	21.24	1.59	13.28	18.75	1.95	(58.53)	45.21	
<u>Less: Administrative Expenses</u>	58.55	2.19	60.45	36.49	2.73	108.28	17.52	1.82	36.77	12.81	
Total indirect Operating Expenses	98.49	3.69	70.60	57.73	4.31	59.17	36.27	3.77	37.49	58.02	4.21
EBIDTA	351.45	13.16	190.29	121.07	9.05	32.75	91.20	9.48	(26.89)	124.74	9.06
<u>Less: Interest & Financial Expenses</u>	89.07	3.34	2,077.75	4.09	0.31	(37.56)	6.55	0.68	(74.88)	26.08	
<u>Less: Depreciation & Amortization</u>	73.64	2.76	53.95	47.82	3.58	94.00	24.63	2.56	4.45	23.58	
<u>Add: Other Income</u>	79.83	2.99	(54.85)	176.80	13.21	2,943.03	5.81	0.60	(35.23)	8.97	
Profit Before Taxation	268.53	10.06	9.19	245.92	18.38	273.80	65.79	6.84	(21.69)	84.01	6.10
<u>Less: Prior Period (net)</u>	4.96			10.71			(0.09)			0.76	
<u>Less : Taxation (net)</u>	64.79	2.43	(20.47)	81.47	6.09	321.03	19.35	2.01	38.02	14.02	
Profit After Taxation as per Audited Financials	198.78	7.45	29.30	153.74	11.49	230.41	46.53	4.84	(32.79)	69.23	5.03
<u>Add/(Less): Net impact of Adjustments</u>	6.35			7.11			(3.94)			(2.87)	
Restated Profit After Taxes	205.13	7.68	25.80	160.85	12.02	234.17	42.59	4.43	(36.03)	66.36	4.82

Operating Income Comparison

(Rs in million)

Particulars	Fiscal 2007	% of OI	%Growth y-o-y	Fiscal 2006	% of OI	%Growth y-o-y	Fiscal 2005	% of OI	%Growth y-o-y	Fiscal 2004	% of OI
Income from Operations	2,622.33		103.98	1,285.57		48.74	864.32		(35.08)	1,331.29	
Other Operating Income	47.64		(9.70)	52.76		(45.89)	97.51		113.37	45.70	
Operating Income (OI)	2,669.97	100.00	99.50	1,338.33	100.00	39.14	961.83	100.00	(30.15)	1,376.99	100.00

Break Up of Operating Income

(Rs in million)

Income From Operations	Fiscal 2007	% of OI	%Growth y-o-y	Fiscal 2006	% of OI	%Growth y-o-y	Fiscal 2005	% of OI	%Growth y-o-y	Fiscal 2004	% of OI
Transportation	2559.31	97.60	99.08	1285.57	100	48.74	864.32	100.00	(35.08)	1,331.29	100.00
Urban Infrastructure	63.02	2.40	-	-	-	-	-	-	-	-	-
Income From Operations	2622.33			1285.57			864.32			1,331.29	

Fiscal 2007 compared with Fiscal 2006:

Income from Operations:

The Operating Income comprises of construction contract revenue earned by us in various segments of infrastructure development as shown in above table. The income from Operations increased by Rs. 1336.76 million in fiscal 2007 exhibiting a growth of around 104% in fiscal 2007 over fiscal 2006 primarily on account of robust increase in revenues from road transportation engineering contracts. The Operating Income includes Rs. 49.86 million derived from Urban Water Infrastructure Management project in which we have forayed in fiscal 2007. The higher revenue growth rate indicates consistent growth in order book and faster execution rate due to reduced turnaround time aided by acquisition of various construction equipments in this fiscal.

Other Operating Income:

The Other Operating Income declined by 9.70% in fiscal 2007 over fiscal 2006 to Rs. 47.64 million from Rs. 52.76 million. Although our share of profit in joint ventures increased to Rs. 15.51 million in fiscal 2007 from Rs. 8.47 million in fiscal 2006 growing at a rate of 83.11%, however this increase was negated by decrease in hire charges/job work receipts to Rs. 32.13 million in fiscal 2007 from Rs. 37.50 million in fiscal 2006 and non receipt of excise duty refund in fiscal 2007.

Fiscal 2006 compared with Fiscal 2005:

Income from Operations:

The income from Operations increased to Rs. 1285.57 million in fiscal 2006 from Rs. 864.32 million in fiscal 2005 growing at a rate of around 48.74% due to increased construction revenue.

Other Operating Income:

Other Operating Income declined sharply by 45.89% to Rs. 52.76 million in fiscal 2006 from Rs. 97.51 million in fiscal 2005 primarily due to reduction in excise duty refund from Rs. 60.81 million in fiscal 2005 to Rs. 6.79 million in fiscal 2006

Fiscal 2005 compared with Fiscal 2004:**Income from Operations:**

The income from Operations decreased to Rs. 864.32 million in fiscal 2005 from Rs. 1331.29 million in fiscal 2004 exhibiting a decline of around 35% due to reduced construction revenue on account major projects nearing completion in fiscal 2005 and non receipt of fresh orders during fiscal 2004.

Other Operating Income:

Despite decrease in share of profit from joint ventures, Other Operating Income increased sharply by 113.37% to Rs. 97.51 million in fiscal 2005 from Rs. 45.70 million in fiscal 2004 primarily due to receipt of excise duty refund amounting to Rs 60.81 million

Gross Profit & EBITDA Comparison:*Rs in Mn.*

Particulars	Fiscal 2007	% of OI	%Growth y-o-y	Fiscal 2006	% of OI	%Growth y-o-y	Fiscal 2005	% of OI	%Growth y-o-y	Fiscal 2004	% of OI
Operating Income (OI)	2,669.97	100.00	99.50	1,338.33	100.00	39.14	961.83	100.00	(30.15)	1,376.99	100.00
Less: Expenses											
Raw Material Consumed	385.06	14.42	189.37	133.07	9.94	52.20	87.43	9.09	(84.96)	581.45	
Work Contract Expense	1,791.94	67.11	68.57	1,063.00	79.43	107.83	511.47	53.18	(22.99)	664.12	
(Increase)/Decrease in WIP	43.03	1.61	(217.76)	(36.54)	(2.73)	(115.52)	235.46	24.48	(558.63)	(51.34)	
Total Direct Operating Expenses	2220.03	83.15	91.46	1159.53	86.64	38.97	834.36	86.75	30.13	1194.23	86.73
Gross Profit	449.94	16.85	151.64	178.80	13.36	40.27	127.47	13.25	(30.25)	182.76	13.27
Less: Personnel Expenses	39.94	1.50	88.04	21.24	1.59	13.28	18.75	1.95	(58.53)	45.21	
Less: Administrative Expenses	58.55	2.19	60.45	36.49	2.73	108.28	17.52	1.82	36.77	12.81	
Total Indirect Operating Expenses	98.49	3.69	70.60	57.73	4.31	59.17	36.27	3.77	37.49	58.02	4.21
EBIDTA	351.45	13.16	190.29	121.07	9.05	32.75	91.20	9.48	(26.89)	124.74	9.06

Fiscal 2007 compared with Fiscal 2006:**Direct Operating Expenses:**

The Total Direct Operating Expenses increased by 91.46% to Rs. 2220.03 million in fiscal 2007 from Rs. 1159.53 million in fiscal 2006. The increase in Direct Operating Expenses is in line with increase in Operating Income depicting overall business expansion. However Direct Operating Expenses as a proportion to Operating Income declined from 86.64% in fiscal 2006 to 83.14% in fiscal 2007. This cost saving was achieved in work contract expenses primarily due to execution of bigger size contracts, relatively reduced quantum of sub contracting by us to various sub contractors, decline in hire charges incurred by us due to purchase of construction equipments.

Indirect Operating Expenses:

Total Indirect Expenses increased to Rs. 98.49 million in fiscal 2007 from Rs.57.73 million in fiscal 2006 exhibiting a growth of 70.60% in line with increase in business scale. However as a proportion of Operating Income, Total Indirect Expenses decreased to 3.69% in fiscal 2007 from 4.31% in fiscal 2006 primarily due to lesser than proportionate growth of 60.45% in administrative expenses on the back reduced provisioning for bad debts. The increase of 88.04% in personnel expenses was due to recruitment of additional manpower and normal salary increments in line with overall business growth.

EBIDTA:

EBIDTA increased by 190.29% in fiscal 2007 to Rs. 351.45 million from Rs. 121.07 million in fiscal 2006 due to 99.50% increase in Operating Income and proportionate savings in both Direct and Indirect Operating Expenses which resulted in improved EBIDTA Margin of 13.16% in fiscal 2007 from 9.05% in fiscal 2006.

Fiscal 2006 compared with Fiscal 2005:**Direct Operating Expenses:**

The total direct operating expenses increased by 38.97% to Rs. 1159.53 million in fiscal 2006 from Rs. 834.36 million in fiscal 2005 on the back of 39% growth in Operating Income. The proportion of total direct operating expenses to Operating Income was also almost similar in fiscal 2006 at 86.64% compared with 86.75% in fiscal 2005.

Indirect Operating Expenses:

Indirect Operating Expenses increased by 59.17% to Rs. 57.73 million in fiscal 2006 from Rs. 36.27 million in fiscal 2005. The incidence of Indirect Operating Expenses as a proportion of Operating Income was also higher at 4.31% in fiscal 2006 from 3.77% in fiscal 2005. While the increase in personnel expenses was modest 13.28% tracking growth in business operations, administrative expenses were higher by 108.28% primarily on account of higher provisioning and write offs of bad debts amounting to Rs. 10.49 million in fiscal 2006 from Rs 0.93 million in fiscal 2005.

EBIDTA:

EBIDTA increased by 32.75% to Rs. 121.07 million in fiscal 2006 from Rs. 91.20 million in fiscal 2005. On the back drop of 39.14% growth in Operating Income, the lesser than proportionate growth in EBIDTA was primarily due to higher incidence of Indirect Operating Expenses in fiscal 2006 as discussed above which led to the reduction of EBIDTA Margin to 9.05% in fiscal 2006 from 9.48% in fiscal 2005.

Fiscal 2005 compared with Fiscal 2004:**Direct Operating Expenses:**

The total direct operating expenses decreased by 30.13 % to Rs. 834.36 million in fiscal 2005 from Rs. 1194.23 million in fiscal 2004 due to lower construction activity

Indirect Operating Expenses:

Indirect Operating Expenses decreased by 37.49 % to Rs. 36.27 million in fiscal 2005 from Rs. 58.02 million in fiscal 2004 due to significant decrease in scale of operations which resulted in lower staff and labour expenses.

EBIDTA

EBIDTA decreased by around 26.89 % to Rs. 91.20 million in fiscal 2005 from Rs. 124.74 million in fiscal 2004 due to 30.15% decrease in Operating Income. However, there was improvement in EBIDTA Margin to 9.48% in fiscal 2005 from 9.06% in fiscal 2004 primarily due to receipt of Excise duty refund of Rs 60.81 million.

Profitability Comparison:

Rs in Mn.

Particulars	Fiscal 2007	% of OI	%Growth h y-o-y	Fiscal 2006	% of OI	%Growth y-o-y	Fiscal 2005	% of OI	%Growth h y-o-y	Fiscal 2004	% of OI
Operating Income (OI)	2,669.97	100.00	99.50	1,338.33	100.00	39.14	961.83	100.00	(30.15)	1,376.99	100.00
Gross Profit	449.94	16.85	151.64	178.80	13.36	40.27	127.47	13.25	(30.25)	182.76	13.27
EBIDTA	351.45	13.16	190.29	121.07	9.05	32.75	91.20	9.48	(26.89)	124.74	9.06
Less: Interest & Financial Expenses	89.07	3.34	2,077.75	4.09	0.31	(37.56)	6.55	0.68	(74.88)	26.08	
Less: Depreciation & Amortization	73.64	2.76	53.95	47.82	3.58	94.00	24.63	2.56	4.45	23.58	
Add: Other Income	79.83	2.99	(54.85)	176.80	13.21	2,943.03	5.81	0.60	(35.23)	8.97	
Profit Before Taxation	268.53	10.06	9.19	245.92	18.38	273.80	65.79	6.84	(21.69)	84.01	6.10
Less: Prior Period (net)	4.96			10.71			(0.09)			0.76	
Less : Taxation (net)	64.79	2.43	(20.47)	81.47	6.09	321.03	19.35	2.01	38.02	14.02	
Profit After Taxation as per Audited Financials	198.78	7.45	29.30	153.74	11.49	230.41	46.53	4.84	(32.79)	69.23	5.03
Add/(Less): Net impact of Adjustments	6.35			7.11			(3.94)			(2.87)	
Restated Profit After Taxes	205.13	7.68	25.80	160.85	12.02	234.17	42.59	4.43	(36.03)	66.36	4.82

Fiscal 2007 compared with Fiscal 2006:

Interest and Financial Charges:

Interest and Financial Charges increased significantly to Rs. 89.07 million in fiscal 2007 from Rs. 4.09 million in fiscal 2006 exhibiting growth of more than 2000% over previous year. This huge increase is attributable to increased borrowings in fiscal 2007 (Outstanding secured loans of Rs. 1102.69 million as at March 31, 2007 compared with Rs. 551.13 million as at March 31, 2006) to part finance capital expenditure of Rs 435.22 million for acquisition of plant and machinery for construction work, incremental working capital requirements necessitated by substantial increase in business operations.

Depreciation:

In line with increase of Rs. 440.02 million in Gross Block of Fixed Assets (excluding land) in fiscal 2007, depreciation and amortization charges increased by 53.95% to Rs. 73.68 million in fiscal 2007 from Rs. 47.82 million in fiscal 2006.

Other Income:

Other Income decreased to Rs 79.83 million in fiscal 2007 from Rs. 176.80 million in fiscal 2006 mainly on account of lower profit on sale of fixed assets of Rs. 72.55 million in fiscal 2007 as against Rs. 161.40 million in fiscal 2006.

Profit after Tax:

Based on the reasons discussed above, the Profit after Tax, as restated increased by 25.80% in fiscal 2007 to Rs. 202.37 million from Rs. 160.87 million in fiscal 2006. The slower growth was on account of lower Other Income in fiscal 2007.

Fiscal 2006 compared with Fiscal 2005:**Interest and Financial charges:**

Interest and Financial charges decreased to Rs. 4.09 million in fiscal 2006 from Rs. 6.55 million in fiscal 2005. Despite rise in overall borrowings during fiscal 2006, interest and financial charges declined in comparison to fiscal 2005 due to the reason that most of the borrowings made during fiscal 2005 were repaid during fiscal 2006 and fresh borrowings were only made towards the end of fiscal.

Depreciation:

Depreciation and Amortization expenses stood at Rs. 47.86 million in fiscal 2006 as against Rs 24.67 million in fiscal 2005. The increase is due to acquisition of additional plant and machinery for Rs 240.91 million during the fiscal.

Other Income:

Other Income increased to Rs 176.80 million in fiscal 2006 from Rs. 5.81 million in fiscal 2005. This increase was driven by substantial rise in profit from sale of fixed assets to Rs 161.40 million in fiscal 2006 from Rs. 2.91 million in fiscal 2005

Profit after Tax:

Based on the reasons discussed above, the Profit after Tax, as restated increased by 234.17% in fiscal 2006 to Rs. 160.87 million from Rs. 48.14 million in fiscal 2005. The higher growth in profitability was primarily aided by substantial increase in Other Income in fiscal 2006.

Fiscal 2005 compared with Fiscal 2004:**Interest and Financial Charges:**

Interest and Financial charges decreased to Rs. 6.55 million in fiscal 2005 from Rs. 26.08 million in fiscal 2004. This decrease was due to lower bank commissions and other financial charges.

Depreciation:

Depreciation and Amortization expenses stood at Rs. 24.63 million in fiscal 2005 as against Rs 23.58 million in fiscal 2004.

Other Income:

Other Income decreased slightly to Rs 5.81 million in fiscal 2005 from Rs. 8.97 million in fiscal 2004.

Profit after Tax:

Based on the reasons discussed above, the Profit after Tax, as restated decreased by 36.03 % in fiscal 2005 to Rs. 42.59 million from Rs. 66.36 million in fiscal 2004.

LIQUIDITY & CAPITAL RESOURCES**Liquidity**

Our primary liquidity requirements are to finance our working capital needs and our capital expenditures. To fund these needs, we have relied on short-term and long-term borrowings, including working capital financing, term loans, advances against work to be done and cash flows from operating activities. As at March 31, 2007, we had cash and cash equivalents of Rs. 123.85 million.

Cash Flows

The following table summarizes our cash flows for the years ended March 31, 2005, 2006 and 2007.

(Rs in million)

Particulars	Fiscal 2007	Fiscal 2006	Fiscal 2005
Net cash flow from Operating activities	327.91	(28.82)	81.48
Net cash flow from Investing activities	(579.71)	(308.23)	(120.77)
Net cash flow from financing activities	277.90	322.85	114.13
Net Increase/(Decrease) in Cash & Cash Equivalents	26.10	(14.20)	74.84

INDEBTEDNESS & OTHER OFF-BALANCE SHEET ARRANGEMENTS

The following table and description summarizes our secured long-term indebtedness as of March 31, 2007

(Rs. in million)

Indebtedness	Outstanding amount as on March 31, 2007
Secured Long Term Debt	902.09
Secured Short Term Debt	200.60
Unsecured Debt	16.86

The following table and description summarizes our secured long-term indebtedness as of September 30, 2007

(Rs. in million)

Indebtedness	Outstanding amount as on September 30, 2007
Secured Long Term Debt	1101.67
Secured Short Term Debt	370.98
Unsecured Debt	7.14

Long term debt comprises of Mobilisation and Machinery advances received from contractees which is to adjusted against bills raised for completed work. It also includes Equipment Finance loans which are repayable in installments. Short-term debt comprises cash-credit which repayable on demand

The following table sets out the details of our off balance sheet items and contingent liabilities:

(Rs. in million)

Particulars	As at September 30, 2007	As at March 31, 2007
Bank Guarantees Outstanding	1515.70	1094.63
Corporate Guarantees Outstanding	500.00	500.00
Direct Tax Liability	0.48	0.48
Indirect Tax Liability	22.08	22.08
Capital commitments remaining to be executed	346.26	315.03
Total	2384.52	1932.22

HISTORICAL AND PLANNED CAPITAL EXPENDITURE

Our capital expenditure for the Fiscal ended March 31, 2007 was Rs 714.56 million. Our capital expenditure in each of the Fiscals ended March 31, 2006 and 2005 was Rs. 311.47 million and Rs. 171.42 million respectively.

We further plan to incur an estimated capital expenditure of Rs. 214.87 million in this fiscal and invest in BOT projects over next two fiscals amounting to Rs 783.46 million, which we intend to fund through the proceeds of this issue.

SIGNIFICANT ACCOUNTING POLICIES

a.) Method of Accounting

The financial statements are prepared under the historical cost convention on accrual basis and are in accordance with the requirements of Companies Act, 1956 and comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the said Act.

b.) Fixed Assets And Depreciation

Fixed Assets are stated at cost of acquisition, or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

c.) Borrowing Costs

Borrowing Costs directly attributable to acquisition or construction of a qualifying asset are capitalized till the date such assets are ready to be put to use. All other borrowing costs are recognized as an expense of the period in which they are incurred.

d.) Investments

Long term investments are stated at cost. Current investments are stated at lower of cost and fair value.

e.) Inventories

Raw Materials and Stores & Spares are valued on weighted average cost method. Cost comprises of all costs of purchase (other than refundable duties and taxes). Work in progress has been valued at cost.

f.) Retirement Benefits

Gratuity

In accordance with the Payment of Gratuity Act, 1972 the Company provides for gratuity covering eligible employees. Liability on account of gratuity is covered through a recognised Gratuity Fund managed by Life Insurance Corporation of India and contributions are charged to revenue.

Provident Fund

Contributions to Provident Fund are made to Regional Provident Fund Commissioner and are charged to revenue.

Other Benefits

Leave Encashment, Service Compensation, Bonus and medical re-imburement are accounted on cash basis.

g.) Preliminary Expenses

Preliminary expenses are amortized over a period of 10 years.

h.) Foreign Currency Transactions

Transactions in foreign currency including acquisition of fixed assets are recorded at the prevailing exchange rates on the date of the transaction. All monetary assets and monetary liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end. Exchange differences arising as a result of the said translation are recognized in the Profit and Loss Account, except in case of fixed assets acquired from a country outside India and assets acquired in the years prior to the year in which the Revised AS 11 came into force which are adjusted to the cost of fixed assets.

i.) Revenue Recognition

Fixed price contracts received up to March 31, 2003

Income is recognised by applying percentage of completion to the contract value. Percentage of completion is determined as a proportion of the progress billing to contract value.

Fixed price contracts received on or after April 1, 2003

Contract revenue is recognised using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred to date to the total estimated / revised contract cost. Full provision is made for any loss in the year in which it is foreseen.

j.) Joint Venture Projects

In respect of Joint Ventures, which are jointly controlled entities (JCE), the company's share in JCE profit is taken as income. Investments in joint ventures are stated at cost with adjustment to respective share of profit / loss in JCE.

k.) Taxes On Income

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws applicable. Provision for deferred tax is made for timing differences arising between taxable incomes and accounting income using the tax laws and tax rates enacted or subsequently enacted as of the balance sheet date. Deferred Tax Assets are recognized only if there is virtual certainty that there will be sufficient taxable income in future.

l.) Impairment of Assets

Any losses on account of impairment of assets on each balance sheet date arrived in terms of AS 28 issued by the ICAI is charged to the profit and loss account of the respective period.

Unusual or Infrequent Events or Transactions

Except as described in the Red Herring Prospectus, during the periods under review there have been no transactions or events, which in our best judgment, would be considered unusual or infrequent.

Significant Economic changes that materially affect or likely to affect Income from continuing operations

Other than as described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", on page x and 178 of this Red Herring Prospectus respectively, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

Known Trends or Uncertainties

Other than as described in the section entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Result of Operations", to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our company from continuing operations.

Future Changes in Relationship between Costs and Revenues, in case of Events such as Future Increase in Labour or Material Costs or Prices that Will Cause a Material Change are Known

NIL

The Extent to which material increases in Net Sales or Revenue are due To Increased Sale Volumes, Introduction Of New Products Or Services Or Increased Sales Prices

NIL

Business Segment

Our Company operates in only one industry segment – Civil Construction

The Extent to which Business is Seasonal

Our business is not seasonal. However, due to the difficult working conditions during the monsoon season, we try to maximize construction work during the winter, dryer periods of the year. Often this means mobilising more equipment and increasing staffing levels on construction projects during these periods. We record revenues on the percentage of completion method determined on the basis of applicable accounting standards issued by ICAI. Since revenues are not recognised until there is reasonable progress on a contract, revenues recorded in the first half of the Company's financial year between April and September are generally lower compared to revenues recorded during the second half of our financial year.

New products or business segment introduced in FY 2007

We have not introduced any new products or entered into any new business segment in FY2007.

Any Significant Dependence on a Single or Few Suppliers or Customers

We don't have any significant dependence on a single or few suppliers or customers for any of our products.

Competitive Conditions

Despite the fact that we are not affected by competition in the short-term due to our arrangements under our concession and license agreements, our results of operations could be affected by competition in the infrastructure sector in India in the future. We expect competition to intensify due to possible new entrants in the market, existing competitors further expanding their operations and our entry into new markets where we may compete with well-established infrastructure companies. This we believe may impact our financial condition and operations.

Significant Developments after September 30, 2007 that may affect our Future Results of Operations

To our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this prospectus which materially and adversely affects or is likely to affect, the operations or profitability of our company, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

There is no subsequent development after the date of the Auditors Report, which we believe, is expected to have a material impact on the reserves, profits, earnings per share and book value of our Company.

SECTION VI - LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

There are no outstanding litigations against our Company, our Directors, our Promoters, our Joint Ventures or our group entities or any disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, bond holders, fixed deposits and arrears on cumulative preference shares issued by our Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against our Company, our group entities, our Joint Ventures, our Directors and our Promoters, except the following:

Note:

1. Litigation appearing in this section also include litigation that was pending by or against the erstwhile partnership firm M/s K Narasimha Reddy & Co. at the time of acquiring its assets and liabilities by our Company i.e. on April 1, 1997. Consequently all pending litigations by or against M/s K Narasimha Reddy & Co. are pending by or against our Company from the said date.
2. Matters appearing under the heading “Litigation by or against our Joint Ventures” also includes litigation that may have been instituted by/against our erstwhile joint ventures i.e. Joint Ventures which have been concluded on account of construction projects having been completed.

Outstanding Litigation

(A) OUTSTANDING LITIGATIONS AND CONTINGENT LIABILITIES OF OUR COMPANY

I. Contingent Liabilities (on a consolidated basis)

(Rs.In Millions)

Particulars	For the Year ended					
	September 30, 2007	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003
1 Corporate Guarantee	500.00	500.00	-	-	-	-
2 Bank Guarantees	1515.70	1,094.63	757.44	319.10	96.40	56.40
3 Claims not acknowledged as debts	-	-	-	-	-	-
4 Demands against the Company not acknowledged as debts and not provided for in respect of which the company has filed appeal.						
- Income Tax*	63.26	62.55	59.22	57.82	37.10	10.53
- Sales Tax	22.08	22.08	24.08	-	-	-
5 Estimated amount of contracts Remaining to be executed on Capital account	346.26	315.03	59.95	-	-	-
Total	2447.30	1,994.29	900.69	376.92	133.50	66.93

*- This contingent liability is subject to interest on tax liability and adjustment of brought forward losses of earlier years on account of disallowance of claims made by various joint ventures u/s 80IA with retrospective effect and disputes pending at various appellate authorities.

II. Amounts owed to Small Scale Undertakings

As on September 30, 2007 our Company has no amounts payable to Small Scale Industrial Undertaking in excess of Rs. 0.10 million and outstanding for a period of more than 30 days.

III. Cases filed by our Company

(A) Criminal Cases

1. Our Company has filed two criminal complaints being C.C No. 1805 and 1803 of 2006 in the Court of the III Additional Chief Metropolitan Magistrate at Hyderabad against S.R.K. Constructions & Projects Private Limited (the "Accused No. 1") and its managing director, Sri. S Ravi Kumar (the "Accused No. 2"). These complaints have been filed by our Company under section 138 of the Negotiable Instruments Act 1938 for dishonour of cheques issued by the Accused Rs. 1,500,000/- and Rs. 2,500,000/- respectively (aggregating to Rs. 4,000,000/-) The Accused No. 1 was acting as the sub-contractor for our Company. The Accused No. 1 had provided two post dated cheques dated January 29, 2006 and February 8, 2006 for amounts as mentioned above against on amounts due to our Company. Upon presentation to the bank by the Complainant, of the cheque dated January 29, 2006, the same was returned dishonoured for the reason "Insufficient Funds". The matter is pending.

(B) Income Tax Disputes:

1. For the AY 1997-98 our Company has filed one appeal being Appeal No.ITA360/H/62 relating to the erstwhile M/s K. Narasimha Reddy & Co pending before the Income Tax Appellate Tribunal, Hyderabad ("ITAT") against the order of the Commissioner of Income Tax Appeals –IV, Hyderabad (the "CIT-A") dated February 18, 2002 dismissing the appeal of our Company and upholding the Assessment Order of the Joint Commissioner of Income Tax (the "Assessing Officer") dated March 31, 2000 (the "Assessment Order"), on the ground that the CIT-A had allegedly erred in holding that interest amounting to Rs 1,554,556/- earned from short term deposits are assessable under "income from other sources" without considering our submissions. Vide the Assessment Order the Assessing Officer had imposed a tax demand of Rs. 3,545,700/-.

The appeal is pending.

2. For the AY 2001-02 our Company has filed two appeals before the Income Tax Appellate Tribunal. These appeals have been filed against the orders of the Commissioner of Income Tax (Appeals) –III and the Commissioner Income Tax- II., which are as follows:

- (a) Our Company has filed ITA No. 1141/H/05 and a petition for condonation of delay before the Income Tax Appellate Tribunal against the order of the Commissioner of Income Tax Appeals (III) Hyderabad dated September 8, 2005 dismissing our appeal, as against the order passed by the Deputy Commissioner of Income Tax, Circle 2(1), Hyderabad ("Assessing Officer") dated March 31, 2003, and enhancing tax assessment. The Assessing Officer had *vide* the said order imposed a tax demand of Rs. 0.41 million *inter alia* on account of:
 - (i) applying net profit rate of 12.5% on civil contract receipts of Rs. 330,004,334/-
 - (ii) Applying net profit rate of 6% on sub-contract bill amount of Rs. 122,021,402/-
 - (iii) Inclusion of income from bank interest as income
 - (iv) Estimation of net profit from sales of construction material at Rs 12.5% of the total sales of such materials.

Vide revised order dated October 10, 2005 the Assessing Officer has raised a demand of Rs. 1,039,413/- from our Company.

- (b) Our Company has also preferred an appeal being ITA No. 548/H/05 against the order of the Commissioner of Income Tax,-2 Hyderabad ("CIT") dated March 23, 2005 under section 263 of the IT Act ("revision order"). The CIT had issued an enhancement notice dated July 29, 2005 directing our Company to show cause as to why income arising out of metal amounting to Rs. 3,772,647/- should not be taken fully as income instead of the 12.5% profit on the same adopted by the Assessing Officer. *Vide*

the revision order the CIT had directed the Assessing Officer to re-compute the total income by bringing to tax the entire "hire charges" of Rs 5,355,890 as "Income from other Sources". The Assessing Officer vide its consequential order dated May 6, 2005 has enhanced tax demanded to Rs 2,573,672/-.

The Appeals are pending

3. For the AY 2003-04 our Company has filed an appeal being appeal before the ITAT, against the order of the Commissioner of Income Tax Appeals (III) Hyderabad dated October 9, 2006 dismissing our appeal and upholding the order passed by the Deputy Commissioner of Income Tax Circle 2(1), Hyderabad dated March 23, 2006. The assessing officer had *vide* the said order imposed a tax demand of Rs 9,220,854/- as well as directed initiation of separate penalty proceedings against our company *inter alia* on the following grounds:
 - (a) Base rate of estimation at 12.5% on gross receipts
 - (b) Addition of sale proceeds of Bitumen, Diesel, Steel, etc as business income,
 - (c) Holding that business income of Rs. 2,032,509/- received from deposits kept with banks for bank guarantees as etc. as income from other sources,

The Assessing Officer had also ordered for stay of demand vide order dated May 4, 2005 until disposal of first appeal by the CIT (Appeals) III Hyderabad, subject to deposit by our Company of 50% of the outstanding amount, i.e. Rs. 2,706,228/- in instalments. Vide an additional order dated May 8, 2005 under section 154 of the IT Act, the Assessing Officer had revised the tax arrears demand to Rs 8,910,900/- on account of credit given to two TDS certificates.

The appeal and the penalty proceedings are pending.

Note:

- (1) In respect of the Appeal proceedings filed by our Company for the AY 2003-04 we had filed a stay application to the Assessing Officer requesting for stay on the collection of tax arrears on the till the disposal of the appeal by ITAT, and that further 50% of the tax in arrears have been paid by us. The Assessing Officer vide its letter dated March 5, 2007 has rejected our plea for stay, against which we have preferred a stay petition to the Commissioner of Income Tax, Hyderabad II vide our letter dated June 8, 2007. The matter is pending.
 - (2) The Deputy Commissioner vide notice dated November 8, 2006 initiated penalty proceedings under section 271(1)(c) against our Company and had directed our Company to submit its reply to the same. Our Company has vide its letter dated November 15, 2006 replied to the notice.
4. For the AY 2005-06 the Deputy Commissioner of Income Tax has demanded tax amounting to Rs. 5,504,291/- on the grounds *inter alia* including the following:
 - (i) disallowance of amounts paid to employee as expenditure
 - (ii) disallowance as expenditure of Rs 4,500,000/- under the head "Work Expenses"
 - (iii) disallowance of expenditure amounting to Rs. 3,848,662/- under section 40(a)(ja)Further separate penalty proceedings under section 271(1)(c) have also been initiated by the Assessing Officer. Vide notice dated July 23, 2007 issued by the Deputy Commissioner of Income Tax Circle 2(1). The assessment proceedings and the penalty proceedings are pending.

(C) Company Law Disputes

1. Our Company had received a notice from the Registrar of Companies, Hyderabad dated September 14, 2006 directing our Company to make an application/petition to the Company Law Board, Chennai for condonation of delay in respect of late filing of form No 8 dated June 12, 2006 for charge creation/modification in favour of Citibank N.A by 1 month and 27 days. Our Company has filed a petition before the Company Law Board, Chennai under section 141 of the Companies Act, seeking condonation of delay in filing of Form 8, enlargement of time for filing particulars of creation of charge, and that the charge be taken on record by the RoC, Andhra Pradesh in respect of late filing of form No 8 dated June 12, 2006 for charge creation/modification in favour of Citibank N.A by 3 months and 9 days.

(D) Sales Tax Matters

1. For the AY 2002-03 our Company has preferred an appeal before the Appellate Deputy Commissioner (Commercial) Tax, Hyderabad under section 19 of the Andhra Pradesh General Sales Tax Act, 1957, against the order of the Commercial Tax Officer dated June 15, 2006 ("Assessment Order"). Vide the Assessment Order sales tax amounting to Rs. 12,237,562/- was imposed, out of which we have paid Rs 7,856,722/-. Our Company is contesting the order to the extent of Rs 6,500,000/- sales tax imposed on our Company.
2. For the AY 2001-02 our Company has filed an appeal before the Sales Tax Appellate Tribunal, Andhra Pradesh against the revision order of the Commercial Tax Officer dated June 23, 2007 ("Revision Order"). Vide the revision order the Deputy Commissioner had ordered payment of balance tax demand of Rs 5,659,364/- after giving credit in respect of TDS Payments made to the tune of Rs. 3,095,910/- on account of withdrawal of exemption on total turnover, saying that excess exemption was allowed on the bitumen purchased from outside the state and used in the works contract attract tax liability. The Deputy Commissioner (Commercial Tax), Punjagutta Division, Hyderabad had vide Assessment order dated June 18, 2006 imposed tax demand of Rs 8,755,274/-. Our Company has contested payment of Rs 4,699,266/- of the total tax demanded.

The matter is pending

3. For the AY 1999-2000 our Company has preferred an appeal being TA No. 338/ 2006 before the Sales Tax Appellate Tribunal, Andhra Pradesh against the revision order dated February 2, 2006 ("Revisional Order") passed by Additional Commissioner (Commercial Tax) ("Revisional Authority") in CCT's Ref No. L III (2)/ 2310/2003-II, wherein it was held that sales tax is leviable on the value of bitumen brought into the state after payment of central sales tax. Our Company had made an appeal to the Revisional Authority against order of Assessing Authority dated January 16, 2002 imposing a total tax demand of Rs. 7,800,285/-.

Our Company has also filed a petition for stay of balance collection of tax of Rs. 7,800,285/- being TMP No. 126 of 2007, pending the disposal of our Company's appeal by the Tribunal. Vide order dated June 26, 2007 our Company has been ordered to deposit 50% of the demand amount within three weeks of the order Our Company has paid 50% of the tax amount being Rs 3,900,143/- on July 20, 2007

The appeal is pending.

4. For the AY 1998-1999 our Company has preferred an appeal being TA No. 319/ 2006 before the Sales Tax Appellate Tribunal, Andhra Pradesh against the revision order dated February 2, 2006 ("Revisional Order") passed by Additional Commissioner (Commercial Tax) ("Revisional Authority") in CCT's Ref No. L III (2)/ 2310/2003-I, wherein it was held that sales tax is leviable on the value of bitumen brought into the state after payment of central sales tax. Our Company had made an appeal to the Revisional Authority against order of Assessing Authority dated January 16, 2002 imposing a total tax demand of Rs. 2,881,789/-.

Our Company has also filed a petition for stay of balance collection of tax of Rs. 2,881,789/- being TMP No. 125 of 2007, pending the disposal of our Company's appeal by the Tribunal. Vide order dated June 26, 2007 our Company has been ordered to deposit 50% of the demand amount within three weeks of the order Our Company has paid Rs. 1,440,000/- towards the aforesaid demand, on July 20, 2007

The appeal is pending

IV. Cases against our Company

(A) Labour Disputes

1. Our Company has received a notice No.AJ.CB-4\WCA\2006-07 dated May 9, 2005 issued under section 10-A of the Workmen's Compensation Act, 1923, by the Assistant Labour Commissioner for Workmen's Compensation, Bangalore Division, directing our Company to submit a statement of admission of liability for payment of compensation and deposit of necessary amount under section 10-A(2) in relation

to the death of a workman Mr. Venkatarathnam, employed by M/s Vinayaka Developers and Builders, our sub-contractors, at Koramangalam Worksite, Bangalore. As on date our Company has not filed any reply.

2. Mr. Jayanna (the "Petitioner") had filed a petition, being W.C. No. 98/07 in the Court of the Labour Officer and Commissioner for Workmen Compensation at Chitradurga under section 22 of the Workmen Compensation Act our Company ("Respondent No. 1") and the Manager, National Insurance Company ("Respondent No. 2"). The petitioner, who is in the employment of our Company had allegedly sustained injuries as a result of an accident encountered by him on March 24, 2006 at Kunchiganal Village on NH - 4 Road at Chitradurga while working as a loader/ unloader in a lorry belonging to our Company. The petitioner has filed this petition seeking award from the Court under the Workmen's Compensation Act, 1923 with cost and interest at rate of 12% p.a from the date of the accident till the date of realization. The matter has not come up for hearing as on date.
3. Mrs Radhamma wife of deceased workmen Mr .Venkataramaiah (the "Petitioner") had filed a petition, being W.C. No. 82/07 before the Workmen Compensation Commissioner at Bangalore under the Workmen's Compensation Act against the Project Director (KMRPC), our Company and the Electrical Contractor. The petitioner's husband who was a workman at our construction site situated in Bangalore allegedly died as a result of electrocution while lifting an electrical pole at the worksite. The Electrical Contractor had already paid a sum of Rs 125,000/- to the claimant. The petitioner has filed this petition seeking award from the Court under the Workmen's Compensation Act, 1923 for payment of Rs. 342,955/- with interest at 18% p.a. from the date of the death of the deceased till date of compensation. The matter has not come up for hearing as on date.

(B) Commercial Tax Disputes

In respect of the assessment year 2004 – 2005, our Company has received Intelligence Report/ Summons Report issued by the Assistant Commercial Taxes Transition-11, Bangalore under section 28 of the Karnataka Market Fee Act, 1958 regarding accounts and documentation, whereby our Company has been asked to submit all files, documents and accounts in respect of registration of property our Company has vide letter dated June 24, 2006, submitted the necessary documents.

The proceedings are pending.

(C) Civil Disputes

The Government of Andhra Pradesh, represented by the Chief Engineer (R&B), APMM and E.C.R.P, Erram Manzil, Hyderabad (the "Petitioner"), has filed a petition being OP.No.1941 of 2000 in the Court of the III Additional Chief Judge, City Civil Court, Hyderabad, against our Company and the arbitrators, under section 34 of the Arbitration and Conciliation Act, 1996, to set aside parts of the award dated July 19, 2000 (the "Arbitration Award") passed by the Committee of Arbitrators in favour of our Company. The Arbitration Award has been passed in relation to dispute between the Petitioner and our Company arising out of contract work- Hyderabad-Karimnagar-Ramagundan Road- Contract Package No S-4 and extension of package S-4, which was referred to arbitration. This petition has been filed by the Petitioner for setting aside the award by the Arbitrators of the following amounts to our Company:

- a. Rs 42,706/- as price adjustment on foreign currency part of contract price and payment of interest on this amount
- b. Rs 58,43,160/- as unauthorised recovery by the Petitioner on account of adjustment to contract price for bitumen
- c. Unauthorised recovery of Rs. 22,53055 and interest thereon for Rs 3,11,938/-
- d. Unauthorised deduction- unlawful recovery of Rs 3,93,538/- and Rs 4,28,763/- with interest thereon of Rs 1,80,825
- e. Rs. 1,84,772 towards underpayment in BOQ along with interest thereon

The OP.No 1941 of 2000 and OP No. 1940 of 2000, as mentioned in the note below, were disposed off under common order of the III Additional Chief Judge dated March 14, 2006, dismissing both petitions.

Vide our letter dated September 5, 2006 to the Chief Engineer (R&B), APMM and E.C.R.P we have requested the government to make payments under the Award. However as on date we have not received any payments from the government.

Note: Our Company has filed OP No 1940 of 2000 against Arbitration Award, in the Court of the III Additional Chief Judge, City Civil Court, Hyderabad for modification and setting aside of the same to the extent that the Arbitration Award was held against our Company.

(D) Income Tax Disputes

1. For the AY 2004-05 the Deputy Commissioner of Income Tax Circle 2(1), Hyderabad (“Assessing Officer”) has *vide* order dated December 29, 2006 (“Assessment Order”) has imposed a demand of tax arrears of Rs. 4,327,814/- and has also initiated separate penalty proceedings under section 271(1) (c) on the grounds *inter alia* that:
 - (i) that payment to sub-contractor should be allowed as expenditure
 - (ii) disallowance as expenditure of an amount of Rs. 75,00,000/-

Vide our letter dated March 21, 2007 to the Assistant Commissioner of Income Tax (“ACIT”); we have paid Rs. 3,615,301 against the total demand of Rs. 4,327,814. We have submitted to the ACIT that the difference of Rs. 712,513 is the demand on account of interest under section 201 (1A) on TDS delay payments in relation to certain survey operations conducted by the ACIT 14 (2) TDS, Hyderabad and that the said amount would be required to be paid to the TDS Circle as it comes within their purview. For further details on the proceedings initiated by ACIT 14 (2) TDS, Hyderabad, please refer to paragraph below.

Note: The Deputy Commissioner *vide* notice dated December 29, 2006 has initiated penalty proceedings under section 271(1)(c) against our Company and had directed our Company to submit its reply to the same. Our Company has *vide* its letter dated January 19, 2007 replied to the notice. The proceedings are pending

2. In respect of the appeal and assessment proceedings for the assessment years 2003-2004 and 2004-2005, the CIT Hyderabad (II) *vide* its order dated November 10, 2005 has approved application of the assessing officer for provisional attachment of certain properties of our Company under section 281B of the IT Act. The provisional attachment has *vide* additional order of the CIT (Appeals) dated May 3, 2007 has been extended for a further period of six months.
3. For the AY 1998-99 the Commissioner of Income Tax II has preferred a special appeal under section 260 A of the Income Tax Act, being ITA No. 194 of 2007 in the High Court of Andhra Pradesh, Hyderabad against the order passed by ITAT in ITA No. 389/Hyd/2002 *inter alia* on the ground that there was no material on record to show that deposits were made as a business exigency and therefore income from deposits deserve to be assessed as income from other sources.
4. For the AY 2006-07 the Asst Commissioner of Income Tax has issued a notice dated October 17, 2007 under section 143(2) of the Income Tax Act, 1961, summoning to attend his office on November 1, 2007 either in person or by a representative duly authorised in writing in this behalf or produce or cause there to be produced at the said time any documents, accounts and any other evidence on which our Company may rely in support of the return filed by us. The hearing was attended by our authorised representative, wherein we had verbally requested the Asst. Commissioner of Income Tax, to furnish us the list of documents/query(ies). Any further communication from the said office is awaited.
5. For the AY 2007-08, we are in receipt of a notice no. ACIT 14(2)/2007-08 dated November 16, 2007 from the office of the Asst. Commissioner of Income Tax, Circle 14(2), Hyderabad requesting us to appear before his office on November 28, 2007 giving/furnishing the details enumerated therein for verification of TDS/TCS under section 201 of the Income Tax Act, 1961. We were unable to attend the hearing scheduled on November 28, 2007. *Vide* other letter no. ACIT 14(2)/2007-08 dated December 6, 2007 the Asst. Commissioner of Income Tax, Circle 14(2), Hyd has once again requested our Company to furnish the details as called for *vide* his earlier letter dated November 16, 2007 on or before December 12, 2007. The hearing

scheduled for December 12, 2007 was attended by our authorised representative where we have requested time upto January 15, 2008 to furnish the details. The Asst. Commissioner of Income Tax has verbally agreed and has granted our Company an extension of time to furnish the details sought for upto January 15, 2008.

(E) Motor Accident Cases:

Our Company has received a Notice of Show Cause dated August 29, 2007 issued by the Court of the ACJ (Senior Division) Jamakhandi at Mudhol, in respect of M.V.C No 89/2005 against our Company, and the Divisional Manager, Oriental Insurance Company Limited filed in the Court of the District Judge M.A.C.T No.I at Bagalkot (Before the MACT No VI. Jamkhandi sitting at Mudhol) under section 166 of the Motor Vehicles Act,1988 (the "said Petition"). The said Petition has been filed by one Kumari Pavitra, a minor, through her legal guardian (the "Petitioner") seeking compensation for the alleged injuries sustained by the Petitioner on account of an alleged accident with a vehicle of our Company utilised in relation to the construction work of 'Bijapur- Lokapur Road SH-65 - Package U7B, Upgradation of Road'. The petitioner has filed this petition claiming compensation of Rs. 5,00,000 along with interest at the rate of 18% p.a from the date of the accident till the date of realization. Our Company was required to show cause on September 20, 2007. On the said date our Company has represented its case before the relevant authority. As on date, the said case is still pending.

V. Litigations against our Joint Ventures

(A) Commercial Tax Disputes

1. The Patel - KNR (JV) (the "Assessee") has received a proposition notice from the Assistant Commissioner of Commercial Taxes, Transition - 11, Bangalore dated September 21, 2006 under section 12(3), 12(4) and 12-B(2) stating that the Assessee were to show cause as to why the amounts mentioned by them in Form 4 for the year ended March 31, 2005, were incorrect and incomplete. The Assessee had declared gross turnover and taxable turnover as Nil respectively.

(B) Civil Disputes

One Basavaraj K. Mathad (the "Plaintiff") has filed a suit for mandatory injunction being O.S No 135 of 2006 in the Court of the Pril-Civil Judge (Junior Division) at Mudhol against the Patel-KNR (JV) (the "Respondent No.1") and K.K Mathad (Respondent No.2) in respect of construction work of 'Bijapur- Lokapur Road SH-65 - Package U7B, Upgradation of Road'. The Plaintiff has filed this suit in respect of land bearing R.S No 16 measuring 8 acres 34 guntas situated in Lokapur village (the "Suit Property") of which he is the alleged owner. The Suit Property was given to the Respondent No.2, the brother of the Plaintiff on lease basis by the Government of Karnataka for excavation of minerals, who subsequently permitted Respondent No.1 to take surface mud material for its road construction work, while a certain part of the Suit Property was retained by the Plaintiff for agricultural cultivation. The Plaintiff has alleged that the removal of more than 1000 strips of surface mud material by the Respondent No.1 has been in an unsystematic and improper manner, which has led to alleged damage to the Suit Property, and has further rendered the Suit Property unfit for the purpose of excavation of minerals or for cultivation by the Plaintiff, thus causing the Plaintiff irreparable loss and injury, and alleged damages of more than Rs. 5,00,000. The Plaintiff has therefore filed the suit seeking mandatory injunction against Respondent No.1 to restore Suit Property and make it fit for removing of minerals and for agricultural cultivation. Respondent No.1 has submitted its written statement denying the allegations of the Plaintiff and further praying for dismissal of the suit. Further the Plaintiff has also filed I.A for appointment of Court Commissioner for the purpose of making scientific and local inspection of the Suit Property. The Respondent No.1 has filed its objection against the I.A for the appointment of the Court Commiissioner. As on date, the I.A and the suit are still pending.

(C) Income Tax Disputes

1. For the AY 2006-07 the Asst Commissioner of Income Tax has issued a notice dated October 18, 2007 under section 143(2) and 115WE(2) of the Income Tax Act, 1961, to our KNR-SLEC (JV) (the "Assessee") summoning to attend his office on November 5, 2007 either in person or by a representative duly

authorised in writing in this behalf or produce or cause there to be produced at the said time any documents, accounts and any other evidence on which our Company may rely in support of the return filed by us. Vide letter dated November 3, 2007 the Assessee had requested the Office of the Asst. Commissioner of Income Tax to adjourn the hearing for the matter to second week of November, 2007, as per his convenience. At the adjourned hearing the Assessee has requested for extension of time upto January 15, 2008 to furnish the details sought for. The Asst. Commissioner of Income Tax has verbally agreed and has granted our Company an extension of time to furnish the details sought for upto January 15, 2008.

2. For AY 2005-2006 the Asst Commissioner of Income Tax, Mumbai has issued a show cause notice bearing No. ACIT 24(1)/show cause notice/2007-08 dated November 7, 2007 to our Patel-KNR(JV) (the "Assessee")stating that the Assessee were to show cause as to why the income of Rs. 68,601,506/- from widening to 4-lanes and rehabilitation of existing 2-lane carriage way part of NH46 for which deduction under Section 80IA has been claimed should not be disallowed for reason that the said income is not profit derived from the business of execution of any infrastructure facility. The Assessee has filed its reply to the said show cause notice. No further communication has been received from the Office of the Asst. Commissioner of Income Tax, Mumbai.
3. For AY 2005-2006 the Asst Commissioner of Income Tax, Mumbai has issued a show cause notice bearing No. ACIT 24(1)/show cause notice/2007-08 dated November 7, 2007 to our KNR-Patel(JV) ("The Assessee") stating that the Assessee were to show cause as to why the income of Rs. 43,785,291/- from widening to 4/6-lanes and rehabilitation of existing 2-lane carriage way part of NH5 for which deduction under Section 80IA has been claimed should not be disallowed for reason that the said income is not profit derived from the business of execution of any infrastructure facility. The Assessee has filed its reply to the said show cause notice. No further communication has been received from the Office of the Asst. Commissioner of Income Tax, Mumbai.
4. For AY 2004-2005 the Commissioner of Income Tax, Mumbai had issued a notice bearing No. CIT-24/263/6/2007-08/581 dated September 6, 2007 under Section 263 of the Income Tax Act, 1961 to our KNR Patel JV to revise the assessment passed under Section 143(3) of the Act on December 30, 2005, the deduction under Section 80IA allowed to the Assessee was considered to be erroneous in so far as it is prejudicial to the interest of revenue. The Assessee was authorised to file a written submission by September 25, 2007. In the written submission filed before the Hon'ble Commissioner of Income Tax, Mumbai City 24, Mumbai, the Assessee has explained its eligibility for availing of deduction under Section 80IA and requested the proceedings initiated under Section 263 to be dropped. No further communication has been received from the Office of the Asst. Commissioner of Income Tax, Mumbai.
5. For AY 2004-2005 the Commissioner of Income Tax, Mumbai had issued a notice bearing No. CIT-24/263/4/2007-08/583 dated September 6, 2007 under Section 263 of the Income Tax Act, 1961 to our PATEL KNR JV (the "Assessee") to revise the assessment passed under Section 143(3) of the Act on December 30, 2005, the deduction under Section 80IA allowed to the Assessee was considered to be erroneous in so far as it is prejudicial to the interest of revenue. The Assessee was authorised to file a written submission by September 25, 2007. In the written submission filed before the Hon'ble Commissioner of Income Tax, Mumbai City 24, Mumbai, the Assessee has explained its eligibility for availing of deduction under Section 80IA and requested the proceedings initiated under Section 263 to be dropped. No further communication has been received from the Office of Commissioner of Income Tax.
6. For AY 2003-2004 the Commissioner of Income Tax, Mumbai had issued a notice bearing No. CIT-24/263/3/2007-08/580 dated September 6, 2007 under Section 263 of the Income Tax Act, 1961 to our KNR-Patel JV (the "Assessee") to revise the assessment passed under Section 143(3) of the Act on December 30, 2005, the deduction under Section 80IA allowed to the Assessee was considered to be erroneous in so far as it is prejudicial to the interest of revenue. The Assessee was authorised to file a written submission by September 25, 2007. In the written submission filed before the Hon'ble Commissioner of Income Tax, Mumbai City 24, Mumbai, the Assessee has explained its eligibility for availing of deduction under Section 80IA and requested the proceedings initiated under Section 263 to be dropped. No further communication has been received from the Office of Commissioner of Income Tax.

7. For AY 2003-2004 the Commissioner of Income Tax, Mumbai had issued a notice bearing No. CIT-24/263/5/2007-08/582 dated September 6, 2007 under Section 263 of the Income Tax Act, 1961 to our KNR-Patel JV (the "Assessee") to revise the assessment passed under Section 143(3) of the Act on December 30, 2005, the deduction under Section 80IA allowed to the Assessee was considered to be erroneous in so far as it is prejudicial to the interest of revenue. The Assessee was authorised to file a written submission by September 25, 2007. In the written submission filed before the Hon'ble Commissioner of Income Tax, Mumbai City 24, Mumbai, the Assessee has explained its eligibility for availing of deduction under Section 80IA and requested the proceedings initiated under Section 263 to be dropped. No further communication has been received from the Office of Commissioner of Income Tax..

VI. Litigations by our Joint Ventures

ARBITRATIONS

1. The NCC-KNR (JV) (the "Claimant") has filed a Statement of Claim before Arbitral Tribunal, consisting of Mr. K.B Rai, Mr. R.K Jain and Mr. O.P Chopra against NHAI (the "Respondent") in respect of disputes arising out of contract agreement dated March 22, 1999 in respect of 4 Laning of NH 24 from km 27.643 to km 48.638 and construction of Hapur Bypass at Ghaziabad, UP. The Claimant has claimed a sum of Rs. 373,210,738 in relation to non- payment to the Claimant under the contract. The Respondent has filed its reply and rejoinder to the statement of claims. The matter is pending arbitration.
2. The Patel-KNR (JV) has made three separate references, in respect of 21 disputed items arising under contract Agreement dated between the Claimant and the JV for the Project of Rehabilitation and Upgradation of Nellore-Kavali section NH-5 Contract Package AP-11 From km 178.2 to km 222.000. These references have been made by the Claimant under clause 67 of the COPA on account of being dissatisfied by the recommendations made by the Dispute Resolution Board (the "DRB").

The details of the references and the status are as follows

Reference	Claims in Dispute	Amount claimed	Status of the proceedings
Reference No. I	Payment for PCC M 10 concrete for Kerb foundation and release of deducted payment from BOQ , payment for additional work, additional rate for excavation and rehabilitation.	30,068,435/-	Arbitration Award is awaited
Reference No. II	Excavation, dispute of rates fixed by the Engineer, rate for supplying and fixing grating in built-up drains, excavation for curtain walls, additional costs for diversion, dismantling existing bituminous course, additional idling cost,	1,677,720,110/-	Arbitration Tribunal has been formed and a claim submission has been made
Reference No. III	Idling of man and machinery due to delay in grant of statutory permissions form the Central Railway, idling	2,029,219,278/-	Arbitration Tribunal to be formed

Reference	Claims in Dispute	Amount claimed	Status of the proceedings
	cost of specialised labour of piling and girder launching due to abnormal delay in grant of permission, payment for compaction of ground supporting Embankment in cut formation		

(A) Criminal Disputes:

Details of complaints and FIR's filed by our Joint Ventures

Sr. No.	Particulars	Amount Involved	Party who has lodged the FIR
1.	Theft of shuttering plates	Rs. 25,000/-	M/s KNR-Patel (JV)
1.	Theft of shuttering plates	Rs. 15,000/-	M/s KNR--Patel (JV)
2.	Theft of shuttering plates and Steel Rods	Rs. 15,000/-	M/s KNR-Patel (JV)
3.	Theft of steel rods	Rs. 6,000/-	M/s KNR-Patel (JV)
4.	Theft of shuttering plates and Steel Rods	Rs. 7,000/-	M/s KNR-Patel (JV)
5.	Accident of Vehicle Number AP9W 0633	-	Patel KNR Engineering Limited
6.	Theft of M.S. Cribs	Rs. 18,000/-	M/s KNR-Patel (JV)

VII. Outstanding Litigations by/against Directors

There are no outstanding litigations by or against our Directors as on date of filing of the Red Herring Prospectus.

VIII. Outstanding litigations by/against our ventures promoted by promoters

There are no outstanding litigations by or against any of the ventures promoted by our promoters as on date of filing of the Red Herring Prospectus.

IX. Past penalties levied in the last five years.

Penalty paid under section 271B for late filing of IT return for the assessment year 1999-2000 was Rs 100,000/-

X. Material developments

In the opinion of the Board of Directors of our Company, there have not arisen since the date of the last financial statements disclosed in the Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of our Company to pay their material liabilities within the next twelve months.

GOVERNMENT/ STATUTORY AND BUSINESS APPROVALS

Except for pending approvals mentioned under this heading, our Company has received the necessary material consents, licenses, permissions and approvals from the Government/RBI and various Government agencies required for our present business. Further, except for pending approvals as detailed herein, our Company can undertake all our present activities and activities, in view of the present approvals and no further material approvals from any statutory body are required by our Company to undertake the present activities. Except as mentioned in this Section, we have not applied for any licenses/ approvals in relation to the Objects of the Issue.

APPROVALS FOR THE ISSUE

We have received the following approvals relating to the Issue:

- i. In Principle Approval from the National Stock Exchange dated November 21, 2007
- ii. In Principle Approval from the Bombay Stock Exchange dated October 22, 2007.
- iii. Our Board has, pursuant to a resolution passed at its meeting held on June 30, 2007 authorised this Issue subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary. Our shareholders have, pursuant to a resolution passed at the extraordinary general meeting held on July 12, 2007 under Section 81(1A) of the Companies Act, authorised this Issue.

Approvals required to carry on our business :

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
I	General Corporate					
	KNR Constructions Limited					
1.	Certificate of Incorporation	Company No. 01-21016	July 11, 1995	-	Certificate showing that the Company has been incorporated in the name of KNR Constructions Limited	Assistant Registrar of Companies, Andhra Pradesh
2.	Certificate of Commencement of Business	Company No. 01-21016	August 9, 1995	-	Certificate showing that the Company is permitted to commence business	Assistant Registrar of Companies, Andhra Pradesh
3.	Letter from the Office of	AP/31195				Regional Provident

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
	Regional Commissioner Employee's Provident Fund Organisation, Hyderabad dated [June 8, 1998] evidencing allotment of code					Fund Commissioner, Hyderabad
4.	ESIC Registration	No. 52-27923-101 Dated September 7, 2007	July 1, 2007	-	Registration under the Employee State Insurance Act.	Deputy Director, ESIC, Hyderabad.
5.	ISO Certification	IHY-0131.06	September 22, 2006	March 15, 2008	ISO 9001:2000 compliant certification	Moody International Certification Limited
6.	Importer – Exporter Code (IEC)	0991024281 Renewed and updated w.e.f. October 8, 2004	October 8, 2004	Upto Cancellation	Certificate of Importer – Exporter Code	Foreign Trade Development Officer, Ministry of Commerce, Office of Joint. Director General of Foreign Trade, Government of India
7.	Permanent Account Number	AAACK8316L	July 11, 1995	Upto Cancellation	Allotment of PAN	Chief Commissioner of Income Tax, Andhra Pradesh
8.	Tax Deduction Account Number (TAN)	HYDK00762G	July 11, 1995	Upto Cancellation	Allotment of TAN	Chief Commissioner of Income Tax, Andhra

						Pradesh
9.	VAT Registration Number (TIN) (Andhra Pradesh)	28180207639	March 24, 2005	Upto Cancellation	Registration under APVAT Act, 2005	Commercial Tax Officer, VAT Registering Authority, Punjagutta Division.
10.	General Sales Tax Registration (Andhra Pradesh)	No. PJT/10/02/2198/95-96 Dated February 22, 1996	February 22, 1996	Upto Cancellation	Registration as a dealer under section 12(1)/2 of the Andhra Pradesh General Sales Tax Act, 1957	Assistant Commercial Tax Officer, Vengal Rao Nagar, J.H. Circle, Hyderabad
11.	Central Sales Tax Registration (Andhra Pradesh)	No. PJT/10/02/1640/95-96 Dated February 22, 1996	February 1, 1996	Valid until the date on which it is cancelled	Registration as a dealer under section 7(1)/7(2) of the central Sales Tax Act, 1956	Assistant Commercial Tax Officer, J.H. Circle Hyderabad
12.	Certificate of Enrolment Issued under Karnataka Tax On Professions, Trades, Callings and Employment Act, 1976	Enrolment No. 016/2003-2004 Dated April 7, 2004	March 17, 2004	-	Registration as a Works Contractor under the Karnataka Tax On Professions, Trades, Callings and Employment Act, 1976.	Assistant Commissioner of Commercial Taxes, VI Circle, Bangalore, Department of Commercial Taxes
13.	Central Sales Tax Registration (Karnataka)	No. 01653076 / Central Dated April 7, 2004	March 17, 2004	Valid until the date on which it is cancelled	Registration as a dealer under section 7(1) /7(2) of the Central Sales Tax Act, 1956	Assistant Commissioner of Commercial Taxes, VI Circle, Bangalore, Department of Commercial Taxes
14.	Value Added Tax Registration Certificate (Karnataka)	TIN No. 29470200398 Dated February 23, 2006	April 1, 2005	Upto Cancellation	Registration as a dealer under Section 22 of the Karnataka Value Added tax, 2003	Assistant Commissioner of Commercial Taxes, VI Circle, Bangalore, Department of Commercial Taxes
15.	Central Sales Tax Registration	-	July 1, 2007	Valid until the date on which it is	Registration as a dealer under section 7(1)/7(2)	Assistant Commissioner, Central

	(Andhra Pradesh)	Dated July 6, 2007		cancelled	of the Central Sales Tax, 1956	Registration Unit, Hyderabad, Commercial Taxes Department
16.	Sales Tax Registration (UP)	No. GC-0092251	April 1, 2003	Valid upto cancellation	Registration as a dealer under the Uttar Pradesh Sales Tax Act, 1948	
17.	Central Sales Tax Registration (UP)	No. GC-5059926 Dated May 27, 2003	May 16, 2003	Valid upto cancellation	Registration as a dealer under section 7(1)/7(2) of the Central Sales Tax, 1956	Assistant Commissioner, Central Registration Unit, Ghaziabad
18.	Certificate of Registration under section 69 of the Finance Act, 1994 issued to KNR Constructions Limited	Service Tax Code (Registration Number): AAACK8316LST001 PAN: AAACK8316L	March 28, 2007	-	Certificate of Registration under section 69 of the Finance Act, 1994 issued to KNR Constructions Limited for the transport of goods by road.	Superintendent, Office of the Commissioner of Central Excise and Customs
CORPORATE AND BUSINESS APPROVALS- JOINT VENTURES)						
Patel-KNR (JV)						
19.	Sales Tax Registration (Karnataka)	No. 01603450 Dated July 12, 2004	July 5, 2004	Upto Cancellation	Certificate of registration as a dealer under section 10(1) of the Sales Tax Act, 1957	Assistant Commissioner of Commercial Taxes, VI Circle, Bangalore
20.	Central Sales Tax Registration (Karnataka)	No. 01653453 Dated July 12, 2004	July 5, 2007	Upto Cancellation	Certificate of registration as a dealer under section 7(1) and 7(2) of the Central Sales Tax Act, 1956	Assistant Commissioner of Commercial Taxes, VI Circle, Bangalore
21.	Central Sales Tax Registration General Registration	NWG/CST/0522 18190049171	May 26, 2005 May 26, 2005	Upto Cancellation	Registration under the Central Sales Tax Act, 1956,	Office of the Assistant Commissioner of Taxes, Nagaon

	Entry Tax Registration (Assam)	NWG/ETX/0029	May 26, 2005			
22.	Permanent Account Number :	AAAAP1496N		Upto Cancellation	Allotment of Permanent Account Number	Income Tax Department
23.	Tax Deduction Account Number	MUMP17393F		Upto Cancellation	Allotment of Tax Deduction Account Number.	Income Tax Department
KNR-SLEC (JV)						
24.	Central Sales Tax Registration (Andhra Pradesh)	TIN 28459089920 Dated November 7, 2005	November 1, 2005	Upto Cancellation	Certificate of registration as a dealer under section 7(1) and 7(2) of the Central Sales Tax Act, 1956	Commercial Tax Officer, Somajiguda Circle, Panjagutta Division
25.	Permanent Account Number	AAAAP1496N	-	Upto Cancellation	Allotment of Permanent Account Number	Income Tax Department
26.	Tax Deduction Account Number	HYDK02699E	-	Upto Cancellation	Allotment of Tax Deduction Account Number	Income Tax Department
27.	Certificate of Registration issued under Rule 5(1) of the Central Sales Tax (Registration and Turnover) Rules, 1957 to the KNR – SLEC (JV)	TIN : 28459089920 Dated : November 7, 2005	November 1, 2005	Upto Cancellation	Certificate of Registration issued to the KNR – SLEC (JV) stating that they are registered as a dealer under section 7(1)/7(2) of the Central Sales Tax Act, 1954	Commercial Tax Officer, Commercial Taxes Department, Panjagutta Division
KNR – BPL (JV)						
28.	Value Added Tax Registration	VAT registration number (TIN): 28623117301	June 1, 2007	Upto Cancellation	Value Added Tax Registration Certificate stating that the	Window clerk, VAT Registering Authority,

	Certificate (Andhra Pradesh)	June 6, 2007			Company has been registered under the APVAT Act, 2005 and awarded the VAT Registration number 28623117301	Khairatabad Circle, Punjagutta Division
29.	Permanent Account Number :	AAAAK5212F		Upto Cancellation	Allotment of Permanent Account Number	Income Tax Department
30.	Tax Deduction Account Number	AHMK03271C		Upto Cancellation	Allotment of Tax Deduction Account Number.	Income Tax Department

PROJECTS EXECUTED BY JOINT VENTURES

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
PATEL KNR (JV)						
Four laning and strengthening of Existing 2 lanes of NH – 7 section from Madurai to Kanyakumari – Project Ch:160.000 (km.169.260 of Madurai – Kanyakumari Section of NH - 7) to Ch:211.140 (km.203.000) of Madurai – Kanyakumari Section of NH - 7 – Contract Package No.NS – 43/ TN						
31.	Consent for discharge of sewerage - Wet mix Mecadam	Consent order No. 166/2007 Dated June 14, 2006	June 14, 2006	March 31, 2007 And renewed upto September 30, 2008	For the discharge of sewage under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974 as amended granted to Patel KNR (JV) for their Wet Mix Mecadam.	Tamil Nadu pollution control board
32.	Allotment of Registration number to the factory for Patel KNR (J.V.)	TV 3013/06 Dated May 29, 2006	May 29, 2006	Valid for a period of 5 years	Factory License for employment of 50 workmen	Inspectorate of Factories Department
33.	License for the storage of Petroleum Class A and Class B in	P/SC/TN/14/4 740(P172519)	August 1, 2006	December 31, 2008	For the storage of Petroleum Class A (quantity – nil) in bulk and Petroleum Class B	Controller of Explosives, Petroleum and Safety

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
	bulk	Dated August 1, 2006			(quantity – 20 KL) in bulk at the retail outlet / Service Station at S. No. 132 & 135, Marukalkurichy(v) Nanguneri Tk., district Tirunelveli	Organisation (PESO) (formerly Department of Explosives), Ministry of Commerce & Industry, Government of India
34.	Safety Certificate (under rule 130 of the Petroleum Rules, 2002)	- Dated July 19, 2006	July 19, 2006	-	To confirm that the petroleum service station, as constructed by the Company, is in conformation with the plan as approved by the Chief Controller / Dy. Chief Controller / Controller vide letter No. A/P/SC/TN/14/4186 (P172519)	Deputy Manager (engineering) of the Indian Oil Corporation Limited, (marketing division), Madurai Divisional Office
35.	Certificate of tank testing (under rule 126 of Petroleum Rules, 2002)	- Dated July 8, 2006	July 8, 2006	-	To confirm that the mild steel tank installed by the Company at Marukalkurthi, Survey No. 132 & 135 of village Marukalapurthi of Nanguneri Taluk of Tirunelveli District, Tamil Nadu State, and that the tank has been tested and found to meet the requirements as laid down by Rule 126 of the Petroleum Rules, 2002.	Deputy Manager (Engineering) of the Indian Oil Corporation Limited, (marketing division), Madurai Divisional Office
36.	Letter granting the renewal of the Contract Labour license	No. M. 46/154/2005	November 17, 2006	November 23, 2007	For hiring 150 labourers for the establishment	Assistant Labour Commissioner

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
	bearing No. 46/154/2005 – A/M, to Patel – KNR (JV)	Dated November 17, 2006				(Central) Chennai on behalf of the Office of the Regional Labour Commissioner ©, Ministry of Labour, Government of India
37.	Letter granting the renewal of the Contract Labour license to Patel – KNR (JV)	No. L 154 /2005–A/M Dated November 24, 2005	November 17, 2006	November 23, 2007	For hiring 150 labourers for the work as mentioned in the License	Assistant Labour Commissioner (Central) Chennai on behalf of the Office of the Regional Labour Commissioner, Ministry of Labour, Government of India
38.	Letter granting the increase in the number of workers from 150 to 250 to Patel – KNR (JV)	No. 46/(147)/2005-A/M Dated February 7, 2007	-	Renewed upto November 13, 2007	For granting the increase in the number of Workers from 150 to 250 in respect of License No. L 147/2005	Assistant Labour Commissioner (Central) Chennai on behalf of the Office of the Regional Labour Commissioner ©, Ministry of Labour, Government of India
39.	Letter granting the renewal of the Contract Labour license bearing No. 46(154)2005-A/M to Patel – KNR (JV)	No. 46/154 /2005–A/M Dated November 14, 2005	November 17, 2005	November 23, 2006	For hiring 150 labourers in respect of the four laning and strengthening of existing two lanes of NH – 7, section package NS – 43 / TN from Tirunelveli to Panagudi	Assistant Labour Commissioner (Central) Chennai on behalf of the Office of the Regional Labour Commissioner

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
						ner ©, Ministry of Labour, Governmen t of India
40.	License for carrying out work as an establishment in the name of the PE, the Project Director and DGM(T), National Highway Authority of India, project implementation unit, Tirunelveli	No. L.154 / 2005-A/M	November 24, 2006	November 23, 2007	For doing the work of four laning and strengthening of existing two lanes of NH – 7 Section package NS – 43 / TN from Tirunelveli to Panagudi	Assistant Labour Commissioner (Central) Chennai on behalf of the Office of the Regional Labour Commissioner ©, Ministry of Labour, Governmen t of India
41.	Letter granting the Certificate of Registration to Patel – KNR (JV), Tirunelveli	No. 57/(71) /2005–A/M Dated November 24, 2005	-	-	Certificate of Registration granted under Sub-section (3) of Section 7 of the building and other construction workers (RE and CS) Act, 1996 and rules made thereunder in respect of your work of four laning and strengthening of existing two lanes of NH – 7 section package NS – 42 / TN from Tirunelveli to Panagudi. The maximum number of labourers permitted to be employed stand at 150 on any given day	Assistant Labour Commissioner (Central) Chennai on behalf of the Office of the Regional Labour Commissioner ©, Ministry of Labour, Governmen t of India

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
42.	Consent for establishment – Concrete Batching Plant	Consent order No. 92/E/A/JCEE / Mdu/06 Dated April 24, 2006	April 24, 2006		Consent for establishment granted under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 as amended granted to Patel KNR (JV) for the new Concrete Batching Plant	Tamil Nadu pollution control board
43.	Renewal of Consent order – stone crusher	Consent order No. 167/2006 Dated May 17, 2007	May 17, 2007	September 30, 2008	Consent granted under section 25 of the Water (Prevention and Control of Pollution) Act, 1974 (Central Act, 6 of 1974) for the discharge of sewage by the stone crusher	Tamil Nadu Pollution Control Board
44.	Renewal of Consent order – stone crusher	Consent order No. 167/2006 Dated May 17, 2007	May 17, 2007	September 30, 2008	Consent granted under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for the discharge of emissions / from the stacks / chimneys by the stone crusher	Tamil Nadu Pollution Control Board
45.	Renewal of Consent order – Batching Plant	Consent order No. 165/2006 Dated May 17, 2007	May 17, 2007	September 30, 2008	Consent granted under section 25 of the Water (Prevention and Control of Pollution) Act, 1974 (Central Act, 6 of 1974) for the discharge of sewage by the Batching Plant	Tamil Nadu Pollution Control Board
46.	Renewal of Consent order – Wet Mix Mecadam	Consent order No. 166/2006	May 17, 2007	September 30, 2008	Consent granted under section 21 of the Air (Prevention and	Tamil Nadu Pollution Control Board

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
		Dated May 17, 2007			Control of Pollution) Act, 1981 for the discharge of emissions / from the stacks / chimneys by the Wet Mix Mecadam	
47.	Renewal of Consent order – Batching Plant	Consent order No. 165/2006 Dated May 17, 2007	May 17, 2007	September 30, 2008	Consent granted under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for the discharge of emissions / from the stacks / chimneys by the Batching Plant	Tamil Nadu Pollution Control Board
48.	Renewal of Consent order – Hot Mix Plant	Consent order No. 3730 Dated February 20, 2007	February 20, 2007	2 years or till the industry obtains consent to operate under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 as amended in 1987 whichever is earlier	Establishment of Hot Mix Plant under section 25 of the Water (Prevention and Control of Pollution) Act, 1974	Tamil Nadu Pollution Control Board
49.	Certificate of Registration under the Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 given to the Patel-KNR (JV)	Registration Number: 57(71)/2005-A/M Dated: November 24, 2005	November 24, 2005	-	Certificate of Registration under the Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 given to the Patel – KNR (JV) for employing workmen for the four laning and strengthening of existing two lanes of NH 7 section package NS 42/TN from Tirunelveli to Panagudi.	Assistant Labour Commissioner (Central) and Registering Officer, Madurai, Ministry of labour, Government of India

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
II KNR SLEC						
Shankarasamudaram Bal Reservoir – Package 27 Investigation design estimation of let main canal distributors system, including Construction						
50.	License for the storage of Petroleum Class A in bulk and Petroleum Class B in bulk	P/SC/AP/14/4 624(P174540) Dated June 16, 2006	August 1, 2006	December 31, 2008	For the storage of Petroleum Class A (quantity – nil) in bulk and Petroleum Class B (quantity – 20 KL) in bulk at the retail outlet / Service Station at Sy. No. 137A, at Nachahalli (V) District Mahaboobnagar	Controller of Explosives, Petroleum and Safety Organisation (PESO) (formerly Department of Explosives), Ministry of Commerce & Industry, Government of India
51.	No Objection Certificate	No. H1 / 2589 / 2006 Dated July 12, 2006	April 21, 2007	-	Certificate issued under Rule 159 of Explosive Rules 1983 Mahaboobnagar, for blasting of rocks in canals at Shankara Samudram balancing Reservoir left main canal in Wanaparthi Mandal	Collector's office, Tirunelveli
III PATEL KNR (JV)						
Nagaon- Dharamtul – Package AS 18 Widening and strengthening of Existing National Highway from 2 lane to 4 lane						
52.	Consent to ore for the Patel – KNR (JV) – Stone Crusher Plant	No. WB/TE-260/05-06/55/3770 Dated Guwahati, June 12, 2007	April 1, 2007	March 31, 2008	Consent to operate the stone crusher unit is granted under section 21 of the Air (Prevention and Control of Pollution) Act, 1981	Assam, Pollution Control Board
53.	Contract Labour License in respect of Worksite at Nagaon to Dharamtul section of NH-37 in Assam	No. A-REG-(93)/2007BOCW-S/A Dated June 5, 2007	November 2005	December 2008	For hiring 300 labourers for the establishment	Assistant Labour Commissioner (Central) Silchar

Sr. No.	Name of License/Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
54.	Permission for extraction of stones for National Highway Authority of India works of East West Corridor Project, Contract Package No. AS – 18	No. FGT.58/Misc/Permit /NHAI Dated December 28, 2005	-	-	Letter from the Government of Assam, Office of the Chief Conservator of forests (territorial), Assam, to the divisional forest officer, Nagaon Division, Nagaon allowing the Patel – KNR (JV) to extract 2,52,276 cu. M. of stone and 1,05,759 cu. M of GSB material from Kathalguri Stone Mahal No. 2 1,23,012 cu. M. of sand from Nisari Sand Mahal No. 1 22,14,000 cu. M. earth silt	Government of Assam, Office of the Chief Conservator of forests (territorial), Assam
55.	License for the storage of Petroleum Class A and Class B in bulk	P/EC/AS/14/733(P172565) Dated May 24, 2006	May 24, 2006	December 31, 2008	storage of Petroleum Class A (quantity – nil) in bulk and Petroleum Class B (quantity – 40 KL) in bulk at the consumer pump / Service Station at Kakharigon (inside project camp) Dag no. 122 & 123, Patta No. 266 & 267, Village – Kakharigon, Mouza – Salsoli District Nagaon	Deputy Controller of Explosives, Petroleum and Safety Organisation (PESO) (formerly Department of Explosives), Ministry of Commerce & Industry, Government of India
56.	No objection certificate for the construction of various structures	- Dated October 6, 2005	-	-	No objection / permission granted to the Patel – KNR (JV) in respect of construction of office complex, diesel pump, concrete batching plants, work shop, stocking of raw materials, cement steel and other	President of the Halowagao n G.P. District Nagaon, Assam, Office of the Halowagao n, Gaon Panchayat

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
					construction materials for the entire project and residence of man power, parking and flying of heavy vehicles through their land	
57.	Certificate of Registration under sub section (3) of Section 7 of the Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996, given to M/s Patel – KNR (JV)	No: A-REG-(93)/2007 BOCW-S/A Dated: June 5, 2007	June 5, 2007	-	Certificate of registration granted to the Patel – KNR (JV) for employing 300 workers for their project of widening and strengthening of existing National Highway from two lane to four lane of Nagaon to Dharamtul section of NH 37 and 4 laning of Nagaon bypass in Assam on East West Corridor under phase II programme of NHDP – Contract Package Number EW-II (AS-18)	Assistant Labour Commissioner (Central), Silchar, Ministry of labour and employment, Government of India
58.	Certificate of Registration, issued under rule 8(1) of the Central Sales Tax (Registration and Turnover) Rules, 1957 issued to the Patel – KNR (JV)	No.: 01653453 Dated: July 12, 2004	July 5, 2004	Upto Cancellation	Certificate of Registration issued to the Patel – KNR (JV) stating that they are registered as a dealer under section 7(1)/7(2) of the Central Sales Tax Act, 1954	Assistant Commissioner of Commercial Taxes, Government of Karnataka
59.	Certificate of Registration, issued under the Karnataka Sales Tax Act, 1957, issued to the Patel – KNR (JV)	No. 01603450 Dated: July 12, 2004	July 5, 2004	Upto Cancellation	Certificate of Registration issued to the Patel – KNR (JV) stating that the are registered as a dealer under section 10 of the	Assistant Commissioner of Commercial Taxes, Government of Karnataka

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
					Karnataka Sales Tax Act, 1957	
60.	Certificate of Registration under the Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 given to the Patel-KNR (JV)	Registration Number: A-REG-(93)/2007.BOCW-S/A Dated: June 5, 2007	June 5, 2007	-	Certificate of Registration under the Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 given to the Patel – KNR (JV) for employing 300 workmen for the widening and strengthening of existing national highway from 2 lane to 4 lane from Km. 262.70 to Km. 255.00 of Nagaon to Dharamtul Section of Nh 37 and four laning of Nagaon Bypass from Km. 280.57 (NH-37) crossing NH 36 near Km. 5.00 and upto Km 262.70 of NH 37 in Assam on East West Corridor under Phase II, Programme of NHDP – Contract Package No. EW – II (AS -18)	Assistant Labour Commissioner (Central) and Registering Officer, Silchar, Ministry of labour, Government of India
IV	Madurai-Kanyakumari Package NS 39 Four laning and strengthening of Existing 2 lanes of NH					
61.	Contract Labour License for doing the work of widening and strengthening	License No. L.147/2005 – A/M Dated November 14, 2005	November 21, 2007	November 13, 2008	License is granted to the Patel – KNR (JV) under section 12(1) of the Contract Labour (Regulation and	Office of the Assistant Labour Commissioner (Central), ministry of Labour and Employment,

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
	of NH – 7 existing road to 4 laning from Samayanallur (Madurai) to Virudhunagar				Abolition) Act, 1970 for doing the work of widening and strengthening of NH – 7 existing road to 4 laning from Km. 0.000 to Km. 42.000 from Samayanallur (Madurai) to Virudhunagar	Government of India
62.	License for the storage of Petroleum Class A Class B in bulk	P/SC/TN/14/4879(P17253 5) Dated November 1, 2007	January 11, 2007	December 31, 2009	For the storage of Petroleum Class A (quantity – nil) in bulk and Petroleum Class B (quantity – 45 KL) in bulk at the retail outlet / Service Station at S. No. 29/5, Keelaurapanoor, Tirumangalam, Tk., District Madurai	Controller of Explosives, Petroleum and Safety Organisation (PESO) (formerly Department of Explosives), Ministry of Commerce & Industry, Government of India
63.	Certificate of Registration to Patel – KNR (JV), for hiring 150 workers	No. 57/(01) /2006–A/M Dated January 1, 2006	-	-	Certificate of Registration under Sub-section (3) of Section 7 of the Building And Other Construction Workers (RE and CS) Act, 1996 and rules made thereunder in respect of their work of four laning of existing two lanes from Samayanallur to Virudhnagar (Km 0.00 to 42.00) of NH 7 to hire a maximum of 150 workers	Registering officer and Assistant Labour Commissioner (Central) / Madurai on behalf of the Office of the Assistant Labour Commissioner (Central), Ministry of Labour and Employment, Government of India
64.	Certificate of Registration under the	Registration Number: 57(01)/2006-A/M	January 3, 2006	-	Certificate of Registration under the Building and	Assistant Labour Commissio

Sr. No.	Name of License/Registration/Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
	Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 given to the Patel-KNR (JV)	Dated: January 3, 2006			Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 given to the Patel – KNR (JV) for employing 150 workmen for the four laning of existing two lane from Samayanallur to Virudhunagar (Km. 0.00 to 42.00) of Section NH – 7	ner (Central) and Registering Officer, Madurai, Ministry of labour, Government of India
65.	Consent Order under Water (Prevention and Control of Pollution) Act, 1974 given to M/s Patel-KNR JV	No. 709/W/JCEE/MDU/2007 dated June 22, 2007	June 22, 2007	March 31, 2008	M/s Patel-KNR(JV) for stone crushing unit at R.S. No. 22/3B, 7A3, 10, 29/6A, 30/2A1, 30/4B1/4B2 at Urappanur village, Madurai	Joint Chief Environmental Engineer, Tamil Nadu Pollution Control Board, Madurai
66.	Consent Order under Air (Prevention and Control of Pollution) Act, 1974 given to M/s Patel-KNR JV	No. 709/A/JCEE/MDU/2007 dated June 22, 2007	June 22, 2007	March 31, 2008	M/s Patel-KNR(JV) for stone crushing unit at R.S. No. 22/3B, 7A3, 10, 29/6A, 30/2A1, 30/4B1/4B2 at Urappanur village, Madurai	Joint Chief Environmental Engineer, Tamil Nadu Pollution Control Board, Madurai
67.	Consent Order under Water (Prevention and Control of Pollution) Act, 1974 given to M/s Patel-KNR JV	No. 710/A/JCEE/MDU/2007 dated June 22, 2007	June 22, 2007	March 31, 2008	M/s Patel-KNR(JV) for concrete batching plant at R.S. No. 30/2B2 at Urappanur village, Madurai	Joint Chief Environmental Engineer, Tamil Nadu Pollution Control Board, Madurai
68.	Consent Order under Air (Prevention and Control of Pollution) Act, 1974 given to M/s Patel-KNR JV	No. 710/A/JCEE/MDU/2007 dated June 22, 2007	June 22, 2007	March 31, 2008	M/s Patel-KNR(JV) for concrete batching plant at R.S. No. 30/2B2 at Urappanur village, Madurai	Joint Chief Environmental Engineer, Tamil Nadu Pollution Control Board, Madurai

Sr. No	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
VI	AP/Karnataka Border – Package No. KNT- 1 - BOT (Annuity)					
69.	Letter regarding arranging 100 KVA power supply to HT installation in favour of KNR Construction	No. EEE/ARDN /AEE(O)/AE- 1/ 2006-07 Dated -	-	-	Approval for supply of 100 KVA to the HT installation.	Executive Engineer, Bangalore Electricity Supply Company Limited
70.	Letter for the establishment and obtaining clearance for Water & Air Pollution Control, from Karnataka State Pollution Control Board	No. KSPCB/BNG (N) /EO/AEO-2/IND /2006-07/5285 Dated January 10, 2007	-	-	Clearance for setting up of Hot Mixing Plant of Capacity 15,000 MT/Month at Sy. No 24/1, 25/1, 24/3, 24/2P1. Nandi Cross, Guttahalli Village, Kasaba Hobli, Devanhalli Taluk, Bangalore Rural District.	Karnataka State Pollution Control Board
71.	Letter regarding the removal of silt / deposit from tank bed	No. NHAI/ NH-7 /KNT1/GEN/ 2006/66 Dated September 29, 2006	-	-	Consent for removal of soil / silt from the tank beds for the purpose of embankment work in the widening and strengthening of NH – 7 from 2 lane to 4 lane from AP / Karnataka to Avathi Village	National Highways Authority of India
72.	Letter for the establishment and obtaining clearance for Water & Air Pollution Control	No.60/KSPCB /EO-KLR/DEO-/ CFE/SR/2006- 007 Dated November 4, 2006	-	-	Clearance for setting up of new stone crusher of capacity 30,000 CFT / day at Survey No.183 Boogenahalli village, Somanahalli Hobli, Gudebande Tq, Kolar District	Karnataka State Pollution Control Board
73.	Letter for the establishment and obtaining	No: KSPCB/BN G (N)/EO/AEO-2/ IND/2006-07/5286	-	-	clearance for setting up ready mixed concrete plant of capacity 2,500	Karnataka State Pollution

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
	clearance for Water & Air Pollution Control	- Dated January 10, 2007			M ³ /day at unit – II. Sy. No 24/1, 25/1, 24/3, 24/2P1. Nandi Cross, Guttahalli Village, Kasaba Hobli, Devanahalli Taluk, Bangalore rural district	Control Board
74.	No Objection Certificate for the possession of explosives	No. MAG.3 MSC.CR 220/06-07. Dated May 2, 2007	-	-	No objection granted for the possession and use of explosives at Sy. No. 201 of Aroor village, Mandikal Hobli, Chikballapur Taluk Kolar District	Office of the District Magistrate, Kolar district, Government of Karnataka
75.	License under section 12(1) of the Contract Labour Welfare and Abolition Act, 1970 for hiring 300 workmen	License No.: 96/2007-C1 Dated: June 6, 2007	June 6, 2007	-	License given to KNR Constructions Limited for hiring 300 workmen for their project of construction of road from Avathi Village to AP border, Km. 463.600 to Km. 524.00 on Hyderabad - Bangalore section of NH-7	Assistant Labour Commissioner, Ministry of Labour and Employment
76.	Certificate of Registration under the Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 given to KNR Constructions Limited	Registration Number: 82/2007-C1 Dated: June 29, 2007	June 29, 2007	-	Certificate of Registration under the Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 given to KNR Constructions Limited for employing 300 workmen for the construction of road from Avathi Village to AP border, from Km 463/600 to Km. 524.00 on	Assistant Labour Commissioner (Central) and Registering Officer, Bangalore, Ministry of labour, Government of India

Sr. No.	Name of License/Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
					Hyderabad Bangalore section of NH – 7	

PROJECTS EXECUTED BY OUR COMPANY

Sr. No.	Name of License/Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
Morena –Sabalgarh –Package 1 Rehabilitation and Strengthening						
77.	Contract Labour license for employing 125 workmen	No. 826/GWL/06 Dated July 7, 2006	July 7, 2006	December 31, 2007 And renewed upto December 31, 2007	For employing 125 workmen	Assistant Labour Commissioner Gwalior
78.	Certificate of registration issued under the Madhya Pradesh Value Added Tax Act, 2002 to KNR Constructions Ltd.	No. 23435503800 Dated: July 18, 2006	July 18, 2006	Upto Cancellation	Certificate of Registration issued under the Madhya Pradesh Value Added Tax Act, 2002 to KNR Constructions Ltd for their office located at JR HIG, 396, New Housing Board Colony, Morena 476001	Assistant Commissioner of Commercial Taxes, Madhya Pradesh, Department of Commercial Taxes
79.	Certificate from the Madhya Pradesh Pollution Control Board	No. 4070/2006 Dated: November 27, 2007	November 27, 2007	12 months from the date of commencement of manufacturing	Registration under the Air (Prevention and Control of Pollution) Act, 1981 for the hot mix plant	Regional Officer, Madhya Pradesh Pollution Control Board
Lucknow-Bangerumau Package UPG6-Upgradation of Road Works						
80.	Consent to set up a hot mix plant was given to KNR Constructions Limited for their site located at Faridipur, 48 km, Mohan Bangaru Road	Consent Order No. : 1944/NOC-3194/07 Dated: February 9, 2007	February 9, 2007	-	Consent to set up a hot mix plant was given to KNR Constructions Limited	District Magistrate
81.	Uttar Pradesh Sales Tax	No.: GC – 0092251	April 1, 2003	Upto Cancellation	Registration under the Uttar Pradesh Sales Tax Act, 1948	Assistant Commissioner of Sales Tax, Ghaziabad

Sr. No.	Name of License/ Registration/ Authority	Number and Date of License / Registration	Validity period		Purpose	Granting authority
			From	Upto		
		Dated: May 27, 2003				

Approvals Applied for but still pending

1. Trade Mark Application No. 1560562 of the Company for the word “KNRC” in class – 37, Dated May 23, 2007
2. Trade Mark Application No. 1560563 for the device “KNR CONSTRUCTIONS LIMITED” dated May 23, 2007
3. Application dated August 22, 2007 to the Project Director, KMRP, PIU, BMP Bangalore requesting for issue of Employer Certificate in respect of application for labour license for the Fourteen Roads Project, East Zone, Bangalore Project
4. Application dated August 22, 2007 to the Project Director, KMRP, PIU, BMP Bangalore requesting issue of Employer Certificate in respect of application for labour license for the Six Roads Project, West Zone, Bangalore Project.
5. Application bearing Ref : PK/MV/ Gen/ 2006/307 dated March 13, 2006 from Patel KNR (JV) to the Tamil Nadu Pollution Control Board for issue of pollution certificate for the hotmix plant in respect of the NS-39 Madurai project
6. Application made by the KNR – SLEC (JV) for registration of establishments employing contract labour in August, 2007 made under rule 17(1) of the Andhra Pradesh Contract Labour (R & A) Rules, 1971 for the construction of Budpur balancing reservoir at Budpur.
7. Application made by the KNR – SLEC (JV) for obtaining a licence under rule 21(1) of the Contract Labour (R & A) Central and AP Rules, 1971 for employing 50 workers for the Budpur Balancing Reservoir, Budpur, Mahaboobnagar.
8. Application to the Assam State Electricity Board made by the project manager of the Patel – KNR (JV) under category H.T. – II for the purpose of supply of electricity Commercial 80 KW of electricity being supplied to field no. 118, 136, 128, 123, 107, 110, 113, 119,12; patta no. 236, 460, 281, 267, 34, 153, 162, 266 located in Kasorigaon, Nagaon.
9. Application dated March 12, 2007 to the Chief Engineer, World Bank Projects, UPWD, in respect of application for labour license for the following Projects:
 - (a) RMC-02- Muzaffarnagar-Saharanpur
 - (b) UPG-06- Lucknow-Bangerumau Package UPG6-Upgradation of Road Works
 - (c) RMC-10- Bachhrawan-Fatehpur-Package
 - (d) RMC-21- Lucknow-Rai Bareilly -Rehabilitation Road Works
 - (e) RMC-24- Raniganj-Rai Bareilly-Rehabilitation of Road Works
 - (f) RMC-26- Bulandshahar Package-Rehabilitation Road Works
 - (g) RMC-35- Shahajanpur Jalalabad -Package- Rehabilitation Work

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for This Issue

The Board of Directors have, pursuant to a resolution passed at its meeting held on June 30, 2007, authorised this Issue, subject to the approval of the shareholders of our Company under Section 81(1A) of the Companies Act.

Our shareholders have authorised this Issue by a special resolution adopted under Section 81(1A) of the Companies Act, passed at the Extraordinary General Meeting held on July 12, 2007.

We have also obtained all necessary contractual approvals required for this Issue. For further details, please refer section titled “Government/Statutory and Business Approvals” beginning on page 211 of the Red Herring Prospectus.

Prohibition by SEBI

Our Company, our Directors, companies with which our Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for this Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained hereunder, eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- (a) Our Company has net tangible assets of at least Rs.30 million in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;
- (b) Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three out of immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;
- (c) Our Company has a net worth of at least Rs.10 million in each of the preceding three full years of 12 months each and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;
- (d) There has been no change in the name of our Company in the last one year and is therefore Clause 2.2.1(d) of the SEBI guidelines is not applicable.
- (e) The aggregate of the proposed Issue size and all previous issues made in the same financial year is not expected to exceed five times the pre-Issue net worth of our Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines.

In terms of a certificate issued by M/s Sukumar Babu & Co., our statutory auditors dated September 19, 2007, our Company satisfies the above eligibility criteria as follows

(Rs. in million)

Particulars	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Net Tangible Assets ⁽¹⁾	1,525.68	796.64	489.99	329.75	326.22
Monetary Assets ⁽²⁾	123.85	97.75	111.97	37.13	40.04
Monetary Assets as percentage of Tangible Assets	8.12	12.27	22.85	11.26	12.27
Pre-Issue Net Worth ⁽³⁾	659.60	480.88	343.07	307.49	235.98
Distributable Profits ⁽⁴⁾	202.37	160.87	48.14	66.58	45.66

1. Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), current assets less current liabilities (excluding deferred tax liabilities and long term liabilities).

2. Monetary Assets are defined as the sum of cash and bank balances (including fixed deposits with banks); Liquid investments;
3. Net worth have been computed as the aggregate of equity share capital and free reserves, excluding miscellaneous expenditures, if any.
4. Distributable profits have been computed in terms of section 205 of the Companies Act, 1956.

Further, in accordance with Clause 2.2.2A of the SEBI DIP Guidelines, we undertake that the number of allottees, i.e., persons receiving allotment in the Issue shall be at least 1,000;

For a complete explanation of the above figures please refer to the section entitled "Financial Statements" beginning on page 140 of the Red Herring Prospectus.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, AXIS BANK LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER, AXIS BANK LIMITED IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, AXIS BANK LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 24, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

I WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

II ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

- B. THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- C. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE SEBI, THE GOVERNMENT AND**

ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

- D. THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.**
- E. BESIDE US, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT SUCH REGISTRATIONS ARE VALID TILL DATE.**
- F. WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**
- G. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.”

ALL APPLICABLE LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT. ALL APPLICABLE LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

Disclaimer Statement from the Company, BRLM and the CBRLM.

Investors that apply in this Issue will be required to confirm and will be deemed to have represented to our Company, BRLM and the CBRLM and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company, the BRLM and the CBRLM and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

Our Company, the Director, BRLM and the CBRLM accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above, mentioned entities and anyone placing reliance on any other source of information, including our website, www.knrcil.com would be doing so at his or her own risk.

The BRLM and CBRLM accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding between the BRLM, CBRLM and the Company.

Our Company, BRLM and the CBRLM shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

Neither our Company nor the BRLM and CBRLM is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made subject to applicable legal requirements, in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the applicable trust law or the Societies Registration Act, 1860, as amended from time to time and who are authorized under their constitution to hold and invest in equity shares) and to NRIs, non-residents, FIIs and Foreign Venture Capital Funds registered with SEBI public financial institutions as specified in Section 4A of the Companies Act, Schedule Commercial Banks, Mutual Funds registered with SEBI, Multilateral and Bilateral development Financial Institutions, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds(subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million. The Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession the Red Herring Prospectus comes is required to inform himself or herself about, and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Hyderabad only.No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Red Herring Prospectus has been filed with SEBI for observations and SEBI has issued its observations vide letter no. CFD/DIL/ISSUES/NB/EB/110404/2007 dated December 10, 2007 and the Red Herring Prospectus is to be filed with the RoC. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and the Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring Prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

THE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933 (“THE SECURITIES ACT”) OR ANY STATE SECURITIES LAWS IN THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, “U.S. PERSONS” (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE EQUITY SHARES ARE ONLY BEING OFFERED OR SOLD ONLY (I) IN THE UNITED STATES TO “QUALIFIED INSTITUTIONAL BUYERS”, AS DEFINED IN RULE 144A OF THE SECURITIES ACT, AND (II) OUTSIDE THE UNITED STATES TO CERTAIN PERSONS IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT AND THE APPLICABLE LAWS OF THE JURISDICTIONS WHERE THOSE OFFERS AND SALES OCCUR.

THE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED, LISTED OR OTHERWISE QUALIFIED IN ANY OTHER JURISDICTION OUTSIDE INDIA AND MAY NOT BE OFFERED OR SOLD, AND BIDS MAY NOT BE MADE BY PERSONS IN ANY SUCH JURISDICTION, EXCEPT IN COMPLIANCE WITH THE APPLICABLE LAWS OF SUCH JURISDICTION.

Disclaimer Clause of Bombay Stock Exchange Limited

BSE Limited (“BSE”) has vide its letter dated October 22, 2007 given permission to this Company to use the Exchange’s name in this offer document as one of the stock exchanges on which this Company’s securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:-

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; 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 offer document has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against 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 NSE

As required, a copy of this Offer Document has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref: NSE/LIST/60863-3 dated November 21, 2007 permission to the Issuer to use the Exchange’s name in this Offer Document as one of the stock exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer’s securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing of Prospectus with SEBI and the Registrar of Companies

A copy of the Red Herring Prospectus required to be filed under Section 60 and Section 60B of the Companies Act would be delivered for registration with Registrar of Companies, Andhra Pradesh. A copy of the Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at SEBI Bhavan, Plot No. C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051. A copy of the Red Herring Prospectus along with the documents required to be filed under section 60B of the Companies Act would be delivered for registration to the RoC, Andhra Pradesh atleast 3 (three) days before the issue opening date. The final Prospectus would be filed with the Corporate Finance Department of SEBI and the RoC at the respective aforesaid addresses upon closure of the issue and on finalization of the Issue Price.

Listing

The Equity Shares issued through the Red Herring Prospectus are proposed to be listed on The Bombay Stock Exchange Limited (BSE), and the National Stock Exchange of India Limited (NSE). In-principle approval for listing of the equity shares of the Company from BSE; and NSE have been received *vide* their letters dated October 22, 2007 and November 21, 2007 respectively.

If the permission to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest all money received from the Bidders in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it. (i.e. from the date of refusal or within 15 days from the Bid/Issue Closing date, whichever is earlier), then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of eight days, be jointly and severally liable to repay the money with interest at the rate of 15% per annum on the Bid Amount, as prescribed under Section 73 of Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the Basis of Allotment for this Issue.

Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

(a) makes in a fictitious name, a Bid to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

Consents

Consents in writing of: the Directors; our Company Secretary & Compliance Officer; the Auditors; Bankers to our Company; Escrow Collection Banks; BRLM; CBRLM; the Registrar and the legal advisors to this Issue, to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Andhra Pradesh at Hyderabad as required under Sections 60 and Section 60B of the Companies Act and such consents have not been withdrawn up to the time of filing of the Red Herring Prospectus with RoC.

M/s Sukumar Babu & Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of filing of the Red Herring Prospectus with RoC.

M/s Sukumar Babu & Co. Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in the Red Herring Prospectus and has not withdrawn such consent up to the time of filing of the Red Herring Prospectus with RoC.

CRISIL Limited, the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, has given its written consent to the inclusion of their name and reference to its report in the form and context in which it appears in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus to the Designated Stock Exchange.

Expert Opinion

Except for the report of **CRISIL Limited in respect of the IPO grading of this Issue, furnishing the rationale for its grading and M/s. Sukumar Babu & Co, Chartered Accountants, our Statutory Auditors on the Financial Information and Statement of Tax Benefits no other expert opinion have been obtained.**

For details of these expert opinions kindly refer to the sections titled ‘Other Regulatory and Statutory Disclosures-IPO Grading’, ‘Statement of Tax Benefits’ and ‘Financial Statements’ on pages 232, 58 and 140 respectively of the Red Herring Prospectus.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately Rs. [●] million. The estimated Issue expenses are as follows:

Activity	Expense (Rs. in million) *	% of total Issue expenses*
Lead management fees and underwriting commissions	[●]	[●]
Advertising and Marketing expenses	[●]	[●]
Printing, stationery including transportation of the same	[●]	[●]
Others (Registrar's fee, Legal fees, listing fees, Issue Grading expenses etc)	[●]	[●]
Total estimated Issue expenses	[●]	[●]

* Will be incorporated after finalisation of Issue Price

Details of Fees Payable

Fees Payable to the Book Running Lead Manager and Co- Book Running Lead Manager

The total fees payable to the BRLM and CBRLM will be as per the Engagement Letter dated December 29, 2007 and as stated in the Memorandum of Understandings executed between our Company and BRLM dated December 29, 2007, copy of which is available for inspection at our Registered Office.

Fees Payable to the Registrar to this Issue

The fees payable to the Registrar to this Issue will be as per the memorandum of understanding dated July 12, 2007, a copy of which is available for inspection at our Registered Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

IPO grading

This Issue has been graded by CRISIL Limited and has been assigned the CRISIL IPO Grade 3/5, (pronounced 'three on five') indicating that the fundamentals of the Issue are average, in relation to other listed equity securities in India, through its letter dated December 6, 2007. A copy of the report provided by CRISIL, furnishing the rationale for its grading is available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Investors may note that a CRISIL IPO grading is a one-time assessment valid for a period of 60 calendar days only from the date of the letter. In the event our company not opening the captioned issue within a period of 60 days from the above date, or in the event of any change in the size or structure of the issue, a fresh letter of revalidation from CRISIL shall be necessary. CRISIL IPO grading reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India, and does not constitute an audit of the issuer by CRISIL. A CRISIL IPO grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO grading is based on the information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO grading is not a recommendation to buy / sell or hold the graded instrument; it does not comment on the issue price, future market price or suitability for a particular investor.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of CRISIL IPO gradings.

Underwriting Commission, Brokerage and Selling Commission

The Underwriting Commission and Selling Commission for this Issue is as set out in the Syndicate Agreement amongst our Company, the BRLM, the CBRLM and Syndicate Members. The Underwriting Commission shall be

paid as set out in the Underwriting Agreement based on the Issue Price and amount underwritten in the manner mentioned in the Red Herring Prospectus.

Previous Rights and Public Issues during the Last Five Years

We have not made any previous rights or public issues during the last five years.

Previous Issues of Shares otherwise than for Cash

Except as stated in the section titled “Capital Structure” beginning on page 40 of the Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage on Previous Issues

Since this is the initial public offering of the Equity Shares, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of our Company since its inception.

Companies under the Same Management

We do not have any companies under the same management within the meaning of section 370(1) (B) of the Companies Act, which has made any capital issue during the last three years.

Servicing Behavior

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Promise v/s Performance

The company has not made any public issue of shares since its incorporation. There is no group company, which has made any public issue.

Outstanding Debentures or Bonds or Redeemable Preference Shares

There are no outstanding debentures or bonds or redeemable preference shares issued by us as of the date of the Red Herring Prospectus.

Stock Market Data of our Equity Shares

The Equity Shares are not listed on any stock exchange(s).

Other Disclosures

Our Promoter or our Directors have not purchased or sold any securities of our Company during a period of six months preceding the date on which the Red Herring Prospectus is filed with SEBI, except as disclosed in section titled “Capital Structure” beginning on page 40 of the Red Herring Prospectus.

Mechanism for redressal of investor grievance

The Memorandum of Understanding between the Registrar to this Issue and our Company will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the Bidder, number of Equity Shares applied for, amount paid on Bid and the bank branch or collection centre where the Bid was submitted.

Disposal of Investor Grievances by our Company

The average time required by our Company or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Board of Directors in its meeting held on December 26, 2005 constituted the Investor’s Grievance Committee

The members of the Committee as on date of filing the Red Herring Prospectus with SEBI are:

Name	Designation
Mr. D. Ramaiah	Chairman – Non-Executive and Independent Director
Mr.M. Rajesh Reddy	Member – Executive and Non-Independent Director
Mr. J.V Panindra Reddy	Member – Executive and Non-Independent Director
Mr. JSR Chandra Mouli	Member - Non-Executive and Independent Director

The Committee is authorised to primarily maintain a close watch on the investor’s complaints and take steps to resolve the same to the satisfaction of the investors. All complainants/ requests received from the shareholders are attended expeditiously within 30 days from the date of receipt.

Our Company has appointed Mr. M.R Venkata Rao, Company Secretary as the Compliance Officer and he may be contacted at:

KNR Constructions Limited
12th Square Building,
3rd Floor, Road No. 12, Banjara Hills
Hyderabad-500034
Tel: +91-40-23323435 / 36 / 37
Fax: +91-40-23323439
Email: ipo@knrcl.com

Investors may contact him in case of any pre-Issue or post-Issue problems.

Changes in Auditors during the last three financial years and reasons therefore

There has been no changes in the Auditor of our Company in the last three financial years

Capitalisation of Reserves or Profits

Except as stated in the section titled “Capital Structure” our Company has not capitalized its reserves or profits at any time since inception. For details on Capitalization of Reserves and Profits please refer to section titled “Capital Structure” beginning on page 40 of the Red Herring Prospectus.

Revaluation of Assets

We have not revalued our assets in the past five years.

SECTION VII - ISSUE RELATED INFORMATION

ISSUE STRUCTURE

Public Issue of 7,874,570 Equity Shares of Rs. 10/- each at a price of Rs. [●] per Equity Share aggregating Rs. [●]million (the “Issue”) including a reservation for Eligible Employees of 140,000 Equity Shares aggregating Rs. [●]million and a Net Issue to the Public of 7,734,570 Equity Shares by KNR Constructions Limited. The Issue would constitute 28.00% of the fully diluted post-Issue paid-up capital of our Company. The Net Issue would constitute 27.50% of the fully diluted post-Issue paid-up capital of our Company.

The Issue is being made through the 100% Book Building Process:

Particulars	Eligible Employees in the Employee Reservation Portion	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto 140,000 Equity Shares	Upto 3,867,280 Equity Shares shall be available for allocation to QIBs aggregating Rs. [●] million.	Atleast 1,160,185 Equity Shares shall be available for allocation aggregating Rs. [●] million.	Atleast 2,707,105 Equity Shares shall be available for allocation aggregating Rs. [●] million.
Percentage of Issue Size available for allocation	Upto 1.78% of the Issue size available for allocation to Eligible Employees in the Employee Reservation Portion	Upto 50% of the Net Issue (of which 5% shall be reserved for Mutual Funds)* Mutual Funds participating in the 5% reservation in the QIB Portion (i.e. 193,365 Equity Shares aggregating Rs. [●] million) will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Atleast 15% of the Net Issue.*	Atleast 35% of the Net Issue.*
Basis of allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	35 Equity Shares and in multiples of 35 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of 35 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of 35 Equity Shares thereafter.	35 Equity Shares and in multiples of 35 Equity Shares thereafter
Maximum Bid	Upto 140,000 Equity Shares	Not exceeding the size of the Net Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Net Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares per Retail Individual Bidder so as to ensure that the Bid Amount does not exceed Rs. 1,00,000/-
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Bid Lot	35 Equity Shares and multiples thereof	35 Equity Shares and multiples thereof	35 Equity Shares and multiples thereof	35 Equity Shares and multiples thereof

Particulars	Eligible Employees in the Employee Reservation Portion	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Allotment Lot	35 Equity Shares and in multiples of one thereafter	35 Equity Shares and in multiples of one thereafter	35 Equity Shares and in multiples of one thereafter	35 Equity Shares and in multiples of one thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Bid **	“Eligible Employees” as defined in the section titled “Definitions and Abbreviations” beginning on page ii of the Red Herring Prospectus.	Public Financial Institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000/- in value.
Terms of Payment	Margin Amount applicable to Eligible Employees at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Non-Institutional Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.
Margin Amount	Full Bid Amount on Bidding	10% of the Bid Amount in respect of bids placed by QIB Bidder on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any portion would be allowed to be met with spillover inter-se from any of the other categories, at the sole discretion of our Company, the BRLM, the CBRLM and subject to applicable provisions of the SEBI Guidelines.

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

If the aggregate demand by Mutual Funds is less than 193,365 Equity Shares aggregating Rs. [●] million, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

Bidding Period / Issue Period

BID / ISSUE OPENS ON	THURSDAY, JANUARY 24, 2008
BID / ISSUE CLOSSES ON	TUESDAY, JANUARY 29, 2008

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

The Price Band will be decided by our Company in consultation with the BRLM and the CBRLM.

Revision of Price Band

Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the price band in the Red Herring Prospectus and the Cap Price will not be more than 20% of such floor price.

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

TERMS OF THE ISSUE

Principal Terms and Conditions of the Issue

The Equity Shares now being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, if any, the terms of the Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the allotment advice, and other documents/ certificates that may be executed in respect of the Equity Shares. Further to the above, the Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI/Government of India/Stock Exchanges and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares to be issued shall, subject to the Memorandum and Articles of Association of our Company, rank pari passu in all respects with the other existing Equity Shares of our Company in all respects including rights in respect of dividend. The Allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of allotment. See the section titled “Main Provisions of Articles of Association of Our Company” beginning on page 276 of the Red Herring Prospectus for a description of the Articles of Association.

Mode of Payment of Dividend

The declaration and payment of dividend will be as per the provisions of the Companies Act and recommended by the Board of Directors and the shareholders at their discretion, and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of our Company.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each will be offered in terms of the Red Herring Prospectus to be filed with RoC, Andhra Pradesh at Hyderabad at a price of Rs. [●] per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws. The Issue Price is [●] times the face value of the Equity Shares.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

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

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

For further details on the main provisions of our Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see “Main Provisions of Articles of Association of Our Company” beginning on page 276 of the Red Herring Prospectus.

Market Lot and Trading Lot

In terms of the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors and hence, the tradable lot is one Equity Shares. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of 35 Equity Shares in the Issue.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or at the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in this Issue will be made only in dematerialized mode, there is no need to make a separate nomination with our Company. Nominations registered with respective Depository Participant of the Bidder would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

"If our Company does not receive the minimum subscription of 90% of the Net Issue amount including devolvement of Underwriters within 60 days from the Bid / Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act, 1956."

Withdrawal of the Issue

Our Company, in consultation with the BRLM and CBRLM, reserves the right not to proceed with the Issue anytime after the Bid/ Issue Opening Date without assigning any reason thereof.

Arrangements for Disposal of Odd Lots

Our Company's Equity Shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

Restrictions, if any on Transfer and Transmission of Equity Shares

For additional description in respect of restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting in our Articles of Association Please refer section titled "Main Provisions of our Articles of Association" beginning on page 276 of the Red Herring Prospectus.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Hyderabad, India.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the

United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulations under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulations under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein 140,000 Equity Shares are reserved for Eligible Employees in the Employee Reservation Portion and the Net Issue is for 7,734,570 Equity Shares. Upto 50% of the Net Issue to the Public shall be available for allocation on a proportionate basis to QIBs (of which 5% shall be allocated for Mutual Funds). Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non- Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. However, the Bids by QIB shall be submitted only to the BRLM and CBRLM. In case of QIB Bidders, our Company in consultation with the BRLM and CBRLM may reject Bids at the time of acceptance of the Bid-Cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non Institutional Bidders and Retail Individual Bidders our Company in consultation with the BRLM and CBRLM would have a right to reject the Bids only on technical grounds.

INVESTORS SHOULD NOTE THAT EQUITY SHARES WILL BE ALLOTTED TO SUCCESSFUL BIDDERS ONLY IN THE DEMATERIALIZED FORM. BIDDERS WILL NOT HAVE THE OPTION OF GETTING ALLOTMENT IN PHYSICAL FORM. THE EQUITY SHARES, ON ALLOTMENT SHALL BE TRADED ONLY IN THE DEMATERIALIZED SEGMENT OF THE STOCK EXCHANGE(S).

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, (“CAN”), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public including resident QIBs, Non Institutional Bidders, Retail Individual Bidders and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs or FIIs applying on a repatriation basis	Blue
Eligible Employees	Red

Who can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies registered under the applicable laws in India and authorized to invest in equity shares;
- Eligible Employees of our Company
- Mutual funds registered with SEBI;
- Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);

- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI;
- FIIs registered with SEBI , on a repatriation basis
- State industrial development corporations;
- Insurance companies registered with the Insurance Regulatory and Development Authority, India;
- As permitted by the applicable laws, provident funds with minimum corpus of Rs. 25 crores and who are authorized under their constitution to invest in equity shares;
- Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares;
- Multilateral and bilateral development financial institutions;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation/non- repatriation basis subject to applicable laws. NRIs other than Eligible NRIs are not permitted to participate in this Issue; and
- Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.

According to existing Government policy OCBs cannot participate in this issue.

In terms of the regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the FIIs may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

Participation by Associates of the BRLM, CBRLM and Syndicate Members

Associates of BRLM, CBRLM and Syndicate Members may bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates of BRLM, CBRLM and Syndicate Members shall be on a proportionate basis.

Further, the BRLM, CBRLM and the Syndicate Members shall not be entitled to subscribe to the Issue in any manner except towards fulfilling their underwriting obligation.

BIDDERS ARE ADVISED TO ENSURE THAT ANY SINGLE BID FROM THEM DOES NOT EXCEED THE INVESTMENT LIMITS OR MAXIMUM NUMBER OF EQUITY SHARES THAT CAN BE HELD BY THEM UNDER APPLICABLE LAW.

Maximum and Minimum Bid Size

- For Retail Individual Bidders:** The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter, so as to ensure that the Bid amount payable by the Bidder does not exceed Rs. 1,00,000/-. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid amount is more than Rs. 1,00,000 due to revision of the Bid, or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 1,00,000/- and in multiples of 35 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them.

Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date. In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000/-.

In case the Bid Amount reduces to Rs. 1,00,000/- or less due to a revision in Bids, the same would be considered for Non-Institutional Bidders who are eligible for Allotment in the Retail Portion, for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'Cut-Off'.

- c. **For Bidders in the Employee Reservation Portion:** Bids must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter. The maximum Bid by an Eligible Employee in the Employee Reservation Portion cannot exceed 140,000 Equity Shares.

Information for Bidders

1. Our Company will file the Red Herring Prospectus with the Registrar of Companies, at least 3 (three) days before the Bid/Issue Opening Date.
2. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum- Application Form to potential investors.
3. Any investor (who is eligible to invest in our Equity Shares) desirous of obtaining a copy of the Red Herring Prospectus and/or the Bid-cum- Application Form can obtain the same from our registered office or from any of the members of the Syndicate.
4. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
 - (a) Investors who are interested in subscribing to the Company's Equity Shares should approach the BRLM, CBRLM or Syndicate Members or their authorised agent(s) to register their Bid.
 - (b) The Bidding period shall be for a minimum of three working days and shall not exceed the period of seven working days. The members of Syndicate shall accept bids from Bidders during the Bidding period in accordance with the terms of the Syndicate agreement.
5. The Price Band has been fixed at Rs. 170/- to Rs. 180/- per Equity Share. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (One). In accordance with the SEBI Guidelines, our Company, in consultation with the BRLM and CBRLM, reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
6. In case the Price Band is revised, the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days. The revised Price Band and Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, and by issuing published in two national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the BRLM, CBRLM and at the terminals of the members of the Syndicate.
7. We, in consultation with the BRLM and CBRLM, can finalise the Issue Price within the Price Band, without the prior approval of, or intimation to, the Bidders.

Method and Process of Bidding

- a) Our Company, the BRLM and CBRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with Registrar of Companies, Andhra Pradesh and also publish the same in three widely circulated newspapers (one English national newspaper, one Hindi national newspaper and one regional language newspaper). This advertisement shall contain the disclosures as prescribed in Schedule XX-A of the SEBI Guidelines, as amended from time to time. The BRLM, CBRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period.

- b) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional language newspaper by indicating on the websites of the BRLM, CBRLM and at the terminals of the members of the Syndicate. The Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.
- c) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” below on page 247 of the Red Herring Prospectus) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- d) The Bidder cannot Bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page 247 of the Red Herring Prospectus.
- e) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.
- f) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment” on page 247 of the Red Herring Prospectus.
- g) The Members of the Syndicate will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the Members of the Syndicate.

Bids at different price levels

The Issue Price will be determined by the Company in consultation with the BRLM and CBRLM, on the basis of assessment of the market demand for the Equity Shares, by way of the Book Building Process. The Price Band will be decided by us in consultation with the BRLM and CBRLM and inserted in the Red Herring Prospectus filed with RoC or will be announced and advertised at least one day prior to the Bid/Issue Opening date

- (a) The Price Band has been fixed at Rs. 170 to Rs. 180 per Equity Share of Rs. 10/- each, Rs. 170/- being the Floor Price and Rs. 180/- being the Cap Price. The Bidders can Bid at any price with in the Price Band, in multiples of Re 1/-(one).
- (b) Our Company in consultation with the BRLM and CBRLM reserves the right to revise the Price Band by informing the Stock Exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. Our Company in consultation with BRLM and CBRLM can finalize the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders. During the Bidding period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can

move up or down upto 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus or the advertisement one day prior to Bid/Issue Opening Date.

- (c) Our Company in consultation with the BRLM and CBRLM can finalize the Issue Price within the Price Band in accordance with this clause, without the prior approval, or intimidation, to the Bidder.
- (d) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees may bid at “Cut-off” where the value of the Bid is less than Rs. 1,00,000/-. However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (e) Retail Individual Bidders and Eligible Employees, who bid at the Cut-Off, agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders and Eligible Employees shall receive the refund of the excess amounts from the Refund Account.
- (f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 35 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000/- to Rs. 7,000/-.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees, who had bid at Cut-Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000/, the Bid will be considered for allocation under the Non Institutional category in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.
- (i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 35 Equity Shares, irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5000 to Rs. 7000.

Option to Subscribe

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

How to apply – availability of forms, Red Herring Prospectus and mode of payment

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund portion. In the event that the demand is greater than 193,365 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund portion. The remaining demand by the Mutual Funds

shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB portion, after excluding the allocation in the Mutual Fund portion.

The Bids made by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. Further, Bidders may bid as per the limits prescribed above.

Application by NRIs

Bid-cum-Application Forms will be made available for NRIs at our Registered Office., members of the Syndicate and the Registrar to the Issue.

NRI Bidders may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour).

Application by FIIs

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 28,123,460 Equity Shares of Rs. 10 each) Equity Shares. 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 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

We are in the business of infrastructure construction. In relation to construction activities, the aggregate FII holding is permitted up to 100%, with the prior approval of the Board of Directors and the shareholders by way of a special resolution, However, as on this date, no such resolution has been recommended to the shareholders of our Company for adoption. For details see the paragraph titled "Restrictions on foreign ownership of Indian Securities" beginning on page 274 of the Red Herring Prospectus. FIIs can presently hold only upto 24% of the total capital under the portfolio investment scheme, subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. to foreign investments in An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Applications by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investor) Regulation, 2000 prescribed investments restriction on the venture capital funds registered with SEBI. Accordingly, holding in our Company by any individual venture capital fund registered with SEBI should not exceed 25% of its corpus.

The above information is given for the benefit of the Bidders. Our Company, the BRLM and the CBRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Escrow Mechanism

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with one of the Escrow Collection Bank as per the terms of the Escrow Agreement with our Company. Payments of refunds to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar, BRLM, CBRLM and Syndicate Members to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder shall pay the applicable Margin Amount with the Bid Cum Application Form through a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details please see the sub-section titled "Payment Instructions" beginning on page 247 of the Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid Cum Application Forms accompanied by cash or stock invest shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid Cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Escrow Collection Banks. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account maintained by the Refund Bank, and not later than 15 days from the Bid/Issue Closing Date, the Refund Bank shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

Each category of Bidders (i.e. Eligible Employees bidding in the Employee Reservation Portion, QIB Bidders, Non Institutional Bidders and Retail Individual Bidders) would be required to pay their applicable Margin Amount at the time of submission of the Bid Cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page 241 of the Red Herring Prospectus. After the Bid Closing Date, the level of subscription in all categories shall be determined. Based on the level of subscription, additional margin money, if any, shall be called from the QIB Bidders. If such additional margin money is not paid into the appropriate Escrow Account within the time and in the manner stipulated above, the Bid of such QIB Bidder is liable to be rejected. Further we may call for additional Margin amount over and above the minimum prescribed 10% Margin amount from certain QIBs at our discretion prior to acceptance of the Bid anytime upto the Bid/Issue Closing date and shall have the right to reject such bids on technical ground in case of non-receipt of such additional margin. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and CBRLM, and would be specified in the CAN. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not accept such margin payment, the full amount of payment has to be made at the time of submission of the Bid Cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15

days from the Bid/Issue Closing Date, failing which and our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity to each city where a stock exchange is located in India and where Bids are accepted.
- (b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the member of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) Aggregate demand and price for bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centers and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
- Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
 - Investor Category –Individual, Corporate, NRI, FII, or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form
 - Margin Amount; and
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the receipt of Bids. However, a Syndicate Members shall disclose the reason for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed on page 247 in the Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, and/or BRLM / CBRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, its promoters, its management or any scheme or project of our Company

- (i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on BSE and NSE.
- (j) The bidding terminals shall contain an online graphical display of demand and bid prices updated at periodic intervals, not exceeding 30 minutes. Our BRLM and CBRLM shall ensure the availability of adequate infrastructure for data entry of the bids in a timely manner

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM and CBRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect the payments in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) Only Bids that are uploaded on the online IPO system of the BSE and NSE shall be considered for allocation/allotment. In case of discrepancy of data between BSE or NSE and the Syndicate Member, the decision of the BRLM and CBRLM based on physical records of Bid-cum-Application Forms shall be final and binding to all concerned.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLM and CBRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.

- (b) Our Company, BRLM and CBRLM shall finalize the “Issue Price” and the number of Equity Shares to be allotted.
- (c) The allocation for QIBs, upto 50% of the Net Issue, of which 5% shall be reserved for Mutual Funds, would be proportionate. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 15% and 35% of the Net Issue, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. The allocation in the Employee Reservation Portion would also be on a proportionate basis.
- (d) Under subscription, if any, in any of the categories would be allowed to be met with spill over from any of the other categories at the discretion of our Company, the BRLM and CBRLM. However, if the aggregate demand by Mutual Funds is less than 193,365 Equity Shares, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.
- (e) Undersubscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the public and the ratio amongst the investor categories will be at the discretion of the Company and the BRLM and CBRLM. In case of undersubscription in the Net Issue spill over to the extent of undersubscription shall be permitted from the Employee Reservation Portion.
- (f) Allocation to Eligible NRIs, FIIs and Foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.
- (g) The BRLM and CBRLM, in consultation with us, shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (h) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.
- (i) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.
- (j) The allotment details shall be hosted on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and ROC Filing

- a. Our Company, the BRLM, the CBRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- b. After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Announcement of Pre-Issue Advertisement

Subject to section 66 of the Companies Act, 1956, our Company shall after receiving final observations if any on the Red Herring Prospectus from SEBI, publish an advertisement in the form specified in the SEBI Guidelines, in an English national daily with wide circulation, one Hindi national newspaper and a regional language newspaper with wide circulation

Advertisement regarding Issue Price and Prospectus

We will issue a statutory advertisement after the filing of the Prospectus with RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note (CAN)

After the determination of Issue Price, the following steps would be taken

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM, the CBRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Individual and Non-Institutional Bidders. However, Bidders should note that our Company shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.
- (b) The BRLM, CBRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (d) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.
- (e) The issuance of CAN is subject to “Allotment Reconciliation and Revised CANs” as mentioned below.

Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

- (a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization of the basis of allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees.** Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid/Issue Closing Date and also ensure that credit is given to the allottees’ depository accounts within two working days from the date of allotment. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% p.a.

General Instructions

Do's:

- a) Check if you are eligible to apply;
- b) Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a Syndicate Member;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- g) Ensure that the bid is within price band;
- h) Investors must ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum- Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum- Application Form;
- i) Irrespective of bid amount each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. The copies of the PAN card should be submitted with the Bid cum Application Form.
- j) Ensure that demographic details (as defined hereinbelow) are updated, true and correct in all respects.

Don'ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not send Bid-cum-Application Forms by post; instead submit the same to Syndicate Member only;
- f) Do not Bid at Cut-Off price (for QIBs and non-institutional bidders);
- g) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- h) Do not submit Bid accompanied with Stock invest;
- i) Do not submit GIR number instead of PAN as Bid is liable to be rejected on this ground; and
- j) Do not submit the Bid without the QIB Margin Amount incase of a Bid by a QIB.

Bids and Revision of Bids

Bids and revision of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for resident Indians and blue for Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis, red in colour for the Bidders in the Employee Reservation Portion.
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

- (c) The Bids from the Retail Individual Bidders must be for a minimum of 35 Equity Shares and in multiples of 35 thereafter subject to a maximum Bid amount of Rs. 1,00,000/-. For Eligible Employees bidding in the Employee Reservation Portion, Bids must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter subject to a maximum of 140,000 Equity Shares.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 35 Equity Shares so that the Bid Amount exceeds or equal to Rs. 1,00,000/-. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (e) For Eligible Employees, the Bid must be for a minimum of 35 Equity Shares and shall be in multiples of 35 Equity Shares thereafter.
- (f) In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- (g) In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- (h) Thumb impressions and signatures other than in the languages specified in the eighth schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account Details and Bank Account Details

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's Identification Number, Beneficiary Account number provided by them in the Bid-Cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf.

Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Registrar, the Escrow Collection Bank (s), Bankers to the Issue the BRLM nor the CBRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund orders or for refunds

through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Bidders may note that receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank, the BRLM nor the CBRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order / CANs / allocation advice / refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids Under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 2,500 lac and pension funds with minimum corpus of Rs. 2,500 lac, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our

Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that BRLM and CBRLM may deem fit.

Bids by Eligible NRIs And FIIs on a repatriation basis

Bids and revision to Bids must be made:

1. On the Bid-cum-Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. By FIIs for a minimum of such number of Equity Shares and in multiples of 35 thereafter that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled "Issue Procedure" on page 247 of the Red Herring Prospectus.
4. Bids by NRIs for a Bid Amount of up to or less than Rs. 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 35 Equity Shares thereafter so that the Bid Amount exceeds Rs. 1,00,000; for further details see "Maximum and Minimum Bid Size".
5. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Our Company do not require any approval for the Issue of Equity Shares to Eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and other Eligible NRIs. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in the Issue.

Payment Instructions

We, the BRLM, CBRLM and the Syndicate Members shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account:

- (a) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and CBRLM.
- (c) All cheques / bank drafts accompanying the Bid should be crossed "A/c Payee Only" and made payable to the Escrow Collection Banks and marked:

In case of Eligible Employees bidding in the Employee Reservation Portion: **"ESCROW ACCOUNT-KNR IPO-EMPLOYEES"**.

In case of Resident QIB Bidders: **"ESCROW ACCOUNT-KNR IPO-QIB-R"**

In case of Non Resident QIB Bidders: **"ESCROW ACCOUNT-KNR IPO-QIB-NR "**

In case of Resident Non-Institutional and Retail Individual Bidders: **"ESCROW ACCOUNT-KNR IPO-RESIDENT "**

In case of Non-resident Non-Institutional and Retail Individual Bidders: **"ESCROW ACCOUNT – ESCROW ACCOUNT-KNR IPO-NRI"**

- (d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- (e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (f) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
- (g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with one of the Escrow Collection Banks and the surplus amount shall be transferred into the Refund Account maintained with the Refund Bank.

- (i) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

Bids in the Employee Reservation Portion

- 1) Bids in the Employee Reservation Portion may be made by Eligible Employees only.
- 2) In case of Bids by Eligible Employees, Bids must be made only in the prescribed Bid Cum Application Form (Red in colour).
- 3) The sole/first Bidder should be the Eligible Employee. In case the Bid-cum-Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form
- 4) The Eligible Employee should mention his or her employee number at the relevant place in the Bid Cum Application Form.
- 5) Bids by Eligible Employees in the Employee Reservation Portion have to be received at or above the Issue Price for being considered for allocation in the Employee Reservation Portion.
- 6) Bids by Eligible Employees can also be in the "Net Issue to the Public", and such bids will not be considered as multiple Bids.
- 7) Eligible Employees who apply or bid for Equity Shares of or for a value of not more than Rs 1 lac in any of the bidding options can apply at cut-off
- 8) The Bid should be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter
- 9) The maximum Bid by the Eligible Employee under the Employee Reservation Portion shall not exceed 140,000 Equity Shares.
- 10) Allotment in the Employee Reservation Portion would be on a proportionate basis

Payment by Stock Invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

Submission of Bid-Cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Eligible Employees bidding in the Employee Reservation Portion can also Bid in the “Net Issue to the Public” Portion and such Bids shall not be treated and as multiple Bids.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

Permanent Account Number (“PAN”)

With effect from July 2, 2007, SEBI vide its circular no. MRD/DoP/Cir-05/2007 dated April 27, 2007 has decided to make Permanent Account Number (PAN) to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction. The Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Unique Identification Number (“UIN”)

SEBI vide its circular no. MRD/DoP/Cir-08/2007 dated June 25, 2007 has decided to discontinue with the requirement of Unique Identification Number (UIN) under the SEBI (Central Database of Market Participants Regulations), 2005.

Our Right to Reject Bids

In case of QIB Bidders, our Company, in consultation with the BRLM and CBRLM may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of, Non-Institutional Bidders, Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder’s address at the Bidder’s risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- 1) Amount paid doesn’t tally with the amount payable for the highest number of Equity Shares bid for;
- 2) Age of First Bidder not given;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
- 4) **PAN not stated and/or PAN copy not attached;**
- 5) Bids for lower number of Equity Shares than specified for that category of investors;
- 6) Bids at a price less than lower end of the Price Band;
- 7) Bids at a price more than the higher end of the Price Band;
- 8) Bids at cut-off price by Non-Institutional and QIB Bidders;
- 9) Bids for number of Equity Shares which are not in multiples of 35;
- 10) Category not ticked;
- 11) Multiple bids as defined in the Red Herring Prospectus;
- 12) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 13) Bids accompanied by Stock invest/ money order/postal order/cash;
- 14) Signature of sole and/or joint bidders missing;
- 15) Bid-cum-Application Form does not have the stamp of the BRLM, CBRLM or Syndicate Members;
- 16) Bid-cum-Application Form does not have Bidder’s depository account details;

- 17) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
- 18) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form;
- 19) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.;
- 20) Bids by OCBs;
- 21) Bids by QIBs not submitted through members of the Syndicate;
- 22) Bid by U.S. residents or U.S persons other than “Qualified Institutional Buyers” as defined in Rule 144A of the U.S. Securities Act of 1933;
- 23) In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- 24) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations; and
- 25) If GIR number is mentioned instead of PAN Number

Equity Shares in dematerialized form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) a tripartite agreement dated September 13, 2007 with NSDL, us and Registrar to the Issue;
- b) a tripartite agreement dated August 30, 2007 with CDSL, us and Registrar to the Issue

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant’s Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c. Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e. Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f. If incomplete or incorrect details are given under the heading ‘Bidders Depository Account Details’ in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i. The trading of the Equity Shares of our Company would be in dematerialized form only for all investors.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof.

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

Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

We shall ensure dispatch of allotment advice and/or refund orders/refund advice (in case refunds made through ECS/ Direct Credit, RTGS, NEFT) as the case may be giving credit to the Beneficiary Account of the bidders with their respective Depository Participant and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. The mode of dispatch of refunds shall be as mentioned in the paragraph titled “Mode of Making Refunds” beginning on page 247 of the Red Herring Prospectus.

Where refunds are made through electronic transfer of funds, a suitable communication will be sent to the bidders within 15 days of closure of the issue, giving details of the Bank where refund will be credited along with amount and expected date of electronic credit of refund.

The bank account details for ECS, Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) credit will be directly taken from the depositories’ database and hence bidders are required to ensure that bank details including the nine digit MICR code (Magnetic Ink Character Recognition) maintained at the depository level are updated and correct.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 7 (seven) working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company further undertake that:

- allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- dispatch refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- the Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by GoI, Ministry of Finance pursuant to their letter no. F/8/S/79 dated July 31, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of Allocation

A. For Bidders in the Employee Reservation Portion

- Bids received from Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allocation to all successful Bidders in the Employee Reservation Portion will be made at Issue Price.
- If the aggregate demand in the Employee Reservation Portion is less than or equal to 140,000 Equity Shares at or above the Issue Price, full Allocation shall be made to such Bidders in the Reservation portion to the extent of the demand.

- If the aggregate demand in the Employee Reservation Portion is more than 140,000 Equity Shares at or above the Issue Price the Allocation shall be made on a proportionate basis.
- For the definition of term “Eligible Employee” for the purposes of the Employee Reservation Portion please refer to section titled “Definitions and Abbreviation” beginning on page ii of the Red Herring Prospectus.

B. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue less allocation to Non-Institutional and QIB Bidders and Eligible Employees shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,707,105 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 2,707,105 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 2,707,105 Equity Shares. For the method of proportionate basis of allotment, refer below.

C. For Non Institutional Bidders

- Bids received from Non Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue less allocation to QIBs, Retail Individual Bidders and Eligible Employees shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,160,185 Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 1,160,185 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 1,160,185 Equity Shares. For the method of proportionate basis of allotment refer below.

D. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows;

- (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand for Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
- (b) In the second instance allocation to all QIBs shall be determined as follows:
- (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Under subscription, if any, in any category would be allowed to be met with spill over from any other category at the sole discretion of our Company the BRLM and the CBRLM, in accordance with applicable laws, rules and regulations.

Method of Proportionate Basis of Allocation in the Issue

In the event of the Issue being oversubscribed, the Company shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other Senior official nominated by them) of the Designated Stock Exchange along with the BRLM, CBRLM and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalized in a fair and proper manner. The allotment shall be in marketable lots, on a proportionate basis as explained below.

- a. Bidders will be categorized according to the number of Equity Shares applied for by them.
- b. The total number of Equity Shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c. Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 35 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 35 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

If the proportionate allotment to a Bidder is a number that is more than 35 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. The basis of allocation on a proportionate basis shall be finalised in consultation with the Designated Stock Exchange.

Illustration of Allotment to QIBs and Mutual Funds

A. Issue Details

Sr. No.	Particulars	Issue details
1	Net Issue to the Public	200 million equity shares
2	Allocation to QIB (50%)	100 million equity shares
	<i>of which:</i>	
	a. Reservation to MF (5%)	5 million equity shares
	b. Balance for all QIBs including MFs	95 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	500

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	9.60	0

A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	5	95	42.42

Please note:

1. The illustration presumes compliance with the requirements specified in the Red Herring Prospectus in the section titled “Issue Structure” beginning on page 241 of the Red Herring Prospectus.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
3. The balance 95 million Equity Shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled “Allocation of balance 95 million Equity Shares to QIBs proportionately” in the above illustration are arrived as under:

For QIBs other than Mutual Funds (A1 to A5) = No. of shares bid for (i.e. in column II of the table above) X 95 / 495

For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495

The numerator and denominator for arriving at allocation of 95 million shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Procedure and time schedule for allotment of Equity Shares and demat credit of Equity

The Issue will be conducted through a “100% Book Building Process” pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on Thursday January 24, 2008 and expire on Tuesday January 29, 2008. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM and CBRLM, will determine the Issue Price, and, in consultation with the BRLM and CBRLM, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the BSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI and the Registrar of Companies and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors’ demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investor’s demat account, subject to final approval by the Stock Exchanges.

Letters of allotment or refund orders

We shall give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Bidders having bank accounts at any of the 15 centers where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where Bidder

is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other Bidders, we shall despatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will despatch refund orders above Rs. 1,500, if any, by registered post only at the sole or First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for the purpose shall be made available to the Registrar by us. Bidders to whom refunds are made through Electronic transfer of funds will be send a letter through “Under Certificate of Posting” within 15 days of closure of Issue, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

Our Company shall ensure despatch of refund orders / refund advice, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole of First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date, and adequate funds for making refunds to unsuccessful Bidders as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we undertake that:

- a. Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- b. Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;
- c. We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders / credit intimation are not despatched and in case the where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15 day time prescribed above provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

Our Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic mode i.e ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM, the CBRLM, the Refund Bank, our Company nor the Registrar shall have any responsibility and undertake any liability for the same.

Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference

- (a) **ECS** - Payment of refund would be done through ECS for Bidders having an account at one of the 15 centers, where clearing houses for ECS are managed by Reserve Bank of India namely Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This would be subject to availability of complete Bank Account Details including MICR code from the depository. The payment of refund through ECS is mandatory for Bidders having a bank account at any of the 15 centres named herein above, except where Bidder is otherwise disclosed as eligible to get refunds through Direct Credit or RTGS.

- (b) **Direct Credit** – Investors having their Bank Account with the Escrow Banker, i.e. Axis Bank Limited, shall be eligible to receive funds, if any, through Direct Credit. The refund amount, if any, would be credited directly to their Bank Account with the Escrow Banker.
- (c) **RTGS** – Bidders having a bank account at any of the 15 centres detailed above, and whose bid amount exceeds Rs. 1million, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All Bidders eligible to exercise this option shall mandatorily provide the IFSC code in the Bid cum Application form. In the event of failure to provide the IFSC code in the Bid cum Application form, the refund shall be made through the ECS or Direct Credit, if eligibility is disclosed.
- (d) **NEFT** (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants’ bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- (e) For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Please note that only Bidders having a bank account at any of the 15 centres where clearing houses for ECS are managed by RBI are eligible to receive refunds through the modes detailed in (a), (b) and (c) hereinabove. For all the other Bidders, including Bidders who have not updated their bank particulars alongwith the nine digit MICR Code, the refund orders would be despatched “Under Certificate of Posting” for refund orders of value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above.

For all the other Bidders excepts for whom payment of refund is possible through (a), (b) and (c) the refund orders would be despatched “Under Certificate of Posting” for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.

ISSUE PROGRAMME

BID/ISSUE OPENS ON:	THURSDAY JANUARY 24, 2008
BID/ISSUE CLOSES ON:	TUESDAY JANUARY 29, 2008

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

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM, CBRLM and at the terminals of the Syndicate.

UNDERTAKING BY OUR COMPANY

Our Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that funds required for making refunds orders or allotment advice by registered or speed post shall be made available to the Registrar to the issue by the Issuer.
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Bidder within 15 days of closure of the issue giving the details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund.
- That the refund orders to the Non-Resident Indians shall be dispatched within specified time.
- that no further issue of Equity Shares shall be made till the Equity Shares issued through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

We will provide adequate funds required for dispatch of refund orders / electronic transfer of funds for refunds or allotment advice to the Registrar to the Issue.

Utilization of Issue Proceeds

The Board of Directors of our Company certifies that:

- (a) all monies received out of the Issue shall be credited/ transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such unutilized monies have been invested;
- (c) details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested; and
- (d) the details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in the balance sheet of our Company indicating then form in which such unutilized monies have been invested.

Rectification of Register of Members

Our Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Under the current foreign investment policy, foreign equity participation is permissible upto 100% in the sector in which our Company.

By way of Circular No. 53 dated December 17, 2003, RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In our Company, as of date the aggregate FII holding cannot exceed 24% of the total post-Issue share capital.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, Indian law does not prohibit an FII or its sub-account to issue, deal or hold, offshore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India provided such instruments are issued only in favor of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "Know Your Client" requirements, which stipulate fortnightly disclosures by the FII to SEBI informing them about the name, location, type of investor (hedge fund, corporate, individual, pension fund or trust), quantity and value of investment made on behalf of the investor. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Subscription by foreign investors (NRIs/ FIIs)

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company (i.e., 10% of 28,123,460 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With approval of our Board and that of the shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however as of the date of the Red Herring Prospectus no such resolution has been recommended to our shareholders for approval.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. Our Company, BRLM and the CBRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII - MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to the provisions of Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and other main provisions are as detailed below. Each provision herein below is numbered as per the corresponding article number in the Articles of Association and capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company.

Title of Article	Article Number and contents
Share Capital	<p>3.</p> <p>The authorized share capital of the Company is Rs.350,000,000 (Rupees Thirty Five Crores) divided into 35,000,000/- Three Crore Fifty Lakh Equity Shares of Rs. 10/- (Rupees ten) each.</p> <p>The Company may from time to time by Ordinary Resolution increase its authorised share capital by such sum and to be divided into Shares of such amount as may be specified in the resolution.</p>
Increase of capital by the Company how carried into effect	<p>4.</p> <p>The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article the Directors shall comply with the provisions of Section 97 of the Act</p>
Non Voting Shares	<p>5.</p> <p>The Board shall have the power to issue a part of authorised capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.</p>
Redeemable Preference Shares	<p>6.</p> <p>Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company, liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.</p>
Provisions to apply on issue of Redeemable Preference Shares	<p>7.</p> <p>On the issue of redeemable preference shares under the provisions of Article 6 hereof, the following provisions shall take effect.</p> <p>(a) No such Shares shall be redeemed except out of profits of the Company, which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purpose of the redemption.</p> <p>(b) No such Shares shall be redeemed unless they are fully paid.</p> <p>(c) The premium, if any payable on redemption shall have been provided for</p>

Title of Article	Article Number and contents
	<p>out of the profits of the Company or out of the Company's share premium account, before the Shares are redeemed.</p> <p>(d) Where any such Shares are redeemed otherwise then out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the Capital Redemption Reserve Account", a sum equal to the nominal amount of the Shares redeemed, and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.</p> <p>(e) Subject to the provisions of Section 80 of the Act. The redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit.</p>
Reduction of capital	<p>8.</p> <p>The Company may (subject to the provisions of section 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce</p> <p>(a) the share capital;</p> <p>(b) any capital redemption reserve account; or</p> <p>(c) any share premium account</p> <p>in any manner for the time being, authorised by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.</p>
Purchase of own Shares	<p>8A.</p> <p>The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid Shares whether or not they are redeemable and may make a payment out of capital in respect of such purchase.</p>
Sub-division and cancellation of Shares	<p>9.</p> <p>Subject to the provisions of Section 94 and other applicable provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares, or any of them and the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-divisions, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other(s). Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.</p>

Title of Article	Article Number and contents
Modification of rights	<p>10.</p> <p>Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of Shares of that class, and all the provisions hereafter contained as to General Meeting shall <i>mutatis mutandis</i> apply to every such Meeting. This Article is not to derogate from any power the Company would have if this Article was omitted.</p> <p>The rights conferred upon the holders of the Shares (including preference shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, dealt with or varied by the creation or issue of further Shares ranking <i>pari passu</i> therewith.</p>

SHARES, CERTIFICATES AND DEMATERIALISATION

Title of Article	Article Number and contents
Restriction on allotment and return of allotment	<p>11.</p> <p>The Board of Directors shall observe the restrictions on allotment of Shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.</p>
Further issue of shares	<p>12.</p> <p>(1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares whether out of unissued share capital or out of increased share capital then:</p> <p>(a) Such further Shares shall be offered to the persons who at the date of the offer are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those Shares at that date</p> <p>(b) Such offer shall be made by a notice specifying the number of Shares offered and limiting a time not being less than thirty days from the date of the offer and the offer, if not accepted, will be deemed to have been declined.</p> <p>(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to them in favour of any other person, and the notice referred to in sub-clause (b) shall contain a statement of this right, PROVIDED THAT the Directors may decline, without assigning any reason, to allot any Shares to any person in whose favour any Member may renounce the Shares offered to him.</p> <p>(d) After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given declines to accept the Shares offered, the Board of Directors may dispose them off in such manner and to such person(s) as they may think in their sole discretion fit.</p> <p>(2) Notwithstanding anything contained in sub-clause (1) hereof, the further Shares aforesaid may be offered to any person(s) (whether or not those persons</p>

Title of Article	Article Number and contents
	<p>include the persons referred to in clause (a) sub-clause (1) hereof) in any manner whatsoever.</p> <p>(a) If a Special Resolution to that effect is passed by the Company in the General Meeting; or</p> <p>(b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting, (including the casting vote, if any, of the Chairman) by Members who, being entitled to do so, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.</p> <p>(3) Nothing in sub-clause (c) of clause (l) hereof shall be deemed;</p> <p>(a) To extend the time within which the offer should be accepted; or</p> <p>(b) To authorise any person to exercise the right of renunciation for a second time, on the ground that the persons in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.</p> <p>(4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:</p> <p>(i) To convert such debentures or loans into Shares in the Company; or</p> <p>(ii) to subscribe for Shares in the Company (whether such option is conferred in these Articles or otherwise)</p> <p>PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:</p> <p>(a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans, or is in conformity with the rules, if any, made by that government in this behalf, and</p> <p>(b) in the case of debentures or loans other than debentures issued to, or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the Company in the General Meeting before the issue of the debentures or the raising of the loans.</p>
Shares under control of Directors	<p>13.</p> <p>Subject to the provisions of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.</p>

Title of Article	Article Number and contents
Power to offer Shares/options to acquire Shares	<p>13A</p> <p>(i) Without prejudice to the generality of the powers of the Board under Article 13 or in any other Article of these Articles of Association, the Board or any Committee thereof duly constituted may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, at any point of time, offer existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) to its employees, including Directors (whether whole-time or not), whether at par, at discount or at a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force.</p> <p>(ii) In addition to the powers of the Board under Article 13A(i), the Board may also allot the Shares referred to in Article 13A(i) to any trust, whose principal objects would <i>inter alia</i> include further transferring such Shares to the Company's employees [including by way of options, as referred to in Article 13A(i)] in accordance with the directions of the Board or any Committee thereof duly constituted for this purpose. The Board may make such provision of moneys for the purposes of such trust, as it deems fit.</p> <p>(iii) The Board, or any Committee thereof duly authorised for this purpose, may do all such acts, deeds, things, etc. as may be necessary or expedient for the purposes of achieving the objectives set out in Articles 13A(i) and (ii) above.</p>
Application of premium received on Shares	<p>14.</p> <p>(1) where the Company issues Shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on these Shares shall be transferred to an account, to be called "the share premium account" and the provisions of the Act relating to the reduction of the share capital of the Company shall except as provided in this Article, apply as if the share premium account were paid up share capital of the Company.</p> <p>(2) The share premium account may, notwithstanding anything in clause (1) thereof be applied by the Company:</p> <p>(a) In paying up unissued Shares of the Company, to be issued to the Members of the Company as fully paid bonus;</p> <p>(b) In writing off the preliminary expenses of the Company;</p> <p>(c) In writing off the expenses of or the commission paid or discount allowed or any issue of Shares or debentures of the Company ; or</p> <p>(d) In providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company.</p>
Power also to Company in General Meeting to issue Shares	<p>15.</p> <p>In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option or right to call for or buy allotted Shares of any class of the Company either (subject to</p>

Title of Article	Article Number and contents
	compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.
Power of General Meeting to authorize Board to offer Shares/Options to employees	<p>15A</p> <p>(i) Without prejudice to the generality of the powers of the General Meeting under Article 15 or in any other Article of these Articles of Association, the General Meeting may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, determine, or give the right to the Board or any Committee thereof to determine, that any existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) be allotted/granted to its employees, including Directors (whether whole-time or not), whether at par, at discount or a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force. The General Meeting may also approve any Scheme/Plan/ other writing, as may be set out before it, for the aforesaid purpose</p> <p>(ii) In addition to the powers contained in Article 15A(i), the General Meeting may authorise the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme/Plan/other writing approved under the aforesaid Article.</p>
Shares at a discount	<p>16.</p> <p>The Company may issue at a discount Shares in the Company of a class already issued, if the following conditions are fulfilled, namely:</p> <p>(a) The issue of the Shares at discount is authorised by resolution passed by the Company in the General Meeting and sanctioned by the Company Law Board;</p> <p>(b) The resolution specifies the maximum rate of discount (not exceeding ten percent or such higher percentage as the Company Law Board may permit in any special case) at which the Shares are to be issued; and</p> <p>(c) The Shares to be issued at a discount are issued within two months after the date in which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.</p>
Instalments of Shares to be duly paid	<p>17.</p> <p>If by the conditions of any allotment of any Shares the whole or any part of the amount or issued price thereof shall, be payable by instalments, every such instalment shall when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the Shares or his legal representatives, and shall for the purposes of these Articles be deemed to be payable on the date fixed for payment and in case of non-payment the provisions of these Articles as to payment of interest and expenses forfeiture and like and all the other relevant provisions of the Articles shall apply as if such instalments were a call duly made notified as hereby provided.</p>
The Board may	18.

Title of Article	Article Number and contents
issue Shares as fully paid-up	Subject to the provisions of the Act and these Articles, the Board may allot and issue Shares in the Capital of the Company as payment for any property purchased or acquired or for services rendered to the Company in the conduct of its business or in satisfaction of any other lawful consideration. Shares which may be so issued may be issued as fully paid-up or partly paid up Shares.
Acceptance of Shares	19. Any application signed by or on behalf of an applicant for Share(s) in the Company, followed by an allotment of any Share therein, shall be an acceptance of Share(s) within the meaning of these Articles, and every person who thus or otherwise accepts any Shares and whose name is therefore placed on the Register of Members shall for the purpose of this Article, be a Member.
Deposit and call etc., to be debt payable	20. The money, if any which the Board of Directors shall on the allotment of any Shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any Shares allotted by them shall immediately on the inscription of the name of the allottees in the Register of Members as the holder of such Shares, become a debt due to and recoverable by the Company from the allottees thereof, and shall be paid by him accordingly.
Liability of Members	21. Every Member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.
Dematerialisation of securities	21.(B) Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.
Options to receive security certificates or hold securities with depository	21.(C) Every person subscribing to securities offered by the Company shall have the option to receive the Security certificates or hold securities with a depository. Where a person opts to hold a Security with a depository, the Company shall intimate such depository the details of allotment of the Security, and on receipt of such information the depository shall enter in its record the name of the allotted as the Beneficial Owner of that Security.
Securities in depositories to be in fungible form	21.(D) All Securities held by a Depository shall be dematerialised and shall be in a fungible form; nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.
Rights of depositories and beneficial owners	21.(E) (1) Notwithstanding anything to the contrary contained in the Articles, a Depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of Security on behalf of the Beneficial Owner; (2) Save as otherwise provided in (1) above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of

Title of Article	Article Number and contents
	<p>Securities held by it;</p> <p>(3) Every person holding equity share capital of the Company and whose name is entered as Beneficial Owner in the Records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the Securities held by a Depository.</p>
Option to Opt out in respect of any security	<p>21.(G)</p> <p>If a Beneficial Owner seeks to opt out of a Depository in respect of any Security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its Records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.</p>
Share certificate	<p>22.</p> <p>(a) Every Member or allottees of Shares is entitled, without payment, to receive one certificate for all the Shares of the same class registered in his name.</p> <p>(b) Any two or more joint allottees or holders of Shares shall, for the purpose of this Article, be treated as a single Member and the certificate of any Share which may be the subject of joint ownership may be delivered to any one of such joint owners, on behalf of all of them.</p>
Limitation of time for issue of certificates	<p>22A.</p> <p>Every Member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case may be. Every certificate of Shares shall be under the seal of the company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and amount paid-up thereon and shall e in such form as the directors may prescribe and approve, provided that in respect of a Share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares to one or several joint holders shall be a sufficient delivery to all such holder.</p>
Renewal of share certificates	<p>23.</p> <p>No certificate of any Share or Shares shall be issued either in exchange for those, which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the pages on the reverse for recording transfer have been duly utilised unless the certificate in lieu of which it is issued is surrendered to the Company.</p> <p>PROVIDED THAT no fee shall be charged for issue of new certificate in replacement of those which are old, decrepit or worn out or where the pages on the reverse for recording transfer have been fully utilized.</p>

Title of Article	Article Number and contents
New certificate to be granted on delivery of the old certificates	<p>24.</p> <p>If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.</p> <p>Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act 1956 or any other Act, or rules applicable thereof in this behalf.</p> <p>The provision of this Article shall mutatis mutandis apply to Debentures of the Company.</p>
The first name joint holder deemed sole holder	<p>25.</p> <p>If any Share(s) stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus or service of notice and all or any other matters connected with Company except voting at Meetings and the transfer of the Shares be deemed the sole holder thereof but the joint holders of a Share shall severally as well as jointly be liable for the payment of all incidents thereof according to the Company's Articles.</p>
Company not bound to recognize any interest in Shares other than of registered holder	<p>26.</p> <p>Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.</p>
Trust recognised	<p>27.</p> <p>(a) Except as ordered, by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof, any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.</p> <p>(b) Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or of a person</p>

Title of Article	Article Number and contents
	of unsound mind (except in case where they are fully paid) or in the name of any firm or partnership.
Funds of Company not to be applied in purchase of Shares of the Company	29. No funds of the Company shall except as provided by Section 77 of the Act, be employed in the purchase of its own Shares, unless the consequent reduction of capital is effected and sanction in pursuance of Sections 78, 80 and 100 to 105 of the Act and these Articles or in giving either directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Share in the Company in its holding Company.

UNDERWRITING AND BROKERAGE

Title of Article	Article Number and contents
Commission may be paid	30. Subject to the provisions of Section 76 of the Act, the Company may at anytime pay commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any Shares in or debentures of the Company but so that the commission shall not exceed in the case of the Shares five percent of the price at which the Shares are issued and in the case of debentures two and half percent of the price at which the debenture are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid Shares or debentures as the case may be or partly in one way and partly in the other.
Brokerage	31. The Company may on any issue of Shares or Debentures or on deposits pay such brokerage as may be reasonable and lawful.
Commission to be included in the annual return	32. Where the Company has paid any sum by way of commission in respect of any Shares or Debentures or allowed any sums by way of discount in respect to any Shares or Debentures, such statement thereof shall be made in the annual return as required by Part I of Schedule V to the Act.

INTEREST OUT OF CAPITAL

Title of Article	Article Number and contents
Interest out of capital	33. Where any Shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may

Title of Article	Article Number and contents
	charge the same to capital as part of the cost of construction of the work or building or the provisions of the plant.

DEBENTURES

Title of Article	Article Number and contents
Debentures with voting rights not to be issued	<p>34.</p> <p>(a) The Company shall not issue any debentures carrying voting rights at any Meeting of the Company whether generally or in respect of particular classes of business.</p> <p>(b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.</p> <p>(c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.</p> <p>(d) Certain charges (which expression includes mortgage) mentioned in Section 125 of the Act, shall be void against the Liquidator or creditor unless registered as provided in Section 125 of the Act.</p> <p>(e) A contract with the Company to take up and pay debentures of the Company may be enforced by a decree for specific performance.</p> <p>(f) Unless the conditions of issue thereof otherwise provide, the Company shall (subject to the provisions of Section 113 of the Act) within three months after the allotment of its debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debentures-stock have completed and ready for delivery the certificate of all debenture-stock allotted or transferred.</p> <p>(g) The Company shall comply with the provisions of Section 118 of the Act, as regards supply of copies of debenture Trust Deed and inspection thereof.</p> <p>(h) The Company shall comply with the provisions of Section 124 to 145 (inclusive) of the Act as regards registration of charges.</p>

CALLS

Title of Article	Article Number and contents
Directors may make calls	<p>35.</p> <p>(a) Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time by a resolution passed at a meeting of a Board (and not by a circular resolution) make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each Member shall pay the amount of every call so made on him to person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by instalments. A call may be postponed or revoked as the Board may determine. No call shall be made payable within less than one month from the date fixed for the payment of the last preceding call.</p> <p>(b) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.</p>

Title of Article	Article Number and contents
Notice of call when to be given	36. Not less than one month notice in writing of any call shall be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.
Call deemed to have been made	37. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board of Directors and may be made payable by the Members of such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Board of Directors.
Directors may extend time	38. The Board of Directors may, from time to time at its discretion, extend the time fixed for the payment of any call and may extended such time to call or any of the Members, the Board of Directors may deem fairly entitled to such extension but no Member shall be entitled to such extension as of right except as a matter of grace and favour.
Amount payable at fixed time or by instalments to be treated as calls	39. If by the terms of issue of any Share or otherwise any amount is made payable at any fixed time or by instalments at fixed time (whether on account of the amount of the Share or by way of premium) every such amount or instalment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall apply to such amount or instalment accordingly.
When interest on call or instalment payable	40. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for the payment thereof, the holder for the time being or allottees of the Share in respect of which the call shall have been made or the instalment shall be due, shall pay interest on the same at such rate not exceeding eighteen percent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part.
Evidence in action by Company against share holder	41. On the trial of hearing of any action or suit brought by the Company against any Member or his Legal Representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member in respect of whose Shares the money is sought to be recovered is entered on the Register of Members as the holder or as one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the Shares in respect of which the money is sought to be recovered, that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the Member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, nor that a quorum of Directors was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.
Payment in anticipation of calls may carry interest	42. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the

Title of Article	Article Number and contents
	<p>sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.</p> <p>The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.</p> <p>The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures of the Company.</p>

LIEN

Title of Article	Article Number and contents
Partial payment not to preclude forfeiture	43. Neither the receipt by the Company of a portion of any money which shall, from time to time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.
Company to have lien on Shares/ Debentures	44. The Company shall have first and paramount lien upon all Shares/ Debentures (other than fully paid up Shares/ Debentures) registered in the name of each Member whether solely or jointly with others and upon the proceeds of sale thereof, for all moneys (whether presently payable or not), called or payable at a fixed time in respect of such Shares/ Debentures and no equitable interests in any Share/ Debenture shall be created except upon the footing and condition that this Article is to have full legal effect. Any such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/ Debentures; PROVIDED THAT the Board of Directors may, at any time, declare any Share/ Debenture to be wholly or in part exempt from the provisions of this Article. Unless otherwise agreed the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares.
As to enforcing lien by sale	45. The Company may sell, in such manner as the Board thinks fit, any Shares on which the Company has lien for the purpose of enforcing the same PROVIDED THAT no sale shall be made:- (a) Unless a sum in respect of which the lien exists is presently payable; or (b) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is /presently payable has been given to the registered holder for the time being of the Share or the person entitled thereto by reason of his death or insolvency. For the purpose of such sale the Board may cause to be issued a duplicate certificate in respect of such Shares and may authorise one of their members to execute a transfer there from behalf of and in the name of such Members

Title of Article	Article Number and contents
	(c) The purchaser shall not be bound to see the application of the purchase money, nor shall his title to the Shares be affected by any irregularity, or invalidity in the proceedings in reference to the sale.
Application of proceeds of sale	46. (a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable, and (b) The residue if any, after adjusting costs and expenses if any incurred shall be paid to the person entitled to the Shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Shares before the sale).

FORFEITURE OF SHARES

Title of Article	Article Number and contents
If money payable on Shares not paid notice to be given	47. If any Member fails to pay the whole or any part of any call or any instalments of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
Sum payable on allotment to be deemed a call	48. For the purposes of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.
Form of notice	49. The notice shall name a day, (not being less than fourteen days from the day of the notice) and a place or places on and at which such call in installment and such interest thereon at such rate not exceeding eighteen percent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, Shares in respect of which the call was made or installment is payable will be liable to be forfeited.
In default of payment Shares to be forfeited	50. If the requirements of any such notice as aforesaid are not complied with, any Share or Shares in respect of which such notice has been given may at any time thereafter before payment of all calls or instalments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited Shares and not actually paid before the forfeiture.
Notice of forfeiture to a Member	51. When any Share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.
Forfeited Shares to be the property of the Company and may be sold etc.	52. Any Share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors

Title of Article	Article Number and contents
	shall think fit.
Member still liable for money owing at the time of forfeiture and interest	53. Any Member whose Shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, instalments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.
Effects of forfeiture	54. The forfeiture of a Share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the Share and all other rights incidental to the Share, except only such of those rights as by these Articles are expressly saved.
Power to annul forfeiture	55. The Board of Directors may at any time before any Share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.
Declaration of forfeiture	56 (a) A duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or the Secretary of the Company, and that Share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share. (b) The Company may receive the consideration, if any, given for the Share on any sale, re-allotment or other disposal thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed off. (c) The person to whom such Share is sold, re-allotted or disposed of shall thereupon be registered as the holder of the Share. (d) Any such purchaser or allottee shall not (unless by express agreement) be liable to pay calls, amounts, instalments, interests and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the Share before the time of completing such purchase or before such allotment. (e) Such purchaser or allottee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be effected by the irregularity or invalidity in the proceedings in reference to the forfeiture, sale re-allotment or other disposal of the Shares.
Provisions of these articles as to forfeiture to apply in case of non-payment of any sum.	57. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes payable at a fixed time, whether on account of the nominal value of Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Title of Article	Article Number and contents
Cancellation of shares certificates in respect of forfeited Shares	58. Upon sale, re-allotment or other disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the said Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said Shares to the person or persons entitled thereto.
Evidence of forfeiture	59. The declaration as mentioned in Article 56(a) of these Articles shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.
Validity of sale	60. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the Shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
Surrender of Shares	61. The Directors may subject to the provisions of the Act, accept a surrender or any share from any Member desirous of surrendering on such terms and conditions as they think fit.

TRANSFER AND TRANSMISSION OF SHARES

Title of Article	Article Number and contents
No transfers to minors etc.	62. No Share which is partly paid-up or on which any sum of money is due shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.
Form of transfer	63. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.
Application for transfer	64. (a) An application for registration of a transfer of the Shares in the Company may be either by the transferor or the transferee. (b) Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice (c) For the purposes of clause (b) above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address, given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

Title of Article	Article Number and contents
Execution of transfer	<p>65.</p> <p>The instrument of transfer of any Share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be witnessed. The transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The requirements of provisions of Section 108 of the Companies Act, 1956 and any statutory modification thereof for the time being shall be duly complied with.</p>
Transfer by legal representatives	<p>66.</p> <p>A transfer of Share in the Company of a deceased Member thereof made by his legal representative shall, although the legal representative is not himself a Member be as valid as if he had been a Member at the time of the execution of the instrument of transfer.</p>
Register of Members etc when closed	<p>67.</p> <p>The Board of Directors shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated to close the Register of Members and/or the Register of debentures holders at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.</p>
Directors may refuse to register transfer	<p>68.</p> <p>Subject to the provisions of Section 111A these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.</p>
Death of one or more joint holders of Shares	<p>69.</p> <p>In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any Share, the survivor or survivors shall be the only persons recognised by the Company as having any title or interest in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on Shares held by him with any other person.</p>
Titles of Shares of deceased Member	<p>70.</p> <p>The Executors or Administrators of a deceased Member or holders of a Succession Certificate or the Legal Representatives in respect of the Shares of a deceased Member (not being one of two or more joint holders) shall be the only persons recognized by the Company as having any title to the Shares registered in the name of such Members, and the Company shall not be bound to recognize such Executors or Administrators or holders of Succession Certificate or the Legal Representative unless such Executors or Administrators or Legal Representative shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be from a</p>

Title of Article	Article Number and contents
	duly constituted Court in the Union of India provided that in any case where the Board of Directors in its absolute discretion thinks it, the Board upon such terms as to indemnity or otherwise as the Directors may deem proper dispense with production of Probate or Letters of Administration or Succession Certificate and register Shares standing in the name of a deceased Member, as a Member. However, provisions of this Article are subject to Sections 109A and 109B of the Companies Act.
Notice of application when to be given	71. Where, in case of partly paid Shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.
Registration of persons entitled to Shares otherwise than by transfer (Transmission Clause)	72. Subject to the provisions of the Act and Article 69 hereto, any person becoming entitled to Share in consequence of the death, lunacy, bankruptcy insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered as a holder, he shall execute an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the Shares. This clause is hereinafter referred to as the "Transmission Clause".
Refusal to register nominee	73. Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any Share of his nominee as if he were the transferee named in an ordinary transfer presented for registration.
Person entitled may receive dividend without being registered as a Member	74. A person entitled to a Share by transmission shall subject to the right of the Directors to retain dividends or money as is herein provided, be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the Share.
No fees on transfer or transmissions	75. No fee shall be charged for registration of transfer, transmission Probate, Succession Certificate & Letters of Administration, Certificate of Death or Marriage, Power of Attorney or other similar documents.
Transfer to be presented with evidence of title	76. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the Shares and generally under and subject to such conditions and regulations as the Board may, from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.
Company not liable for disregard of a notice prohibiting registration of transfer	77. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or

Title of Article	Article Number and contents
	interest to or in the said Shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

SHARE WARRANTS

Title of Article	Article Number and contents
Power to issue share warrants	78. The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence(if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.
Deposit of share warrants	79. (a) The bearer of a share warrant may at any time deposit the warrant at the Office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for call in a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Share included in the deposit warrant (b) Not more than one person shall be recognized as depositor of the Share warrant (c) The Company shall, on two day's written notice, return the deposited share warrant to the depositor
Privileges and disabilities of the holders of share warrant	80. (a) Subject as herein otherwise expressly provided, no person, being a bearer of a share warrant, shall sign a requisition for calling a meeting of the Company or attend or vote or exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notice from the Company. (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the Share included in the warrant, and he shall be a Member of the Company.
Issue of new share warrant coupons	81. The Board may, from time to time, make bye-laws as to terms on which (if it shall think fit), a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

Title of Article	Article Number and contents
Share may be converted into stock	<p>82.</p> <p>The Company may, by Ordinary Resolution:</p> <p>(a) Convert any fully paid up Share into stock, and</p> <p>(b) reconvert any stock into fully paid-up Shares.</p>
Transfer of stock	<p>83.</p> <p>The several holders of such stock may transfer there respective interest therein or any part thereof in the same manner and subject to the same regulations under which the stock arose might before the conversion, have been transferred, or as near thereto as circumstances admit.</p> <p>PROVIDED THAT the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the Shares from which stock arose.</p>
Right of stock holders	<p>84.</p> <p>The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held them Shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in Shares, have conferred those privileges or advantages.</p>
Regulation applicable to stock and share warrant	<p>85.</p> <p>Such of the regulations of the Company as are applicable to the paid up Shares shall apply to stock and the words "Share" and "Share holder" in these regulations shall include "stock" and "stock holder" respectively.</p>

BORROWING POWERS

Title of Article	Article Number and contents
Power to borrow	<p>86.</p> <p>Subject to the provisions of Sections 58A, 292 and 370 of the Act and these Articles, the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purposes of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No debts incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.</p>
The payment or repayment of	<p>87.</p> <p>The payment or repayment of moneys borrowed as aforesaid may be secured in</p>

Title of Article	Article Number and contents
moneys borrowed	such manner and upon such terms and conditions in all respects as the Board of Directors may think fit, and in particular in pursuance of a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of bonds, debentures or debentures stock of the Company, charged upon all or any part of the property of the Company, (both present and future), including its un-called capital for the time being and the debentures and the debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
Terms of issue of Debentures	88. Any debenture, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into Shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at General Meeting, appointment of Directors and otherwise; however, Debentures with the right to conversion into or allotment of Shares shall be issued only with the consent of the Company in General Meeting by a Special Resolution.
Mortgage of uncalled capital	89. If any uncalled capital of the Company is included in or charged by mortgage or other security, the Directors may, subject to the provisions of the Act and these Articles, make calls on the Members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security has been executed.

MEETING OF MEMBERS

Title of Article	Article Number and contents
Statutory meeting	90. The statutory meeting shall be held in accordance with the provisions of Section 165 of the Act within a period of not less than one month and not more than six months from the date on which the Company shall be entitled to commence business.
Annual General Meeting	91. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other Meeting in that year. All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings. An Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Register under the provisions of Section 166 (1) of the Act to extend the time with which any Annual General Meeting may be held. Every Annual General Meeting shall be called at a time during business hours, on a day that is not a public holiday, and shall be held at the office of the Company or at some other place within the city in which the Registered Office of the Company is situated as the Board may determine and the notices calling the Meeting shall specify as the Annual General Meeting. Then company may in any one Annual General Meeting fix the time for its subsequent Annual General Meeting. Every Member of the Company shall be entitled to attend, either in person or by proxy and the Auditors of the Company, shall have the right to attend and be heard at any General Meeting which he attends on any part of the business

Title of Article	Article Number and contents
	<p>which concerns him as an Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Director's Report and audited statement of accounts, the Proxy Register with proxies and the Register of Director's Shareholding, which Registers shall remain open and accessible during the continuance of the Meeting. The Board shall cause to be prepared the annual list of Members, summary of share capital, balance sheet and profit and loss account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.</p>
<p>Report statement and registers to be laid before the Annual General Meeting</p>	<p>92. The Company shall in every Annual General Meeting in addition to any other Report or Statement lay on the table the Director's Report and audited statement of accounts, Auditor's Report (if not already incorporated in the audited statement of accounts), the Proxy Register with proxies and the Register of Director's Shareholdings, which Registers shall remain open and accessible during the continuance of the Meeting.</p>
<p>Extra-Ordinary General Meeting</p>	<p>93. All General Meeting other than Annual General Meeting shall be called Extra-Ordinary General Meeting.</p>
<p>Requisitionists' meeting</p>	<p>94.</p> <p>(1) Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of Members as is hereinafter specified and (unless the General Meeting otherwise resolves) at the expense of the requisitionists:-</p> <p>(a) Give to the Members of the Company entitled to receive notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting.</p> <p>(b) Circulate to the Members entitled to have notice of any General Meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at that Meeting.</p> <p>(2) The number of Members necessary for a requisition under clause (1) hereof shall be</p> <p>(a) Such number of Members as represent not less than one-twentieth of the total voting power of all the Members having at the date of the resolution a right to vote on the resolution or business to which the requisition relates; or</p> <p>(b) not less than one hundred Members having the rights aforesaid and holding Shares in the Company on which there has been paid up an aggregate sum of not less than Rupees one lac in all.</p> <p>(3) Notice of any such resolution shall be given and any such statement shall be circulated, to Members of the Company entitled to have notice of the Meeting sent to them by serving a copy of the resolution or statement to each Member in any manner permitted by the Act for service of notice of the Meeting and notice of any such resolution shall be given to any other Member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act for giving him notice of meeting of the Company. The copy of the resolution shall be served, or notice of the effect of the resolution shall be given, as the case may be in the same manner, and so far as practicable, at the same time as notice of the Meeting and where it is not practicable for it to be served or given at the time it shall be served or given as soon as practicable thereafter.</p>

Title of Article	Article Number and contents
	<p>(4) The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless:</p> <p>(a) A copy of the requisition signed by, the requisitionists (or two or more copies which between them contain the signature of all the requisitionists) is deposited at the Registered Office of the Company.</p> <p>(i) In the case of a requisition, requiring notice of resolution, not less than six weeks before the Meeting.</p> <p>(ii) the case of any other requisition, not less than two weeks before the Meeting, and</p> <p>(b) There is deposited or tendered with the requisition sum reasonably sufficient to meet the Company expenses in giving effect thereto.</p> <p>PROVIDED THAT if after a copy of the requisition requiring notice of a resolution has been deposited at the Registered Office of the Company, and an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purposes also thereof.</p> <p>(5) The Company shall also not be bound under this Article to circulate any statement, if on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this Article are being abused to secure needless publicity for defamatory matter.</p> <p>(6) Notwithstanding anything in these Articles, the business which may be dealt with at Annual General Meeting shall include any resolution for which notice is given in accordance with this Article, and for the purposes of this clause, notice shall be deemed to have been so given, notwithstanding the accidental omission in giving it to one or more Members.</p>
<p>Extra-Ordinary General Meeting by Board and by requisition</p> <p>When a Director or any two Members may call an Extra Ordinary General Meeting</p>	<p>95.</p> <p>(a) The Directors may, whenever they think fit, convene an Extra-Ordinary General Meeting and they shall on requisition of the Members as herein provided, forthwith proceed to convene Extra-Ordinary General Meeting of the Company.</p> <p>(b) If at any time there are not within India sufficient Directors capable of acting to form a quorum, or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a General Meeting, any Director or any two or more Members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call for an Extra-Ordinary General Meeting in the same manner as nearly as possible as that in which meeting may be called by the Directors.</p>
<p>Contents of requisition, and number of requisitionists required and the conduct of Meeting</p>	<p>96.</p> <p>(1) In case of requisition the following provisions shall have effect:</p> <p>(a) The requisition shall set out the matter for the purpose of which the Meeting is to be called and shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company.</p> <p>(b) The requisition may consist of several documents in like form each signed by one or more requisitionists.</p> <p>(c) The number of Members entitled to requisition a Meeting in regard to any matter shall be such number as hold at the date of the deposit of the requisition, not</p>

Title of Article	Article Number and contents
	<p>less than one-tenth of such of the paid-up share capital of the Company as that date carried the right of voting in regard to that matter.</p> <p>(d) Where two or more distinct matters are specified in the requisition, the provisions of sub-clause (3) shall apply separately in regard to such matter, and the requisition shall accordingly be valid only in respect of those matters in regard to which the conditions specified in that clause are fulfilled.</p> <p>(e) If the Board does not within twenty-one days from the date of the deposit of a valid requisition in regard to any matters, proceed, duly to call a Meeting for the consideration of those matters on a day not later than forty-five days from the date of the deposit of the requisition, the Meeting may be called:</p> <p>(i) By the requisitionists themselves ; or</p> <p>(ii) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of the paid-up share capital of the Company as is referred to in sub clauses (c) of clause (I) which ever is less. PROVIDED THAT for the purpose of this sub-clause, the Board shall, in the case of a Meeting at which a resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the Meeting if they do not give such notice thereof as is required by sub-section (2) of Section 189 of the Act.</p> <p>(2) A meeting called under sub-clause (c) of clause (1) by requisitionists or any of them:</p> <p>(a) shall be called in the same manner as, nearly as possible, as that in which meeting is to be called by the Board; but</p> <p>(b) shall not be held after the expiration of three months from the date of deposit of the requisition. PROVIDED THAT nothing in sub-clause (b) shall be deemed to prevent a Meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some days after the expiry of that period.</p> <p>(3) Where two or more Persons hold any Shares in the Company jointly; a requisition or a notice calling a Meeting signed by one or some only of them shall, for the purpose of this Article, have the same force and effect as if it has been signed by all of them.</p> <p>(4) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly to call a Meeting shall be repaid to the requisitionists by the Company; and any sum repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.</p>
Length of notice of Meeting	<p>97.</p> <p>(1) A General Meeting of the Company may be called by giving not less than twenty-one days notice in writing.</p> <p>(2) A General Meeting may be called after giving shorter notice than that specified in clause (1) hereof, if consent is accorded thereto:</p> <p>(i) In the case of Annual General Meeting by all the Members entitled to vote thereat; and</p> <p>(ii) In the case of any other Meeting, by Members of the Company holding not less than ninety-five percent of such part of the paid up share capital of the Company as gives a right to vote at the Meeting.</p>

Title of Article	Article Number and contents
	<p>PROVIDED THAT where any Members of the Company are entitled to vote only on some resolution, or resolutions to be moved at a Meeting and not on the others, those Members shall be taken into account for the purposes of this clause in respect of the former resolutions and not in respect of the later.</p>
<p>Contents and manner of service of notice</p>	<p>98.</p> <p>(1) Every notice of a Meeting of the Company shall specify the place and the day and hour of the Meeting and shall contain a statement of the business to be transacted thereat.</p> <p>(2) Subject to the provisions of the Act notice of every General Meeting shall be given;</p> <p>(a) to every Member of the Company, in any manner authorised by sub-sections (1) to (4) Section 53 of the Act;</p> <p>(b) to the persons entitled to a Share in consequence of the death, or insolvency of a Member, by sending it through post in a prepaid letter addressed to them by name or by the title of representative of the deceased, or assignees of the insolvent, or by like description, at the address, if any in India supplied for the purpose by the persons claiming to be so entitled or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and</p> <p>(c) to the Auditor or Auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of Members of the Company</p> <p>PROVIDED THAT, where the notice of a Meeting is given by advertising the same in a newspaper circulating in the neighbourhood of Registered Office of the Company under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that Section, but it shall be mentioned in the advertisement that the statement has been forwarded to the Members of the Company.</p> <p>(3) Every notice convening a Meeting of the Company shall state with reasonable prominence that a Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself and that a proxy need not be a Member of the Company.</p>
<p>Special and ordinary business and explanatory statement</p>	<p>99.</p> <p>(1)(a) In the case of an Annual General Meeting all business to be transacted at the Meeting shall be deemed special, with the exception of business relating to</p> <p>(i) the consideration of the accounts, balance sheet the reports of the Board of Directors and Auditors;</p> <p>(ii) the declaration of dividend;</p> <p>(iii) the appointment of Directors in the place, of those retiring; and</p> <p>(iv) the appointment of, and the fixing of the remuneration of the Auditors, and</p> <p>(b) In the case of any other meeting, all business shall be deemed special</p> <p>(2) Where any items of business to be transacted at the Meeting of the Company are deemed to be special as aforesaid, there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such item, of business, including in particular the nature of the concern or interest, if any, therein of every Director.</p>

Title of Article	Article Number and contents
	<p>PROVIDED THAT, where any such item of special business at the Meeting of the Company relates to or affects, any other company, the extent of shareholding interest in that other company of every Director of the Company shall also be set out in the statement, if the extent of such shareholding interest is not less than twenty percent of the paid up-share capital of the other company.</p> <p>(3) Where any item of business consists of the according of approval to any document by the Meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.</p>
Omission to give notice not to invalidate proceedings	<p>100.</p> <p>The accidental omission to give such notice as aforesaid to or non-receipt thereof by, any Member or other person to whom it should be given, shall not invalidate the proceedings of any such Meeting.</p>

MEETING OF MEMBERS

Title of Article	Article Number and contents
Notice of business to be given	<p>101.</p> <p>No General Meeting, Annual or Extra-Ordinary shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices convening the Meeting.</p>
Quorum	<p>102.</p> <p>Five Members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the General Meeting unless the quorum requisite be present at the commencement of the Meeting. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a Member of the Company shall be deemed to be personally present if it is presented in accordance with Section 187 of the Act.</p>
If quorum not present when Meeting to be dissolved and when to be adjourned	<p>103.</p> <p>If within half an hour from the time appointed for holding a Meeting of the Company, a quorum is not present, the Meeting, if called by or upon the requisition of the Members shall stand dissolved and in any other case the Meeting shall stand, adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday, at the same time and place or to such other day and at such other time and place as the Board may determine. If at the adjournment meeting also, a quorum is not present within half an hour from the time appointed for holding the Meeting, the Members present shall be a quorum and may transact the business for which the Meeting was called.</p>
Resolution passed at adjourned Meeting	<p>104.</p> <p>Where a resolution is passed at an adjourned Meeting of the Company, the resolution for all purposes is treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.</p>
Chairman of General Meeting.	<p>105.</p> <p>At every General Meeting the Chair shall be taken by the Chairman of the Board of Directors. If at any Meeting, the Chairman of the Board of Directors is not present within ten minutes after the time appointed for holding the Meeting or though present, is unwilling to act as Chairman, the Vice Chairman of the Board of</p>

Title of Article	Article Number and contents
	Directors would act as Chairman of the Meeting and if Vice Chairman of the Board of Directors is not present or, though present, is unwilling to act as Chairman, the Directors present may choose one of themselves to be a Chairman, and in default or their doing so or if no Directors shall be present and willing to take the Chair, then the Members present shall choose one of themselves, being a Member entitled to vote, to be Chairman.
Act for resolution sufficiently done or passed by Ordinary Resolution unless otherwise required.	105(A) Any act or resolution which, under the provisions of these Articles or of the Act, is permitted or required to be done or passed by the Company in General Meeting shall be sufficiently done so or passed if effected by an Ordinary Resolution unless either the Act or the Articles specifically require such act to be done or resolution be passed by a Special Resolution.
Business confined to election of Chairman whilst the Chair is vacant	106. No business shall be discussed at any General Meeting except the election of a Chairman whilst the Chair is vacant.
Chairman may adjourn Meeting	107. (a) The Chairman may with the consent of Meeting at which a quorum is present and shall if so directed by the Meeting adjourn the Meeting from time to time and from place to place. (b) No business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place. (c) When a Meeting is adjourned for thirty days or more notice of the adjourned Meeting shall be given as in the case of an original Meeting. (d) Save as aforesaid, it shall not be necessary to give any notice of an adjournment of or of the business to be transacted at any adjourned Meeting.
How questions are decided at Meetings	108. Every question submitted to a General Meeting shall be decided in the first instance by a show of hands unless the poll is demanded as provided in these Articles.
Chairman's declaration of result of voting on show of hands	109. A declaration by the Chairman of the Meeting that on a show of hands, a resolution has or has not been carried either unanimously or by a particular majority, and an entry to that effect in the book containing the minutes of the proceeding of the Company's General Meeting shall be conclusive evidence of the fact, without proof of the number or proportion of votes cast in favour of or against such resolution.
Appointment of scrutineers	113. Where a poll is to be taken, the Chairman of the Meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a Member (not being an officer or employee of the Company) present at the Meeting, provided such a Member is available and willing to be appointed. The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and fill vacancies in the office of the scrutineer arising from such removal or from any other cause.

DIRECTORS

Title of Article	Article Number and contents
Number of Directors	<p>134.</p> <p>Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve.</p>
First Directors	<p>135.</p> <p>The persons hereinafter named shall be the first Directors of the Company:- Mr. K Narasimha Reddy, K Jalandhar Reddy, K Ranga Reddy and Mr. J V Panindra Reddy</p>
Debenture Directors	<p>136.</p> <p>Any Trust Deed for securing Debentures may if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of Debentures, of some person to be a Director of the Company and may empower such Trustees or holder of Debentures, from time to time, to remove and re-appoint any Director so appointed. The Director appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be agreed between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions contained herein.</p>
Nominee Director or Corporation Director	<p>137.</p> <p>a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to Industrial Finance Corporation of India (IFCI), ICICI Ltd.(ICICI), The Industrial Development Bank of India (IDBI) or any other financing company or body out of any loans granted or to be granted by them to the Company or so long as IFCI, ICICI, IDBI or any other financing corporation or credit corporation or any other financing company or body (each of which IFCI, ICICI, IDBI or any other financing corporation or credit corporation or any other financing company or body is hereinafter in this Article referred to as "The Corporation") continue to hold Debentures in the Company by direct subscription or private placement, or so long as the Corporation holds Shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director(s)") on the Board of the Company and to remove from such office any persons so appointed and to appoint any person or persons in his/ their places.</p> <p>b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). Such Nominee Director(s) shall not be required to hold any Share qualification in the Company. Further Nominee Director shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Directors(s) shall be entitled to the same rights and privileges and be subject to the obligations as any other Director of the Company.</p> <p>c) The Nominee Director(s) so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and the Nominee Director/s so appointed in exercise of the said power, shall <i>ipso facto</i> vacate such office immediately on the moneys owing by the Company to the</p>

Title of Article	Article Number and contents
	<p>Corporation being paid off</p> <p>d) The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and all the Meetings of the Committee of which the Nominee Director(s) is/are Member(s) as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.</p> <p>e) The sitting fees in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any other fees, commission, moneys or remuneration in any form is payable to the Nominee Director of the Company, such fees, commission, moneys and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s), in connection with their appointment or Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s provided that if any such Nominee Director/s is/are an officer(s) of the Corporation..</p> <p>f) Provided also that in the event of the Nominee Director(s) being appointed as Whole-time Director(s); such Nominee Director/s shall exercise such power and duties as may be approved by the lenders and have such rights as are usually exercised or available to a whole-time Director in the management of the affairs of Company. Such Nominee Director shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation(s) nominated by him.</p>
Limit on number of retaining Directors	<p>138.</p> <p>The provisions of Articles 136, 137 and 138 are subject to the provisions of Section 256 of the Act and number of such Directors appointed under Article 137 shall not exceed in the aggregate one third of the total number of Directors for the time being in office.</p>
Alternate Director	<p>139.</p> <p>The Board may appoint, an Alternate Director recommended for such appointment by the Director (hereinafter in this Article called "the Original Director") to act for him during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. Every such Alternate Director shall, subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meetings of Directors and to attend and vote as a Director and be counted for the purposes of a quorum and generally at such Meetings to have and exercise all the powers and duties and authorities of the Original Director. The Alternate Director appointed under this Article shall vacate office as and when the Original Director returns to the State in which the meetings of the Board are ordinarily held and if the term of office of the Original Director is determined before he returns to as aforesaid, any provisions in the Act or in these Articles for automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director.</p>
Additional Directors	<p>141.</p> <p>The Directors shall have the power at any time and from time to time to appoint any other person to be a Director as an addition to the Board ("Additional Director") so that the total number of Directors shall not at any time exceed the maximum fixed by these Articles. Any person so appointed as an Additional Director to the Board shall hold his office only upto the date of the next Annual</p>

Title of Article	Article Number and contents
	General Meeting and shall be eligible for election at such Meeting.
Qualification shares	142. A Director need not hold any qualification shares.
Directors' sitting fees	143. The fees payable to a Director for attending each Board meeting shall be such sum as may be fixed by the Board of Directors not exceeding such sum as may be prescribed by the Central Government for each of the meetings of the Board or a Committee thereof and adjournments thereto attended by him. The Directors, subject to the sanction of the Central Government (if any required) may be paid such higher fees as the Company in General Meeting shall from time to time determine.
Disqualification of the Director	151. (1)A person shall not be capable of being appointed Director of the Company if:- (a)he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force; (b) he is an undischarged insolvent; (c) he has applied to be adjudged an insolvent and his application is pending; (d) he has been convicted by a Court of any offence involving moral turpitude sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed form the date of expiry of the sentence; (e) he has not paid any call in respect of Shares of the Company held by him whether alone or jointly with others and six months have lapsed from the last day fixed for the payment of the call; or (f) an order disqualifying him for appointment as Director has been passed by a Court in pursuance of Section 203 of the Act and is in force; unless the leave of the Court has been obtained for his appointment in pursuance of that Section.
Vacation of office by Directors	151. (2) The office of Director shall become vacant if:- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or (b) he applies to be adjudged an insolvent; or (c) he is adjudged an insolvent; or (d) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for less than six months; or (e) he fails to pay any call in respect of Shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government, by a notification in the Official Gazette removes the disqualification incurred by such failure; or (f) absents himself from three consecutive meetings of the Board of Directors, or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or (g) he(whether by himself or by any person for his benefit or on his account or any firm in which he is a partner or any private company of which he is a director), accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or

Title of Article	Article Number and contents
	<p>(h) he being in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company fails to disclose the nature of his concern or interest at a meeting of the Board of Directors as required by Section 299 of the Act; or</p> <p>(i) he becomes disqualified by an order of the Court under Section 203 of the Act; or</p> <p>(j) he is removed by an Ordinary Resolution of the Company before the expiry of his period of notice; or</p> <p>(k) if by notice in writing to the Company, he resigns his office, or</p> <p>(l) having been appointed as a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.</p>
Vacation of office by Directors (contd.)	<p>151.</p> <p>(3) Notwithstanding anything contained in sub-clauses (c), (d) and (i) of sub clause (2) hereof, the disqualification referred to in these clauses shall not take effect:</p> <p>(a) for thirty days from the date of the adjudication, sentence or order;</p> <p>(b) where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or</p> <p>(c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order, and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.</p>
Removal of Directors	<p>152.</p> <p>(a) The Company may subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles by Ordinary Resolution remove any Director not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiry of his period of office.</p> <p>(b) Special Notice as provided by these Articles or Section 190 of the Act, shall be required of any resolution to remove a Director under the Article or to appoint some other person in place of a Director so removed at the Meeting at which he is removed.</p> <p>(c) On receipt of notice of a resolution to remove a Director under this Article; the Company shall forthwith send a copy; thereof to the Director concerned and the Director (whether or not he is a Member of a Company) shall be entitled to be heard on the resolution at the Meeting.</p> <p>(d) where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding reasonable length) and requests their notification to Members of the Company, the Company shall, unless the representations are, received by it too late for it to do so:</p> <p>(i) in the notice of the resolution given to the Members of the Company state the</p>

Title of Article	Article Number and contents
	<p>fact of the representations having been made, and (ii) send a copy of the representations to every Member of the Company to whom notice of the Meeting is sent (before or after the representations by the Company) and if a copy of the representations is not sent as aforesaid because they were received too late or because of the Company's default the Director may (without prejudice to his right to be heard orally) require that the representation shall be read out at the Meeting; provided that copies of the representation need not be sent or read out at the Meeting if on the application, either of the Company or of any other person who claims to be aggrieved by the Court is satisfied that the rights concerned by this sub-clause are being abused to secure needless publicity for defamatory matter.</p> <p>(e) A vacancy created by the removal of the Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board, in pursuance of Article 143 or Section 262 of the Act be filled by the appointment of another Director in his place by the Meeting at which he is removed, provided special notice of the intended appointment has been given under sub clause (3) hereof. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.</p> <p>(f) If the vacancy is not filled under sub-clause(e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they are applicable of Article 143 or Section 162 of the Act, and all the provisions of that Article and Section shall apply accordingly</p> <p>(g) A Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.</p> <p>(h) Nothing contained in this Article shall be taken:- (i) as depriving a person removed hereunder of any compensation of damages payable to him in respect of the termination of his appointment as Director, or (ii) as derogating from any power to remove a Director which may exist apart from this Article.</p>

ROTATION AND APPOINTMENT OF DIRECTORS

Title of Article	Article Number and contents
Rotation of Directors	<p>155. Not less than two third of the total number of Directors shall (a) be persons whose period of the office is liable to termination by retirement by rotation and (b) save as otherwise expressly provided in the Articles be appointed by the Company in General Meeting.</p>
Retirement of Directors	<p>156. Subject to the provisions of Articles 138 and 140, the non-retiring Directors should be appointed by the Board for such period or periods as it may in its discretion deem appropriate.</p>
Retiring Directors	<p>157. Subject to the provisions of Section 256 of the Act and Articles 136 to 143, at every Annual General Meeting of the Company, one-third or such of the Directors for the time being as are liable to retire by rotation; or if their number is not three or a multiple of three the number nearest to one-third shall retire from office. The Debenture Directors, Nominee Directors, Corporation Directors, Managing Directors if any, subject to Article 169, shall not be taken into account in determining the number of Directors to retire by rotation. In these Articles a</p>

Title of Article	Article Number and contents
	"Retiring Director" means a Director retiring by rotation.
Ascertainment of Directors retiring by rotation and filling of vacancies	<p>158.</p> <p>Subject to Section 288 (5) of the Act, the Directors retiring by rotation under Article 160 at every Annual General Meeting shall be those, who have been longest in office since their last appointment, but as between those who became Directors on the same day, those who are to retire shall in default of and subject to any agreement amongst themselves be determined by the lot.</p>
Provision in default of appointment	<p>161.</p> <p>(a) If the place of retiring Director is not so filled up and the Meeting has not expressly resolved not to fill the vacancy, the Meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.</p> <p>(b) If at the adjourned Meeting also, the place of the retiring Director is not filled up and the Meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned Meeting, unless:</p> <p>(i) at that Meeting or the previous Meeting a resolution for the re-appointment of such Director has been put to the Meeting and lost.</p> <p>(ii) the retiring Director has by a notice in writing addressed to the Company or its Board of Directors expressed his unwillingness to be so re-appointed.</p> <p>(iii) he is not qualified or is disqualified for appointment</p> <p>(iv) a resolution, whether Special or Ordinary is required for his appointment or re-appointment by virtue of any provisions of the Act, or</p> <p>(v) the provision of the sub-section (2) of section 263 of the Act is applicable to the case.</p>
Company may increase or reduce the number of Directors or remove any Director	<p>162.</p> <p>Subject to the provisions of Section 252,255 and 259 of the Act, the Company may by Ordinary Resolution from time to time, increase or reduce the number of Directors and may alter qualifications.</p>
Appointment of Directors to be voted individually	<p>163.</p> <p>(a) No motion, at any General Meeting of the Company shall be made for the appointment of two or more persons as Directors of the Company by a single resolution unless a resolution that it shall be so made has been first agreed to by the Meeting without any vote being given against it.</p> <p>(b) A resolution moved in contravention of clause (a) hereof shall be void, whether or not objection was taken at the time of its being so moved, provided where a resolution so moved has passed no provisions or the automatic re-appointment of retiring Directors in default of another appointment as therein before provided shall apply.</p> <p>(c) For the purposes of this Article, a motion for approving a person's appointment, or for nominating a person for appointment, shall be treated as a motion for his appointment.</p>

MANAGING DIRECTOR

Title of Article	Article Number and contents
Powers to appoint Managing Director	<p>166.</p> <p>Subject to the provisions of Section 267, 268, 269, 316 and 317 of the Act, the Board may, from time to time, appoint one or more Directors to be Managing Director or Managing Directors or Whole time Directors of the Company, for a fixed term not exceeding five years as to the period for which he is or they are to hold such office, and may, from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.</p> <p>(a) The Managing Director shall perform such functions and exercise such powers as are delegated to him by the Board of Directors of the Company in accordance with the provisions of the Companies Act, 1956.</p> <p>(b) Subject to the provisions of Sections 255 of the Act, the Managing Director shall not be while he continues to hold that office, subject to retirement by rotation.</p>
Special position of Managing Director	<p>168.</p> <p>Subject to any contract between him and the Company, a Managing or Whole time Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but (subject to the provision of any contract between him and the Company), he shall be subject to the same provisions as to resignation and removal as the Directors of the Company and shall, <i>ipso facto</i> and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause.</p>
Powers of Managing Director	<p>169.</p> <p>The Director may from time to time entrust to and confer upon a Managing Director or Whole time Director for the time being such of the powers exercisable under these provisions by the Directors, as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they think expedient, and they may confer such powers, either collaterally with, or to the exclusion of and in substitution for, all or any of the powers of the Directors in that behalf and from time to time, revoke, withdraw, alter, or vary all or any of such powers.</p>
	<p>170.</p> <p>The Company's General Meeting may also from time to time appoint any Managing Director or Managing Directors or Whole time Director or Whole time Directors of the Company and may exercise all the powers referred to in these Articles.</p>
	<p>171.</p> <p>Receipts signed by the Managing Director for any moneys, goods or property received in the usual course of business of the Company or for any money, goods, or property lent to or belonging to the Company shall be an official discharge on behalf of and against the Company for the money, funds or property which in such receipts shall be acknowledged to be received and the persons paying such moneys shall not be bound to see to the application or be answerable for any misapplication thereof. The Managing Director shall also have the power to sign and accept and endorse cheques on behalf of the Company.</p>
	<p>172.</p>

Title of Article	Article Number and contents
	The Managing Director shall be entitled to sub-delegate (with the sanction of the Directors where necessary) all or any of the powers, authorities and discretions for the time being vested in him in particular from time to time by the appointment of any attorney or attorneys for the management and transaction of the affairs of the Company in any specified locality in such manner as they may think fit.
	173. Notwithstanding anything contained in these Articles, the Managing Director is expressly allowed generally to work for and contract with the Company and especially to do the work of Managing Director and also to do any work for the Company upon such terms and conditions and for such remuneration (subject to the provisions of the Act) as may from time to time be agreed between him and the Directors of the Company.
Appointment and powers of Manager	173A The Board may, from time to time, appoint any Manager (under Section 2(24) of the Act) to manage the affairs of the Company. The Board may from time to time entrust to and confer upon a Manager such of the powers exercisable under these Articles by the Directors, as they may think fit, and may, confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they think expedient.

POWERS OF THE BOARD

Title of Article	Article Number and contents
General powers of management vested in the Board of Directors	184. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid Articles, as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meeting :- (a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking; (b) remit, or give time for the repayment of, any debt due by a Director, (c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition or any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time; (d) borrow moneys where the moneys to be borrowed together with the moneys

Title of Article	Article Number and contents
	<p>already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose;</p> <p>(e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding whichever is greater, provided that the Company in the General Meeting or the Board of Directors shall not contribute any amount to any political party or for any political purposes to any individual or body;</p> <p>(i) Provided that in respect of the matter referred to in clause (d) and clause (e) such consent shall be obtained by a resolution of the Company which shall specify the total amount upto which moneys may be borrowed by the Board under clause (d) of as the case may be total amount which may be contributed to charitable or other funds in a financial year under clause (e)</p> <p>(ii) Provided further that the expression "temporary loans" in clause (d) above shall mean loans repayable on demand or within six months from the date of the loan such as short term cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but does not include loans raised for the purpose of financing expenditure of a capital nature.</p>
<p>Certain powers to be exercised by the Board only at Meetings</p>	<p>185.</p> <p>(1) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at the meeting of the Board;</p> <p>(a) the power to make calls, on shareholders in respect of money unpaid on their Shares,</p> <p>(b) the power to issue Debentures,</p> <p>(c) the power to borrow moneys otherwise than on Debentures,</p> <p>(d) the power to invest the funds of the Company, and</p> <p>(e) the power to make loans</p> <p>Provided that the Board may, by resolution passed at a Meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company, the powers specified in sub-clause (c) (d) and (e) to the extent specified below:</p> <p>(2) Every resolution delegating the power referred to in sub-clause (1) (c) above shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.</p> <p>(3) Every resolution delegating the power referred to in sub-clause (1) (d) above shall specify the total amount upto which the funds of the Company may be invested, and the nature of the investments which may be made by the delegate.</p> <p>(4) Every resolution delegating the power referred to in sub-clause (1) (e) above shall specify the total amount upto which loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.</p>

Title of Article	Article Number and contents
Certain powers of the Board	<p data-bbox="464 226 513 254">186.</p> <p data-bbox="464 268 1338 422">Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power:</p> <ol style="list-style-type: none"> <li data-bbox="483 436 1338 527">(1) To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company. <li data-bbox="483 541 1338 632">(2) To pay and charge to the capital account of the Company any commission or interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act. <li data-bbox="483 646 1338 856">(3) Subject to Section 292 and 297 and other provisions applicable of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory. <li data-bbox="483 871 1338 1144">(4) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such Shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged. <li data-bbox="483 1159 1338 1276">(5) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit. <li data-bbox="483 1291 1338 1381">(6) To accept from any Member, as far as may be permissible by law to a surrender of his Shares or any part thereof, on such terms and conditions as shall be agreed. <li data-bbox="483 1396 1338 1549">(7) To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees. <li data-bbox="483 1564 1338 1837">(8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon either according to Indian law or according to foreign law and either in India or abroad and to observe and perform or challenge any award made thereon. <li data-bbox="483 1852 1338 1879">(9) To act on behalf of the Company in all matters relating to bankruptcy

Title of Article	Article Number and contents
	<p>and insolvency, winding up and liquidation of companies.</p> <p>(10) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.</p> <p>(11) Subject to the provisions of Sections 291, 292, 295, 370,372 and all other applicable provisions of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such security (not being Shares of this Company), or without security and in such manner as they may think fit and from time to time vary or realize such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.</p> <p>(12) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.</p> <p>(13) To open bank account and to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.</p> <p>(14) To distribute by way of bonus amongst the staff of the Company a Share or Shares in the profits of the Company and to give to any, Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as a part of the working expenses of the Company.</p> <p>(15) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing, to provide other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provision of Section 293(1)(e) of the Act, to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or object which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of the public and general utility or otherwise.</p> <p>(16) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as reserve fund or any special fund to meet contingencies or to repay redeemable preference shares or debentures or debenture stock, or for special dividends or for equalizing dividends or for repairing, improving, extending and</p>

Title of Article	Article Number and contents
	<p data-bbox="558 226 1344 953">maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest several sums so set aside or so much thereof as required to be invested, upon such investments (other than Shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any such part thereof for the benefit of the Company, in such a manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the general reserve or reserve fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of reserve fund or division of a reserve fund and with full power to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of redeemable preference shares or debentures or debenture stock, and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.</p> <p data-bbox="487 970 1344 1360">(17) To appoint, and at their discretion, remove or suspend, such general managers, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisors, research workers, labourers, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think and the provisions contained in the four next following sub-clauses shall be without prejudice to the general conferred by this sub-clause.</p> <p data-bbox="477 1377 1344 1650">(17A) To appoint or authorize appointment of officers, clerks and servants for permanent or temporary or special services as the Board may from time to time think fit and to determine their powers and duties and to fix their salaries and emoluments and to require securities in such instances and of such amounts as the Board may think fit and to remove or suspend any such officers, clerks and servants. Provided further that the Board may delegate matters relating to allocation of duties, functions, reporting etc. of such persons to the Managing Director or Manager.</p> <p data-bbox="487 1667 1344 1785">(18) From time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such local Boards, and to fix their remuneration or salaries or emoluments.</p> <p data-bbox="487 1801 1344 1890">(19) Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their</p>

Title of Article	Article Number and contents
	<p>power to make calls or to make loans or borrow money, and to authorise the members for the time being of any such local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such terms and subject to such conditions as the Board may think fit, and Board may at any time remove any person so appointed, and may annul or vary any such delegation.</p> <p>(20) At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or person to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provisions of Section 292 of the Act) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and such Power of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.</p> <p>(21) Subject to Sections 294 and 297 and other applicable provisions of the Act, for or in relation to any of the matters aforesaid or, otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.</p> <p>(22) From time to time to make, vary and repeal bye-laws for the regulations of the business of the Company, its officers and servants.</p> <p>(23) To purchase or otherwise acquire any land, buildings, machinery, premises, hereditaments, property, effects, assets, rights, credits, royalties, business and goodwill of any joint stock company carrying on the business which the Company is authorized to carry on in any part of India.</p> <p>(24) To purchase, take on lease, for any term or terms of years, or otherwise acquire any factories or any land or lands, with or without buildings and out-houses thereon, situated in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit. And in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.</p> <p>(25) To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as it may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company, either separately or co jointly, also to insure all or any portion of the goods, produce, machinery and other articles imported or exported-by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.</p>

Title of Article	Article Number and contents
	<p>(26) To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trade mark, patent, invention or technical know-how.</p> <p>(27) To sell from time to time any articles, materials, machinery, plants, stores and other articles and thing belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and by-products.</p> <p>(28) From time to time to extend the business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company, or by erecting new or additional buildings, and to expend such sum of money for the purpose aforesaid or any of them as they be thought necessary or expedient.</p> <p>(29) To undertake on behalf of the Company any payment of rents and the performance of the covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions, and otherwise to acquire on free hold sample of all or any of the lands of the Company for the time being held under lease or for an estate less than freehold estate.</p> <p>(30) To improve, manage, develop, exchange, lease, sell, resell and re-purchase, dispose off, deal or otherwise turn to account, any property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.</p> <p>(31) <i>To let, sell or otherwise dispose of subject to the provisions of Section 293 of the Act and of the other Articles any property of the Company, either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment in satisfaction for the same in cash or otherwise as it thinks fit.</i></p> <p>(32) Generally subject to the provisions of the Act and these Articles, to delegate the powers/authorities and discretions vested in the Directors to any person(s), firm, company or fluctuating body of persons as aforesaid.</p>

DIVIDENDS AND CAPITALISATION OF RESERVES

Title of Article	Article Number and contents
Division of profits	<p>192.</p> <p>(a) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any of Share in the Company, dividends may be declared and paid according to the amounts of the Shares.</p> <p>(b) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Shares.</p>

Title of Article	Article Number and contents
The Company at General Meeting may declare dividend	193. The Company in General Meeting may declare dividends, to be paid to Members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors. However, the Company may declare a smaller dividend than that recommended by the Board in General Meeting.
Dividends out of profits only	194. No dividend shall be payable except out of profits of the Company arrived at the manner provided for in Section 205 of the Act.
Interim dividend	195. The Board of Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies.
Debts may be deducted	196. (a) The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists. (b) The Board of Directors may retain the dividend payable upon Shares in respect of which any person is, under the Transmission Article, entitled to become a Member or which any person under that Article is entitled to transfer until such person shall become a Member or shall duly transfer the same.
Capital paid-up in advance as interest not to earn dividend	197. Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.
Dividends in proportion to amounts paid-up	198. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid, but if any Share is issued on terms provided that it shall rank for dividends as from a particular date such Share shall rank for dividend accordingly.
No Member to receive dividend while indebted to the Company and the Company's right in respect thereof	199. No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or Shares (or otherwise however either alone of jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.
Effect of transfer of Shares	200. A transfer of Shares shall not pass the right to any dividend declared therein before the registration of the transfer.
Dividend to joint holders	201. Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares.
Dividend how remitted	202. The dividend payable in cash may be paid by cheque or warrant sent through post directly to registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transit or for any dividend lost, to the Member or person entitled

Title of Article	Article Number and contents
	thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.
Notice of dividend	203. Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holders of Share in the manner herein provided.
Reserves	204. The Directors may, before recommending or declaring any dividend set aside out of the profits of the Company such sums as they think proper as reserve or reserves, which shall, at the discretion of the Directors, be applicable for meeting contingencies or for any other purposes to which the profits of the Company may be properly applied and pending such application, may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.
Dividend to be paid within time required by law.	205. The Company shall pay the dividend, or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within such time as may be required by law from the date of the declaration unless:- (a) where the dividend could not be paid by reason of the operation on any law; or (b) where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; or (c) where there is dispute regarding the right to receive the dividend; or (d) where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder; or (e) where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.
Unclaimed dividend	206. Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the company in that behalf in any scheduled bank, to be called "Unpaid Dividend Account". Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act. No unclaimed or unpaid dividend shall be forfeited by the Board.
Set-off of calls against dividends	207. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the Meeting fixes but so that the call on each Member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the Members, be set off against the calls.

Title of Article	Article Number and contents
Dividends in cash	<p>208.</p> <p>No dividends shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by Members of the Company.</p>
Capitalisation	<p>209.</p> <p>(1)The Company in General Meeting may, upon the recommendation of the Board, resolve:</p> <p>(a) That is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and</p> <p>(b)that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportion.</p> <p>(2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3) either in or towards;</p> <p>(a) paying up any amount for the time being unpaid on any Shares held by such Members respectively, or</p> <p>(b) paying up in full unissued Shares of the Company to be allocated and distributed, credited as fully paid up, to and amongst Members in the proportion aforesaid, or</p> <p>(c) partly in the way specified in sub clause (a) and partly in that specified in sub-clause(b)</p> <p>(3) A share premium account and capital redemption reserve account may, for the purpose of this Article, only be applied in the paying up of unissued Shares to be issued to Members of the Company as fully paid bonus shares.</p>
Board to give effect	<p>210.</p> <p>The Board shall give effect to the resolution passed by the Company in pursuance of above Article.</p>
Fractional certificates	<p>211.</p> <p>(1) Whenever such a resolution as aforesaid shall have been passed, the Board shall;</p> <p>(a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid Shares and</p> <p>(b) Generally do all acts and things required to give effect thereto.</p> <p>(2)The Board shall have full power:</p> <p>(a) to make such provision by the issue of fractional cash certificate or by payment in cash or otherwise as it thinks fit, in the case of Shares becoming distributable in fractions, also</p> <p>(b) to authorise any person to enter, on behalf of all the Members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further Shares to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their</p>

Title of Article	Article Number and contents
	<p>behalf by the application thereof of the respective proportions of the profits resolved to be capitalised of the amounts remaining unpaid on their existing Shares.</p> <p>(3) Any agreement made under such authority shall be effective and binding on all such Members.</p> <p>(4) That for the purpose of giving effect to any resolution, under the preceding paragraph of this Article, the Directors may give such directions as may be necessary and settle any question or difficulties that may arise in regard to any issue including distribution of new Shares and fractional certificates as they think fit.</p>

ACCOUNTS

Title of Article	Article Number and Contents
Statements of accounts to be furnished to General Meeting	<p>214.</p> <p>The Board of Directors shall from time to time in accordance with Sections 210, 211, 212, 216 and 217 of the Act, cause to be prepared and laid before each Annual General Meeting a profit and loss account for the financial year of the Company and a balance sheet made up as at the end of the financial year which shall be a date which shall not precede the day of the Meeting by more than six months or such extended period as shall have been granted by the Registrar under the provisions of the Act.</p>
Accounts to be audited	<p>216.</p> <p>Once at least in every year the accounts of the Company shall be examined, balanced and audited and the correctness of the profit and loss Account and the balance sheet ascertained by one or more Auditor or Auditors.</p>

REGISTERS AND DOCUMENTS

Title of Article	Article Number and Contents
Registers and documents to be maintained by the Company	<p>223.</p> <p>The Company shall keep and maintain registers, books and documents required by the Act or these Articles, including the following:</p> <ul style="list-style-type: none"> (a) Register of investments made by the Company but not held in its own name, as required by Section 49(7) of the Act (b) Register of mortgages and charges as required by Section 143 of the Act and copies of instruments creating any charge requiring registration according to Section 136 of the Act. (c) Register and index of Members and debenture holders as required by Sections 150, 151 and 152 of the Act. (d) Foreign register, if so thought fit, as required by Section 157 of the Act (e) Register of contracts, with companies and firms in which Directors are interested as required by Section 301 of the Act. (f) Register of Directors and Secretaries etc. as required by Section 303 of the Act. (g) Register as to holdings by Directors of Shares and/or Debentures in the Company as required by Section 307 of the Act. (h) Register of investments made by the Company in Shares and Debentures of the bodies corporate in the same group as required by Section 372(2) of the

	<p>Act.</p> <p>(i) Copies of annual returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act.</p> <p>(j) Register of loans, guarantees, or securities given to the other companies under the same management as required by Section 370 of the Act.</p>
Inspection of Registers	<p>224.</p> <p>The registers mentioned in clauses (f) and (i) of the foregoing Article and the minutes of all proceedings of General Meetings shall be open to inspection and extracts may be taken therefrom and copies thereof may be required by any Member of the Company in the same manner to the same extent and on payment of the same fees as in the case of the Register of Members of the Company provided for in clause (c) thereof. Copies of entries in the registers mentioned in the foregoing article shall be furnished to the persons entitled to the same on such days and during such business hours as may be consistent with the provisions of the Act in that behalf as determined by the Company in General Meeting.</p>

WINDING UP

Title of Article	Article Number and Contents
Distribution of assets	<p>225.</p> <p>If the Company shall be wound up, and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in the proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the Shares held by them respectively, and if in the winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the Shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of Shares issued upon special terms and conditions.</p>
Distribution in specie or kind	<p>226.</p> <p>(a) If the Company shall be wound up, whether voluntarily or otherwise, the Liquidator may, with the sanction of a Special Resolution, divide amongst the contributories in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them, as the liquidator, with the like sanction, shall think fit.</p> <p>(b) If thought expedient any such division may subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributions (except where unalterably fixed by the Memorandum of Association and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories, shall be determined on any contributory who would be prejudicial thereby shall have a right to dissent and ancillary rights as if such determination were a Special Resolution passed pursuant to Section 494 of the Act.</p> <p>(c) In case any Shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said Shares may within ten days after the passing of the Special Resolution by notice in writing direct</p>

	the Liquidator to sell his proportion and pay him the net proceeds and the Liquidator shall, if practicable act accordingly.
Right of shareholders in case of sale	227. A Special Resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any Shares or other consideration receivable by the liquidator be distributed against the Members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the Members subject to the rights of dissent and consequential rights conferred by the said sanction.
Directors and others right to indemnity	228. Subject to the provisions of Section 201 of the Act, every Director of officer, or servant of the Company or any person (whether an officer of the Company or not) employed by the Company as Auditor, shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company to pay all costs, charges, losses and damages which any such person may incur or become liable to pay by reason of any contract entered into or any act, deed, matter or thing done, concurred in or omitted to be done by him in any way in or about the execution or discharge of his duties or supposed duties (except such if any as he shall incur or sustain through or by his own wrongful act, neglect or default) including expenses, and in particular and so as not to limit the generality of the foregoing provisions against all liabilities incurred by him as such Director, officer or Auditor or other office of the Company in defending any proceedings whether civil or criminal in which judgment is given in his favour, or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.
Director, officer not responsible for acts of others	229. Subject to the provisions of Section 201 of the Act no Director, Auditor or other officer of the Company shall be liable for the acts, receipts, neglects, or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of the title to any property acquired by order of the Directors for on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested for any loss or damages arising from the insolvency or tortuous act of any person, firm or Company to or with whom any moneys, securities or effects shall be entrusted or deposited or any loss occasioned by any error of judgment, omission, default or oversight on his part or for any other loss, damage, or misfortune whatever shall happen in relation to execution of the duties of his office or in relation thereto unless the same shall happen through his own dishonesty.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of filing of the Draft Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus will be delivered to the Registrar of Companies, Andhra Pradesh for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company located at 6-3-635, 3rd Floor, Akash Ganga, Khairatabad, Hyderabad 500 004, from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of the Draft Red Herring Prospectus until the date of closure of this Issue.

Material Contracts

1. Letter of Engagement dated December 29, 2007 of BRLM and CBRLM offering its services to act in the respective capacities and Company's acceptance thereto.
2. Memorandum of Understanding dated December 29, 2007 between us and the BRLM.
3. Memorandum of Understanding executed by our Company and the Registrar to the Issue dated July 12, 2007.
4. Escrow Agreement dated January 9, 2008 between us, the BRLM, the CBRLM, Syndicate Member and the Registrar to this Issue.
5. Syndicate Agreement dated January 9, 2008 between us, BRLM, CBRLM and the Syndicate Member.
6. Underwriting Agreement dated [•] between us, BRLM, CBRLM and the Syndicate

Material Documents

1. The Memorandum and Articles of Association of our Company, as amended from time to time.
2. Certificate of Incorporation of our Company dated July 11, 1995.
3. Certificate of Commencement of Business dated August 9, 1995.
4. Extraordinary General Meeting resolution dated July 12, 2007 and the resolution of the Board dated June 30, 2007 authorizing this Issue.
5. Resolution of meeting of the members of the Company passed at an EGM held on January 7, 2006 re-appointing Mr. K Narasimha Reddy and Mr. K Jalandhar Reddy respectively as the Managing Director and Executive Director for a period of 5(five) years w.e.f. April 1, 2006.
6. Resolution of meeting of the members of the Company passed at the EGM held on October 20, 2004 re-appointing Mr. J V Panindra Reddy as the Executive Director for a period of 5(five) years w.e.f. September 16, 2004.
7. Resolution of meeting of the members of the Company passed at the EGM of held on September 29, 2006 appointing Mr. M Rajesh Reddy as the Executive Director for a period of 5(five) years w.e.f. May 1, 2006.
8. Copies of the Annual Reports of our Company for the years ended March 31 2003, 2004, 2005, 2006 and 2007.

9. Copy of the tax benefit report dated December 24, 2007 from M/s Sukumar Babu & Co, Chartered Accountants.
10. Copy of Certificate of funds deployment dated December 24, 2007 from M/s Sukumar Babu & Co, Chartered Accountants.
11. Audited Accounts of M/s K Narasimha Reddy & Co. (“partnership firm”) as on March 31, 1997 (at the time of acquiring the assets and liabilities of the said partnership firm by our Company) and Annual Report of our Company for the year ended March 31, 1998.
12. Report of the Statutory Auditors dated December 24, 2007 from M/s Sukumar Babu & Co, Chartered Accountants.
13. Consents of Auditors, Bankers to our Company, BRLM, CBRLM & Syndicate Member, Legal Advisors to this Issue, Directors, Company Secretary & Compliance Officer, Registrar to this Issue and Bankers to this Issue, as referred to, in their respective capacities.
14. Consent of CRISIL Limited, the IPO Grading Agency for the issue for inclusion of their name and report (including grading rationale) in the form and context in which they appear in the Red Herring Prospectus.
15. IPO Grading Report of CRISIL Limited dated December 6, 2007
16. Special Power of Attorney dated August 20, 2007 granted by our Chairman Mr. B V Rama Rao in favour of our Executive Director Mr. M Rajesh Reddy for signing and executing the Draft Red Herring Prospectus.
17. Copy of the Shareholders Funding Agreement dated November 12, 2007 entered into between our Company and Patel Engineering Infrastructures Private Limited in respect of the SPV namely Patel KNR Heavy Infrastructures Private Limited.
18. In-principle applications dated September 26, 2007 and approvals dated October 22, 2007 and November 21, 2007 from BSE and NSE, respectively.
19. Tripartite agreement between the NSDL, our Company and Intime Spectrum Registry Limited dated September 13, 2007.
20. Tripartite agreement between the CDSL, our Company and Intime Spectrum Registry Limited dated August 30, 2007.
21. Due Diligence Certificate dated September 24, 2007 to SEBI from the BRLM.
22. SEBI observation letter no. CFD/DIL/ISSUES/NB/EB/110404/2007 dated December 10, 2007.

Any of the contracts or documents mentioned in the Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

We hereby declare that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992 as the case may be, have been complied with and no statement made in the Red Herring Prospectus is contrary to the provisions of the Companies Acts, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued as the case may be. We further certify that all statements in the Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTOR

Mr. B.V Rama Rao
Chairman (Non-Executive and Independent)

Mr. K. Narasimha Reddy
Managing Director (Executive and Non Independent)

Mr. K. Jalandhar Reddy
Executive Director (Executive and Non Independent)

Mr. J.V Panindra Reddy
Executive Director (Executive and Non Independent)

Mr. M. Rajesh Reddy
Executive Director (Executive and Non Independent)

Mr. L.B Reddy
Director (Independent)

Mr.D Ramaiah
Director (Independent)

Mr. JS R Chandra Mouli
Director (Independent)

SIGNED BY THE ASSISTANT GENERAL MANAGER - FINANCE

Mr. G Sravana Kumar

SIGNED BY THE COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. M.V Venkata Rao

Date: January 14, 2008
Place: Hyderabad